CULTURE, POVERTY, AND NECESSITY ENTREPRENEURSHIP:

THE ACADEMY FOR CREATING ENTERPRISE

MEXICO AND THE PHILIPPINES

A Dissertation

by

JEREMI BRAD BREWER

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 2012

Major Subject: Hispanic Studies

Culture, Poverty, and Necessity Entrepreneurship:

The Academy for Creating Enterprise

Mexico and the Philippines

CULTURE, POVERTY, AND NECESSITY ENTREPRENEURSHIP:

THE ACADEMY FOR CREATING ENTERPRISE

MEXICO AND THE PHILIPPINES

A Dissertation

by

JEREMI BRAD BREWER

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

Approved by:

Chair of Committee,	Hilaire Kallendorf
Committee Members,	Stephen Miller
	Alain Lawo-Sukam
	Verónica Loureiro-Rodríguez
	Jamis Perrett
	David Leatham
Head of Department,	Albertor Moreiras

May 2012

Major Subject: Hispanic Studies

ABSTRACT

Culture, Poverty, and Necessity Entrepreneurship: The Academy for Creating Enterprise

Mexico and the Philippines. (May 2012)

Jeremi Brad Brewer, B.A., Brigham Young University—Hawaii

Chair of Advisory Committee: Dr. Hilaire Kallendorf

This dissertation demonstrates how ACE has successfully equipped thousands of poor Filipinos with the tools necessary for them to raise themselves out of poverty by offering them a culture-specific curriculum that they can implement in their businesses. Furthermore, it will be argued that ACE's culture-specific curriculum could theoretically be applied in Mexico, where the "culture of poverty" exists in abundance.

DEDICATION

To my wife, Rebecca, you have always been my greatest cheerleader and world-traveling companion. I love you more than anything I know. TIP.

To my friends and mentors, Stephen and Bette Gibson, the founders of the Academy for Creating Enterprise—thank you for helping my dreams become reality.

To my parents, Louis and Darci Brewer—thanks for breaking the culture of poverty from which you came.

To that fourteen-year-old boy that I see in the mirror every morning I wake up: keep believing, *voz propia.*

To everyone who said this dissertation would be impossible to achieve before my 30th birthday—it's 2012 and I just turned 27: *nací para romper paradigmas...*

To my children: I love you.

ACKNOWLEDGEMENTS

I must thank my committee chair, Dr. Hilaire Kallendorf, for her guidance and support throughout the course of this research. Had it not been for your support, confidence, and constant care, this dissertation would have been mediocre. Thank you, Dr. Kallendorf, for being the professor that made all the difference. You are certainly the *crème de la crème*.

I also must thank my entire committee. Each of you played an incredibly important part in making this dissertation happen. Thank you for your constant support and mentorship.

I wish to thank Lawrence Harrison and his *voz propia.*

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

CHAPTER I

INTRODUCTION

Introduction to the Study

Oscar Lewis (1959) used the "culture of poverty" thesis to explain that *culture* can make almost all the difference when it comes to the economic progress or failure of an individual. Lawrence Harrison (2000) demonstrates that the same is also true of nations. Yet, since the debut of Oscar Lewis' "culture of poverty" thesis in 1959 the general public has been divided on the role culture plays in the economic advancement or collapse of both individuals and nations. Nevertheless, because of Lewis' stalwart position on culture and poverty, Harrison has been able to establish empirically the direct relationship that exists between culture and poverty by building on the embedded structure found within the "culture of poverty" thesis.

The problem faced in academics regarding the "culture of poverty" thesis is the same today as it has been throughout the past fifty years: it remains rejected and disregarded by scholars, politicians, development experts, and cultural relativists who refuse to compare "*cultures"* on the premise that no one culture is better or worse than another. Sadly, this anti-cultural approach to understanding poverty comes at a great cost to the poor because each decade that the "culture of poverty" thesis remains a plague in

_____

This dissertation follows the style of *Comparative Drama*.

academics and politics, poverty levels rise around the world. Fortunately, I shall argue, the detractors and critics of the "culture of poverty" thesis are wrong.

With poverty levels rising worldwide over the past five decades, the poor have been left alone to create their own coping mechanism to survive. One of the most prevalent "solutions" (coping mechanisms) found in underdeveloped countries is what I refer to as necessity entrepreneurship. Necessity entrepreneurship is very different from opportunity entrepreneurship found in developed nations in that necessity entrepreneurs are primarily the poor who have launched their small businesses because they have no other viable option to make a living. Thus, necessity entrepreneurs are literally pushed into entrepreneurship, forced to find a way simply to stay alive.

There are tens of millions of necessity entrepreneurs throughout the world, but they are found predominantly in underdeveloped nations. The necessity entrepreneur normally uses an income-generating activity (IGA) to peddle products or services in the streets. These necessity entrepreneurs are the primary subjects of this dissertation and serve as a platform to demonstrate that *culture does make almost all the difference* regarding economic prosperity or failure, at both the individual and national levels.

The intention of this dissertation, therefore, is to explore the claim that *culture* must be considered a viable factor in the question of why certain families and nations remain in chronic poverty while others do not. Most importantly, this dissertation will illustrate that there are positive consequences that result when *culture* is accepted as a legitimate explanation of increasing poverty levels.

The primary research objectives of this dissertation are to:

- Establish that both Oscar Lewis' "culture of poverty" thesis and Lawrence Harrison's "25 Typologies of Progress-Prone and Progress-Resistant Cultures," though written decades apart, offer a valid explanation as to why some individuals and nations suffer generational poverty, while other individuals and nations enjoy prosperity.

- Demonstrate that the Academy for Creating Enterprise (ACE) curriculum based on 25 Rules of Thumb is successful because it accepts the "culture of poverty" and "progress-prone/progress-resistant culture" theses.

- Argue that the culturally-based curriculum that has been implemented by ACE in Cebu, the Philippines could be successfully replicated in Mexico based on the commonalities shared by both nations.

- Fill the current void found in the literature by offering a succinct definition and use of *necessity entrepreneurship* (NE), which will serve as a concrete term that other researchers can use in their future publications. The terms "necessity entrepreneur" or "necessity entrepreneurship" have seldom been employed to characterize the epidemic that continues to impact the lives of millions of the poor, globally.

Definition of Terms

Culture[1]

For the purposes of the present study, "culture" will be defined as Harrison

(2006) puts it:

Culture is the body of values, beliefs, and attitudes that members of a society

share; values, beliefs, and attitudes shaped chiefly by environment, religion, and

the vagaries of history that are passed on from generation to generation chiefly

through child rearing practices, religious practice, the education system, the

media, and peer relationships.[2]

Additionally, while cultural relativists do not condone a hierarchical comparison of

cultures—with one being "better" than another—they cannot refute that some cultures

lend themselves to a better economic situation than others and they cannot rebut the

following synopsis offered by Harrison (2006):

Life is better than death.

Health is better than sickness.

Liberty is better than slavery.

Prosperity is better than poverty.

Education is better than ignorance.

---

[1] There is no single definition of the term "culture" that has been agreed upon by researchers in academics. Consequently, there are multi-faceted understandings of what "culture" *is* and what "culture" *is not*. This specific ambiguity is what led to several heated debates between the author of this dissertation and the former departmental graduate advisor—whose approval was required for this project to take place. Fortunately for the author, there exists enough literature and evidence that "culture" is much more than the concept of "high culture," held by the graduate advisor, which consists of art, music, and literature.

[2] Lawrence Harrison. "Introduction" in *Culture Matters: How Values Shape Human Progress,* ed. Lawrence Harrison and Samuel Huntington (New York: Basic Books, 2000), 4.

Justice is better than injustice.[3]

When cultural relativism and theory are set aside and focus is placed on the present reality of poverty throughout the world, what Harrison describes above reflects perfectly the intention of this dissertation: an inescapable fact is that some cultures are certainly better than others when it comes to providing clean water, better health care, liberty, prosperity, education, and justice.

Culture of Poverty

Oscar Lewis originally defined the "culture of poverty" when he published his book, *Five Families: Mexican Case Studies in the Culture of Poverty*. In the definition Lewis employed more than 70 characteristics and traits (see Chapter II for full list of traits). For the purposes of this dissertation, however, the "culture of poverty" will be shortened into the following succinct definition: The "culture of poverty" is the *modus operandi* of the chronically poor that, when followed, produces poverty. It is the system of beliefs of the chronically poor—comprised of their attitudes, habits, customs, traditions, time orientation, and day-to-day actions. This lifestyle is taught generationally and primarily among family members.

Situational Poverty and Chronic Poverty[4]

Situational poverty is the direct result of unexpected events, such as natural disasters, uncontrolled epidemics or infirmities, or any other unmanageable incident that

---

[3] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It from Itself* (New York: Oxford University Press, 2006), 9.

[4] For the purposes of this dissertation the terms *generationally poor* and *chronically poor* are interchangeable. They both allude to the reality that individuals (families) and nations remain in a constant state of poverty wherein they do not progress toward economic prosperity. They both maintain that the attitudes and customs manifested in chronic and generational poverty are passed on primarily through family lines.

puts an individual or a family in poverty for a period of time. Chronic poverty, conversely, is the direct result of the values, norms, habits, belief systems, world-view, and even religious affiliations which continually perpetuate poverty among individuals, families, or nations. The primary difference between the two types of poverty, then, is the amount of time an individual (family or nation) remains in poverty—with situational poverty being a short, periodic poverty and chronic poverty being passed on generationally.

Economic Culture

Porter (2000) coined the term "economic culture" in his paper "Attitudes, Values, Beliefs, and the Microeconomics of Prosperity." In this paper Porter evaluates the role of economic progress in the lives of individuals and nations. He defines "economic culture" as "the beliefs, attitudes, and values that bear on the economic activities of individuals, organizations, and other institutions."[5] Regarding economic progress or failure Porter adds: "the role of culture in economic progress is unquestioned[;] [however], interpreting this role in the context of other influences and isolating the independent influence of culture is challenging."[6]

Culture of Success

In this paper the definition of "the culture of success" will be employed as prescribed by the Academy for Creating Enterprise. According to ACE the "culture of success" is achieved when the norms, habits, and customs that lead toward economic

---

[5] Michael Porter. "Attitudes, Values, Beliefs, and the Microeconomics of Prosperity" in *Culture Matters: How Values Shape Human Progress,* ed. Lawrence Harrison and Samuel Huntington, (New York: Basic Books, 2000), 219.
[6] Ibid., p. 229.

success are implemented and followed, specifically in business. What the "culture of

success" is *not* is American culture.

Necessity Entrepreneurs[7]

Necessity entrepreneurs (NEs) are individuals who have used entrepreneurship as

a coping mechanism to survive in their countries because their surrounding

environments offer no better alternatives for them to generate steady income. It is

understood that these individuals are "pushed" into entrepreneurship, and therefore, they

tend to lack the required business administration know-how to allow them to launch and

grow a profitable business. The latter portion of the definition is critical when it comes

to understanding the realities of the NEs who abound in underdeveloped nations.

Underdeveloped/Underdeveloping[8] Nations vs Developing Nations

The term "underdeveloped" is intentionally used in this dissertation. It

demonstrates stagnation, whereas the term "developing" implies *progress* and

---

[7] The use of the term "necessity entrepreneurship" has seen very little light in academic contexts. Cowling and Bygrave (2004) offer a definition of "Necessity TEA" (total entrepreneurial activity) that introduces "necessity entrepreneurs" as: "those individuals pushed into entrepreneurship because they have no better alternatives to generate income." S. Muñoz (2010) uses the term "micro-enterprisers" to define "a multitude of hungry and unemployed entrepreneurs coming up with inventive business models to feed themselves and their families," yet he neglects to mention that the majority of these entrepreneurs lack the skills and business know-how to operate and grow their small businesses. It is crucial to mention that the majority of these entrepreneurs fail to produce profitable businesses because 1) they simply do not know how to do it, and 2) they transfer their macro-cultural paradigms into businesses (e.g. not charging family members for services/products). Consequently, the small businesses of the "micro-enterprisers" cannot produce profit and their operators—the necessity entrepreneurs—continue in poverty, surviving day-to-day.

[8] Philip B. Smith and Manfred Max-Neef write in *Economics Unmasked: From Power and Greed to Compassion and the Common Good* of a new category of nation categorized as "underdeveloping." Their premise is that a nation (i.e. the United States) continues to make decisions that help 1% of the country while the remaining 99% suffer catastrophic challenges, ultimately increasing the levels of poverty. The same is true of nations around the world where poverty is growing year after year. That is to say, they make decisions—many times based on culture—that ultimately increase the levels of poverty in their nations.

improvement. Far too many nations that are referred to as "developing countries" (i.e. Mexico, Cuba) actually remain *under*developed because they refuse to make the cultural changes that would move them into a *progressive* state of development. The term "developing nation" implies that the nation is improving or making progress. Many which are categorized as developing nations are not improving and continue to remain in poverty, while other nations have successfully moved from the *under*developed category to the *developing* category and have finally ended up in the developed nations category (i.e. South Korea, Singapore). Perhaps the term "underdeveloping" would more accurately describe the realities of the nations that are described as "developing" because the nations and cultures in those nations are making choices that are continuing to underdevelop their nation.

Income-Generating Activity (IGA)

An income-generating activity (IGA) is any activity in which an individual engages to help create some sort of income. IGAs are usually not legally represented and are predominantly managed by a single individual. IGAs tend to form part of the informal economy. Examples of IGAs could be peddling shoes, food, clothes, perfumes or services.

Micro-Enterprise

A micro-enterprise is considered an income-generating entity (or small business). Micro-enterprises tend to have less than ten employees (with less than five employees being even more common) and gross sales of under $25,000 USD a year. A micro-

enterprise does not necessarily need to be legally registered and can form part of either the formal or informal economy.

Structure of Dissertation

Chapter II provides an extensive and in-depth literature review of the two primary schools of thought that emerged regarding the acceptability of Oscar Lewis' "culture of poverty" thesis. At the end of the chapter a summary of the rejection of the "culture of poverty" will be offered, along with a critique of the pitfalls of the arguments made by those who reject the "culture of poverty" thesis.

Chapter III examines the manner in which the "culture of poverty" thesis has inspired the Culture Matters Research Project, directed by Lawrence Harrison and conducted at the Fletcher School of Law & Diplomacy at Tufts University.

Chapter IV demonstrates the common denominators that exist between Lewis' "culture of poverty" thesis and Harrison's 25 progress-prone and progress-resistant typologies. A primary function of this chapter is to set the stage for Chapter IV. Chapter V introduces and overviews the curriculum of the Academy for Creating Enterprise (ACE). Additionally, it demonstrates ACE has successfully created and implemented a curriculum that has impacted and improved the lives of thousands of necessity entrepreneurs. An overview of the 25 Rules of Thumb is also provided.

Chapter VI demonstrates the results achieved by the curriculum taught at the Academy for Creating Enterprise (ACE) in the Philippines. Chapter VII offers a conclusion to the four primary objectives stated in the Introduction of this dissertation, in that some cultures are indeed "better" than other cultures when it comes to economic

prosperity. Additionally, this chapter will argue in support of the research agendas

offered by Oscar Lewis and Lawrence Harrison, to legitimize a comparison between the

Philippines and Mexico by using the "culture of poverty" thesis. The comparisons are

drawn based upon the histories, religions, levels of education, levels of poverty, and

prevalence of necessity entrepreneurs in both nations.

CHAPTER II

A REVIEW OF OSCAR LEWIS AND THE "CULTURE OF POVERTY"

Introduction

This chapter is divided into five sections. Section I provides an overview of the life and accomplishments of Oscar Lewis. Section II offers an in-depth review of the literature on the "culture of poverty" thesis. Section III portrays the negative reaction of academics (the critics) in several fields of studying regarding the "culture of poverty" thesis. Section IV demonstrates the positive reaction (the supporters) of the "culture of poverty" thesis. Section V is the conclusion of this chapter.

Oscar Lewis: An Overview

The anthropologist Oscar Lewis entered the academic scene when he published his Columbia University doctoral thesis in 1942. His dissertation outlined and demonstrated the social impact that white contact had on Native American tribes living on reservations in the United States, specifically the Blackfeet. A year after his dissertation was published, Lewis was assigned to serve as a U.S. representative of the Interamerican Indian Institute and was relocated to Mexico. He began field work in Tepoztlán, Morelos, Mexico—a country where he would eventually spend several decades researching peasant societies and the economically disadvantaged. Yet, Lewis did not only study the poor in Mexico. He also spent many years in several South American countries, as well as in Cuba, Puerto Rico, India, and several states in the

United States. Without a doubt, the relationship between culture and poverty was Lewis' top research priority.

Lewis became (in)famous in the late 1950s and early 1960s as a result of his "culture of poverty" thesis—a thesis that was shaped by Lewis as he lived among the poor in Mexico and observed their day-to-day habits, decisions, and actions. The "culture of poverty" thesis was first published in Lewis' 1959 anthropological ethnography, *Five Families: Mexican Case Studies in the Culture of Poverty*. Then, in 1965, Lewis reinforced his "culture of poverty" thesis by publishing a subsequent book, *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York* (1965, 1968a). The primary aim of this second publication was to compare and contrast the poor of Mexico with the poor living in Puerto Rico. Lewis hypothesized that a "culture of poverty" was shared by many of the poor around the world, despite geography or language. Therefore, Lewis believed that if he could correlate and match the day-to-day decisions, habits, beliefs, and actions of the poor in Mexico with the poor in Puerto Rico, then he could demonstrate his poverty theory. In his publication on poor families in Puerto Rico, Lewis claimed to find exactly that: a shared belief system (or culture) among the poor in Mexico and Puerto Rico, which he defined as a "culture of poverty."

In both of these publications, Lewis defined the "culture of poverty" by allotting more than 70 characteristics that indicated what he considered to be a generational culture of poverty. In *Five Families: Mexican Case Studies in the Culture of Poverty* Lewis writes:

The people in the culture of poverty have a strong feeling of marginality, of helplessness, of dependency, of not belonging. They are like aliens in their own country, convinced that the existing institutions do not serve their interests and needs. Along with this feeling of powerlessness is a widespread feeling of inferiority, of personal unworthiness. This is true of the slum dwellers of Mexico City, who do not constitute a distinct ethnic or racial group and do not suffer from racial discrimination. In the United States the culture of poverty that exists in the Negroes has the additional disadvantage of racial discrimination. People with a culture of poverty have very little sense of history. They are a marginal people who know only their own troubles, their own local conditions, their own neighborhood, their own way of life. Usually, they have neither the knowledge, the vision, nor the ideology to see the similarities between their problems and those of others like themselves elsewhere in the world. In other words, they are not class conscious, although they are very sensitive indeed to status distinctions. When the poor become class conscious or members of trade union organizations, or when they adopt an internationalist outlook on the world they are, in my view, no longer part of the culture of poverty although they may still be desperately poor.[9]

In his second ethnography, *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York* (1966) (1965, 1968), Lewis offered a second definition of the "culture of poverty":

---

[9] Oscar Lewis, *Five Families: Mexican Case Studies in the Culture of Poverty* (New York: Basic Books, 1959), xvi.

The culture of poverty constitutes a "design for living" that is passed on from one

generation to the next. Individuals feel marginalized, helpless and inferior, and

adopt an attitude of living for the present. They are fatalistic. Families are

characterized by high divorce rates, with mothers and children abandoned; they

become matrifocal families headed by women. People adopting this culture of

poverty do not participate in community life or join political parties; they make

little use of banks, hospitals and the like.[10]

This second definition of the "culture of poverty" is more concise than what Lewis

offered in his first book, which ultimately provides the reader with a clearer

understanding of what the "culture of poverty" theory means.

For the purposes of this dissertation the "culture of poverty" has been condensed

into the following succinct definition:

The "culture of poverty" is the *modus operandi* of the chronically poor that,

when followed, produces poverty. It is the system of beliefs of the chronically

poor—comprised of their attitudes, habits, customs, traditions, time orientation,

and day-to-day actions. This lifestyle is taught generationally and primarily

among family members.[11]

The "culture of poverty" thesis proposes several sobering assertions regarding

the *economically poor*:[12] (1) the poor need to be understood so that they can be helped,

---

[10] Oscar Lewis, *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York*. (New York: Random House, 1966), xviii.

[11] For the purposes of this dissertation the terms *generationally poor* and *chronically poor* are interchangeable.

[12] The phrase *economically poor* is used here to help define the poverty of the people in question as directly linked to their socio-economic position in society and not their heritage, skin color, etc. These

(2) a culture of the poor is inculcated generationally through family lines, (3) it has no geographic or linguistic limitations, and (4) there is a difference between chronic poverty and situational poverty.

Lewis did not try to condemn the poor. Instead, he tried to understand the reasons why the poor were poor. Even the greatest critics of Lewis understood that he was entirely empathetic to those who suffered in poverty. The outcome of Lewis' research was a coined phrase, "culture of poverty," which was nothing more than a categorization of a system of beliefs that he found among the poor. This is why, in Lewis' perspective, the chronically poor of Mexico were similar to the chronically poor of Puerto Rico. His conclusion was that a "culture of poverty" exists among the majority of the economically poor.

Lewis' purpose in understanding poverty was to eradicate it, completely. His methodology in trying to reduce poverty is also completely comprehensible. After tens of thousands of hours living among the poor, Lewis became convinced that culture was the major culprit causing poverty. And, that the major traditions, customs, spending habits, and beliefs were passed down generationally and primarily through family lines:

> [the culture of poverty] tends to perpetuate itself from generation to generation because of its effect on children. By the time slum children are aged six or seven, they have usually absorbed the basic values and attitudes of their subculture and

---

people are often *culturally* rich in terms of traditions, cuisine, art, etc. They take part in the history of the macro-society that is often defined by their history as a people, but they continue in poverty because of the paradigms they implement in their lives.

are not psychologically geared to take full advantage of changing conditions or increased opportunities that may occur in their lifetime.[13]

Here, Lewis proposes that the parents and grandparents who subscribe to the norms, habits, customs, and belief systems found in the "culture of poverty" pass their impoverishing paradigms down to their children and grandchildren generationally. Thus, it would not be surprising to find the young poor already living in a chronic state of poverty. Lewis then mentions that it is primarily in the home where a specific set of cultural structures is passed down. Therefore, provided that most poor live together in generational-style homes, with parents and grandparents raising the same children in many cases, the "culture of poverty" is successively transmitted from one generation to another.

According to Lewis, the "culture of poverty" transcends national borders. Embedded within the "culture of poverty" assumption is that the *chronically* poor of Mexico share the same belief systems, attitudes, customs, and sometimes the same religious values, as do the poor of Brazil, Venezuela, the Philippines, India, and the United States. This is a crucial component to note because of its embedded implications. This is why Lewis believed that the culture of the chronically poor in Mexico correlated directly with the chronically poor of Puerto Rico—hence his case-study-based publications from Mexico, Puerto Rico, Cuba, the United States, and even India. Again, Lewis' rationale was simple and effective: if the poor of Mexico resemble the poor of the United States and India, as well as the poor in Cuba, then one must conclude that the

---

[13] Ibid., p. xvii.

poor do, in fact, share a similar base culture comprised of beliefs, attitudes, customs, and traditions. This *base culture,* in turn, is the "culture of poverty."

While Lewis did believe that the poor around the world share common attributes and belief systems—or a "culture of poverty"—he most certainly did not use the "culture of poverty" thesis to over-generalize that the hundreds of millions of people living in poverty were identical. Instead, Lewis makes an unambiguous distinction between *situational* poverty and *chronic* poverty. For Lewis, *situational poverty* is the direct result of unexpected events, such as natural disasters, uncontrolled epidemics or infirmities, or any other unmanageable incident that puts an individual or a family in poverty for a period of time. *Chronic poverty,* conversely, is the direct result of the values, norms, habits, belief systems, world-view, and even religious affiliations, which continually perpetuate poverty among individuals, families, or nations. The primary difference between the two types of poverty, then, is the amount of time an individual (or family or nation) remains in poverty—with situational poverty being a short, periodic poverty, and chronic poverty being passed on generationally. For Lewis, solving generational poverty was a top priority. He saw it as a plague that could be solved by changing deeply rooted cultural patterns.

Defending the "Culture of Poverty": The Roots of the Theory

One must emphasize that Lewis' "culture of poverty" theory is not a sterile creation. That is to say, it was not created while sitting in a university library reading about the poor. Lewis created the "culture of poverty" thesis after having spent decades in the field researching and living among the poor in their *vecindarios* (slums), speaking

their language fluently, and observing intensely their day-to-day actions. His "culture of poverty" thesis was, therefore, based on information collected while living with the people he studied, not from afar.

A quick look at the major publications of Lewis illustrates the intellectual depth and breadth he possessed with respect to Latin America.[14] In his last book, Lewis was able to compare the poor of India with the poor of Latin America, thus supporting the notion that the poor of all nations shared a "culture of poverty."

Review of the Literature: Impact, Reaction, and Reach

Oscar Lewis' "culture of poverty" thesis never went unnoticed, nor was it left untested. Once published it blazed like a wildfire through the public, private, and academic sectors to the forefront of national attention, especially when President Lyndon B. Johnson virtually syndicated the "culture of poverty" by using it as a fundamental foundation for his "War on Poverty" initiative of 1964—an initiative primarily influenced by Daniel Patrick Moynihan's renowned 1965 position paper, *The Negro Family: The Case for National Action,* more commonly referred to as *The Moynihan Report*. And, as is the case any time a politician takes a stance on an issue, the "culture of poverty" was immediately sentenced to harsh public criticism, with speculations and attacks published in magazines and newspapers around the nation.

---

[14] Oscar Lewis, "The Effects of White Contact upon the Blackfoot Indians," (PhD diss., Columbia University, 1942); *Life in a Mexican Village: Tepoztlan Restudied*, 1951; *Village Life in Northern India*, 1958; *Five Families: Mexican Case Studies in the Culture of Poverty*, 1959; *The Children of Sanchez*, 1961; *Pedro Martinez, A Mexican Peasant and His Family*, 1964; *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York*, 1966; *A Death in the Sanchez Family,* 1969; *Anthropological Essays*, 1970.

In this literature review, a summary of the two primary camps of thought that grew out of Oscar Lewis' "culture of poverty" thesis will be presented in two sections.[15] In *Section I: Critics,* the researchers who objected to the "culture of poverty" will be identified and an overview of their arguments and criticism shared. In *Section II: Supporters,* the researchers who supported the "culture of poverty" thesis are identified, as well as an overview of their arguments sustaining Lewis' findings. Additionally, Section I and Section II are divided into sub-categories, which are the disciplines where literature has been published in response to the "culture of poverty" thesis. These categories are anthropology, sociology, history, psychology, and economics. The intention of this sub-categorization is to help demonstrate the extensive ricochet that the "culture of poverty" thesis caused throughout numerous academic disciplines. Along with each sub-category, the reader will find that the years of each publication have been aggregated to the name of the author. This is done to help demonstrate the several decades over which the debate about the "culture of poverty" has raged.

Section I: Critics

While President Johnson wholeheartedly accepted Oscar Lewis' "culture of poverty" theory, it was almost completely rejected in the academic world. A review of the literature reveals the stark contrast that occurred between politics and academics, with an immediate and overwhelming number of researchers publishing *against* the "culture of poverty" and few researchers coming out *in support* of it. A quick glance at

---

[15] The term *camps* is employed purposefully here because it most adequately represents the blistering battles that occurred between the leftists and the conservatives regarding the "culture of poverty" thesis.

the literature published on the "culture of poverty" thesis reveals to what extent it was met with opposition.

Each of the publications produced by these researchers was full of critiques, attacks, questions, and concerns. Each publication was replete with severe reservations regarding both Lewis' efficacy as a researcher and his thesis of a "poverty culture." Each publication against the "culture of poverty" was intended more to defame any possible legitimacy of the thesis than anything else. The majority of the critics claimed that their own research did not provide any type of support for the "culture of poverty" theory. A brief overview of their publications demonstrates how these researchers considered Lewis' theory to be nothing more than an ethnocentric, middle-class white man blaming the victim. The following pages offer a synopsis of the researchers who have opposed the "culture of poverty" theory over the past five decades.

Anthropology

Elliot Liebow: 1966. In *Tally's Corner*, Liebow sustains Hylan Lewis' opinions and research observations. Elliot Liebow, who researched the life and culture of Blacks in the United States, was primarily concerned with the lifestyle of "street-corner men." In *Tally's Corner* Liebow contends that the *habits* of members of this group, such as blowing money on a weekend of drinking, are (as H. Lewis suggests) *reactions* to the knowledge of their situation. Liebow expresses his opinions in the following manner:

> As for the future, the young street corner man has a fairly good picture of it…[I]t
> is a future where everything is uncertain except the ultimate destruction of his
> hopes…[T]he most he can reasonably look forward to is that things do not come

too soon…[T]hus when [he] squanders a weeks' pay in two days it is not because, like an animal or a child, he is "present time oriented'…[H]e does so because he is aware of the future and the hopelessness of it all… To stay married is to live with your failure, to be confronted with it day in and day out. It is to live in a world whose standards of manliness are forever beyond one's reach.[16]

Here Liebow uses the *victim mentality* as a viable reason for high indexes of poverty, thus justifying the elevated levels of poverty in the slums of inner cities in the United States, and ultimately denying the validity of a "culture of poverty."

Charles Valentine: 1968. Charles Valentine, author of *Culture and Poverty: Critique and Counter-Proposals*, also expressed staunch opposition to the "culture of poverty" thesis. His chief foci of study were the low-income black Americans who lived in the ghettos and slums of the United States. Valentine suggested that it is in the ghettos of the United States "where a culture of poverty, if real, would surely exist."[17] However, Valentine claimed not to find substantial evidence of any type of poverty culture as described by Oscar Lewis and concluded that "*[an] apathetic resignation does indeed exist,* but it is by no means the dominant theme of the community."[18]

Valentine continued to oppose and critique Lewis' "culture of poverty" thesis vigorously when he stated, "The concept of culture is the entire way of life followed by a people and we can't attribute poverty to specific characteristics…*because the values and*

---

[16] Elliot Liebow, *Tally's Corner: A Study of Negro Streetcorner Men* (Lanham: Rowman & Littlefield Publishers, 1969), 40-42.

[17] Charles Valentine, *Culture and Poverty: Critique and Counter-Proposals* (Chicago: University of Chicago Press, 1968), 17.

[18] Ibid., 19 (emphasis added). The apparent disassociation between formulation and data is the premise of Valentine's critique of Lewis.

standards of a cultural system are not simply manifested straightforwardly on the surface of everyday life."[19] For Valentine, the implication that the poor would remain poor even if the laws of a nation were changed was an argument too heavy to handle, for it apparently doomed the poor to never-ending poverty. In other words, the accusation that the poor are poor because of their culture implied that the government could do very little through a top-down approach to help the poor improve their lives.

One of the recurring themes found in Valentine's responses to, or *critiques* of, the "culture of poverty" had much more to do with the manner in which Lewis elicited his data than with the theory itself. A review of Valentine's primary opposition to Lewis illustrates an interesting fact: his complaints were not founded upon the theory of a "culture of poverty" itself, but rather on the methods used by Lewis in the course of his research. Many other researchers share Valentine's opinion and have criticized Lewis' inappropriate and inaccurate procedures of data collection. In fact, this may be one of the leading criticisms published regarding Lewis' "culture of poverty" theory.

Ulf Hannerz: 1969. The Swedish anthropologist Ulf Hannerz, whose research covered Blacks living in the inner cities of the United States, also rejected the "culture of poverty" thesis. His research echoes the work reported previously by Liebow. In his book, *Soulside,* Hannerz shares first-hand accounts he heard while living among the poor in the inner cities of Washington, D.C.: "Soul" *is* black. The black people of America's inner cities… "Soul" is said to be the essence of their blackness, shaped by their experience and expressed in their everyday life. "Soulside" then may be as good a name

---

[19] Ibid., pp. 3, 7 (emphasis added).

as any for the black side of town… "Ghetto" is commonly used as an anti-euphemism for the same area in a Northern U.S. city which some prefer to call "inner city" and others still call "slum."[20]

Hannerz also argues that if the situational forces were removed, there could be a cultural lag, making the poor resistant to changes in culture. He states that "[the] model of masculinity [present in "Soulside"] *could constitute a barrier to change*," which supports the self-perpetuating component found in Lewis' description of the "culture of poverty."[21] Yet ironically, this statement in many ways supports the "culture of poverty" claim made by Lewis, in that the poor live by a code of conduct that remains the same *even if the nation or state regulations change in favor of the poor.*

Eleanor Burke Leacock: 1971. In response to Oscar Lewis' "culture of poverty" theory, cultural anthropologist, Eleanor Leacock did all she could to combat the momentous waves of political popularity it generated. Part of her rebuttal appears in her colloquium *The Culture of Poverty: A Critique*, a conference proposed and sponsored by Leacock in Pennsylvania. To this colloquium Leacock only invited scholars who regarded the "culture of poverty" thesis as "cheesecake," or an idea that "blamed the victims."[22] In her own words, Leacock stated:

> The term "culture" is used by Oscar Lewis as a thin veil for the expressions of
> the most vulgar stereotypes that focus on a negative, distorted, and truncated
> view of a cultural whole…that contributes to the distorted characterizations of

---

[20] Ulf Hannerz, *Soulside: Inquiries Into Ghetto Culture and Community* (New York: Columbia University Press, 1969), 12.
[21] Ibid., pp 193-194 (emphasis added).
[22] William Ryan, *Blaming the Victim* (New York: Pantheon 1971), 22.

the poor… their close and intimate family ties…[T]herefore the existence of a culture of poverty is essentially un-testable.[23]

Apparently, Leacock considered Lewis' "culture of poverty" thesis as an attack on the poor, instead of the unbiased, ethnographic description that it was.

Speaking on behalf of her camp, Leacock then continues her scorching response regarding Lewis and his school of supporters: "All [of us], however, share the concern that a too hastily conceived concept of a 'poverty culture' has been widely applied and misused; and all share a professional commitment to making clear the scientific, political and ethical issues involved."[24] Leacock's words present the reader with what may be the root of her distain for the "culture of poverty" theory: it was accepted so quickly by science and policy makers that there was no time for a reaction from the opposition before it impacted education (schools) and welfare laws.

Again, Leacock was a fierce opponent of Lewis' theory. However, in her arguments and those of her colleagues, there are few explanations offered about why generational (chronic) poverty pervades in family lines, for decades, in specific countries. In fact, instead of explanations or possible solutions to help reduce poverty levels, Leacock and those of her school tend to launch personal attacks on Lewis and his research techniques.

Anthony Leeds: 1971. Leeds begins his 25-page dispute with Lewis' "culture of poverty" thesis by categorizing the major "failures" presented therein. While he does

---

[23] Ealanor Leacock, *The Culture of Poverty: A Critique* (New York: Simon and Schuster, 1971), 10-12.

[24] Ibid., p. 13.

observe the minute detail provided in Lewis' ethnographies, Leeds is left dissatisfied and unconvinced of the scientific validity of a "culture of poverty." He writes:

> The concept of the "culture of poverty" poses a number of problems for the anthropological analyst. These issues are theoretical-conceptual, methodological, substantive, and ethical-civic…That Oscar Lewis has failed with respect to all of these issues is the subject of this paper.[25]

Leeds then proceeds with a nearly three-page-section entitled "Conceptual Problems: 'Culture,' 'Society,' 'Trait,' 'the Poor,' 'the Slum,' and Other Terms", wherein he explains the "appropriate" uses of these terms (according to him). In this same section Leeds claims that Oscar Lewis failed to adhere to the rules and guidelines of science when he defined his group of study—which were the poor.[26]

Above all, Leeds' specific criticism about the "culture of poverty" thesis is how Lewis defines culture:

> Lewis of course came of anthropological age during the time that a trait approach to culture was in its heyday. Lewis's subdivision of [the culture of poverty]…is described only by a trait list, resting on that trait treatment of culture which has so venerable a history…[I]t is quite clear in Lewis's writings that he conceives the "culture of poverty" to be transmitted through a social system or subsystem. Specifically, he says it is passed down in family lines.[27]

---

[25] Anthony Leeds, "The Concept of the 'Culture of Poverty': Conceptual, Logical, and Empirical Problems, With Perspectives from Brazil and Peru," in *The Culture of Poverty: A Critique*, ed. E. B. Leacock, (New York: Simon and Schuster, 1971), 117-33, at 118.
[26] Ibid., p. 118.
[27] Ibid., pp. 243-244.

Ultimately, Leeds disagrees with virtually every point made by the "culture of poverty" thesis. He sees no viability in Lewis' "heyday" of "trait" definitions of the poor. Yet, Leeds offers no conclusions, no suggestions, and no opinions on why the generationally poor continue in poverty.

Judith Goode and Edwin Eames: 1996. Midway into the 1990s, Goode and Eames kept the debate of the "culture of poverty" alive. In their study they openly rejected Lewis' "culture of poverty concept" and wrote:

While [Lewis] was a pioneer in the development of the intensive focus on the family unit in the city, and his development of the method of portraying the "typical day" and the life cycles of individuals do much to accentuate the humanistic emphasis of anthropology…[his] "culture of poverty" concept was conceived and presented in an earlier traditional voice…and…it appeared during the watershed period just in time to become a classic example of what not to do…His ethnocentrism shows in his description of the culture of poverty as a thin culture and his equation of the culture of poverty with a "poverty of culture." We argue that the belief in the "culture of poverty' is itself an aspect of the "culture" of ideology of industrial capitalism…an idea which was deeply embedded in modern European and American thought, that poor people had moral flaws which inhibited their escape from poverty.[28]

---

[28] Judith Goode and Edwin Eames, "An Anthropological Critique of the Culture of Poverty," in *Urban life: Readings in urban anthropology,* ed. G. Gmelch and W. Zenner (Long Grove: Waveland Press, 1996), 405-25, at 407-9.

Good and Eames attack and applaud Lewis within the same synopsis. First, they
congratulate Lewis for the advancement, development, and innovation he offered the
discipline of sociology through his ethnographies. Then they scorn him for his
methodology of data collection. Obviously, instead of focusing on what Lewis intended
to demonstrate through his journals and observations, Goode and Eames focus on the
extreme influence the "culture of poverty" thesis had in the political realm and how it
may have offended those in poverty. The authors then conclude their assessment of
Lewis by echoing the words of Hylan Lewis:

> Like the idea of race, the idea of a culture of poverty is an idea that people
> believe, want to believe and perhaps need to believe. . . [It] has significant
> bearing on the. . . pressures and proposals for political and social reorganization
> of American society that are based on the imperatives of class and race.[29]

Sociology

Hylan Lewis: 1959-1969. Between 1959 and 1964, Hylan Lewis was the
director of the *Child Rearing Study for the Health and Welfare Council of Washington,*
D.C. This led to his appointment as co-chair of the family section of the White House
Conference in November of 1965. In the late 1960's, Hylan Lewis became the Senior
Vice President of the Metropolitan Applied Research Center (MARC) in New York
City. MARC was a center for policy-related research and remedies for problems of the
city. Specifically, MARC researched the urban poor, the unemployed, and cases of
discrimination against minorities in foster care, school, and employment. As Senior Vice

---

[29] Hylan Lewis, "Culture of Poverty? What Does It Matter?" in *The Culture of Poverty: A Critique,* ed. Eleanor Leacock (New York: Simon and Schuster, 1971), 345-63, at 347.

President of MARC, Lewis was provided with a prominent and powerful platform to openly oppose and critique the "culture of poverty" thesis, and he did: "Infrequent references are made to people as being. . . 'low down' people, but these are designations of social positions rather than of an existent class group."[30] Here, Hylan Lewis argues that the poor, in fact, share the same values as the rest of society, but their behavior is merely a *response to their perception* of hopelessness in realizing these ideals.

Bennett Berger: 1966. Berger studied the poor of the United States living in the Appalachia region—an area notorious for high levels of generational poverty. Referring to Oscar Lewis' "culture of poverty" thesis, as it applied to the Appalachia region, Berger warned:

> Myths are potent enough to survive evidence; they are not disarmed by understanding. Once myths gain currency. . . they become real and function as self-fulfilling prophecies. We have seen that despite insufficient and contradictory evidence, the theory of the Appalachian poverty culture is most prevalent in the literature. An interactional theory of poverty suggests one possible consequence of this. To the extent that theories of poverty are incorporated by welfare functionaries, educators, employers, and other social actors who have power over the poor, they are involved in this process. As such, our theories become one more factor in the identity maintenance of the poor.[31]

---

[30] Hylan Lewis, *Blackways of Kent* (Columbia, SC: University of South Carolina Press, 1955), 224.

[31] Bennett Berger, "Suburbia and the American Dream," *The Public Interest* 2 (1966), 80-91, at 80.

Thus, upon applying the "culture of poverty" thesis to the poor of Appalachia, Berger equates Lewis' theory to myths that have survived insufficient and contradictory evidence. He concludes that the "culture of poverty" thesis has conditioned the psyche of both the wealthy and the poor into a false standard in that both "classes" maintain that the poor *are* a *certain way*, inevitably trapping them into further, generational poverty. Berger's rationale concurs directly with that of the aforementioned scholars who say that: (a) the poor are conditioned *by exterior* forces to stay poor, which implies that they are (b) unable to determine their own destiny and leave poverty; and ultimately, (c) the poor are victims.

Dwight Billings: 1974. Billings' research is one that did not focus largely on the African American population in the United States. Instead, Billings focused on the poor who lived in the Appalachian region of the Eastern United States, which included a wide array of races. In this article, Billings found that while the Appalachian region is endowed with an abundance of natural resources, poverty has permanently (generationally) pervaded the region: "Appalachia is a land of great natural wealth. Yet, despite its wealth, many of its people are poor—no matter whether income, health, educational attainment, or housing are the criteria."[32] In his attempt to explain empirically the reason for permanent poverty in Appalachia, Billings ultimately concludes:

> The culture of poverty is the most common theory in the literature on poverty
> and Appalachia alike [which was] developed out of the anthropological research

---

[32] Dwight Billings, "Culture and Poverty in Appalachia: A Theoretical Discussion and Empirical Analysis," *Social Forces* 53, no. 2 (December 1974): 315–23.

of Oscar Lewis. . . Our findings suggest that there has been an overemphasis on cultural explanations. Attitudinal characteristics cannot be used to explain the lack of development in the mountain counties surveyed. In the absence of good social history, it is easy to assume the region's isolation and imagine a frontier culture inhibiting social change. But Appalachia is not the medieval society to which concepts borrowed from Tönnies or Redfield are applicable. Much of it, though not the North Carolina Mountains, is integrated with a modern industrial economy through its coal production. From this perspective its poverty is not a consequence of insufficient modernization but the result of a particular kind of economic development and its political consequences. [33]

Unconvinced that attitudinal or culture factors play a role in the economic failure in Appalachia, Billings fails to acknowledge the powerful role that innovation has on the development of a society. One must ask what could happen to regions like Appalachia had they integrated more fully into the modern society where coal has become significantly reduced.

Naomi Camron: 1985. In an effort to try and nullify the "culture of poverty" thesis, Camron intended to undertake an empirical investigation of Lewis' model and the theoretical controversy regarding the causes of poverty perpetuation by applying it to Israel. Among her conclusions, she observes:

---

[33] Data for this study were taken from the 1965 North Carolina Fund Survey of Low-Income Families and Individuals. The sample, respondents from 11,600 families in 31 neighborhoods, was drawn from 20 counties in North Carolina. Interviewers employed a complex scheme of systematic and probability sampling (Research Triangle Institute, 1966). The result was a sample "fairly representative of the general population of North Carolina" (Hofley, 1968; see also Herzog, 1967).

As noted, our database was limited: a small sample at one point in time. Nevertheless, the findings seem to warrant further comment, at least because of their relevance to basic questions of social policy. The study showed that the poverty traits found among poor people in many cultures were also common among Israeli poor, but . . . they did not appear simultaneously in all four spheres of life (individual, familial, communal, and societal).[34]

Thus, while the majority of the poverty traits listed by Lewis were prevalent in the lives of the poor in Israel, Camron discounts the viability of the "culture of poverty" based on her *small sample size* and the fact that the four-part model was not represented in the lives of each participant.

Rachel K. Jones and Ye Luo: 1999. In what may be the most succinct and clear explanation of the "culture of poverty," Jones and Lou examine Lewis' "culture of poverty" model using data from the General Social Survey (GSS). The specific purpose of this study is to examine whether or not impoverished persons exhibit a "culture of poverty" mentality, as well as whether Blacks differ from whites in their attitudes toward employment, family values, and welfare. They begin with the following caveat in the Introduction of their article:

For Lewis (1959, 1969), poverty was a product of the structural inequality inherent in capitalism…with a number of discussions of the culture of poverty overemphasizing the relationship between low income and minority status, suggesting that most poor persons are black…and this has contributed to

---

[34] Naomi Carmon, "Poverty and Culture," *Sociological Perspectives* 28. 4 (1985): 403–18.

racialized perceptions of poverty. Mainstream and conservative discussions of poverty emphasize that cultural factors, such as values and attitudes, are responsible for poverty. However, empirical research confirming that the poor differ along these dimensions is conspicuously absent.[35]

Despite their acknowledgement that Lewis made no claim of race or gender, the ultimate purpose of this research was to compare white poor and non-poor with black poor and non-poor. "When only race and poverty status are taken into account" they write, "the culture of poverty' is supported in two instances: poverty decreases the odds of an individual indicating that learning to work hard is one of the most important qualities a child should acquire, and poverty increases the odds of agreeing that a single mother is capable of raising a child."[36] After admitting that the "culture of poverty" thesis is indeed substantiated in their study, they continue by writing:

> Subsequent analyses revealed that when it comes to valuing a work ethic in their offspring, the effects of poverty pertain to *both whites and Blacks*. However, the *effects of poverty were race-specific for the family values item*. That is, only poor Blacks are more likely to agree that a single mother is capable of raising a child. Because we were able to reject the culture of poverty hypothesis in six of the eight equations and, furthermore, because one instance where we failed to reject the culture of poverty hypothesis was race-specific, we find little support for traditional culture of poverty arguments.[37]

---

[35] Rachel Jones and Ye Luo, "The Culture of Poverty and African-American Culture: An Empirical Assessment," *Sociological Perspectives* 42. 3 (1999): 439–58.
[36] Ibid., 451.
[37] Ibid., 454 (emphasis added).

They persist in rejecting the "culture of poverty" by writing three specific conclusions that they found throughout their data regarding the areas of employment, family values, and dependency. In the employment category they concluded, "Being poor decreases the odds of *indicating that working hard is one of the most important qualities that a child should develop.*"[38] Again, this relationship supports the "culture of poverty" argument, suggesting that poor people are less likely than non-poor individuals to socialize their children to work hard; it is exactly what Oscar Lewis was writing about when he mentioned that mental paradigms are passed down from generation to generation, especially through family lines.

As for the area of family values, the authors of this investigation concluded, "Poor people are more likely than non-poor people to indicate that a single mother can raise a child just as well as a married couple… and Blacks are significantly more likely than whites to indicate that premarital sex is never wrong."[39] Here, again, the findings of Jones and Lou support the conclusions of the "culture of poverty" thesis in that attitudes and values shape the economic progress of individuals.

In the final analysis of their data, Jones and Luo indicate similar findings to Camron's (1985), which ultimately support the "culture of poverty" theory. Regarding dependency, Jones and Luo write, "Even after controlling for standard demographic characteristics, both poor and non-poor Blacks have a greater likelihood of opposing work for welfare."[40] Thus, in their intent to show that the "culture of poverty" is not

---

[38] Ibid., 447 (emphasis added).
[39] Ibid., 450.
[40] Ibid., 452.

related to values, they demonstrate that a race-specific tendency exists regarding work and welfare.

Psychology

William Ryan: 1972. Another staunch critic of the "culture of poverty" thesis was William Ryan. In his book Blaming the Victim, Ryan directly attacks Lewis' "culture of poverty" by titling one of his chapters "The Culture of Poverty Cheesecake," wherein he "refutes the lies we tell ourselves about race, poverty and the poor,"[41] or what he describes as the basic myths and fatal assumptions believed by the general public regarding the poor in the United States, predominantly the poor black population. According to Ryan, there are three myths about poverty in America: (1) Minority children perform poorly in school because they are "culturally deprived' and "socially deprived'; (2) African-Americans are handicapped by a family [culture] and structure that is typically unstable and matriarchal; (3) Poor people suffer from bad health because of ignorance and lack of interest in proper health care.[42]

Good taste or not, Ryan's "Learning to Be Poor: Culture of Poverty Cheesecake" (1971) was more bitter than sweet. In it he declares:

[Lewis'] culture of poverty thesis…is, to me, very disturbing…In fairness, it should be stressed that Lewis' thinking…is quite cautious. He states that by no means all of the world's poor live in the culture of poverty…and that, in the United States, only a small minority of the poor…can be placed within it.[43]

---

[41] William Ryan, *Blaming the Victim* (New York: Pantheon, 1972), back cover of book.
[42] Ibid., back cover of book.
[43] Ibid., 117.

In Ryan's summary of Lewis' research he illustrates his peculiar, yet poignant, perspective regarding Lewis and his "culture of poverty" thesis. Ryan pejoratively parallels the "culture of poverty" thesis to cheesecake, ultimately embodying how he considered the concept of a "lower-class culture" to be more of a joke than anything else.

Political Science

Susan Rigdon: 1988. Susan Ridgon, author of *Arts, Science, and Politics in the Work of Oscar Lewis: The Culture Façade* provides the most in-depth and extensive publication on the life and works of this author. As she writes in the Preface of the book, "What this study offers that no other critique of Lewis' writings has been able to offer is a review of [Lewis'] work by someone who has had access to all of his field materials and professional correspondence. It grew out of my collaboration with Ruth Maslow Lewis."[44] With such open access to everything that Lewis touched, professionally, this publication offers the most comprehensively accurate and detailed descriptions of his publications. Thus, in this single book one is exposed to a complete biographical description of Oscar Lewis and a thorough account of his personal life and field research.

The subtitle of the book, *A Culture Façade*, by itself conveys Rigdon's pejorative perspective regarding Lewis' "culture of poverty" thesis. In the conclusion of her book, Rigdon expresses her opinion regarding Lewis' "culture of poverty" theory, stating:

---

[44] Susan Rigdon, *The Culture Façade: Art, Science, and Politics in the Work of Oscar Lewis* (Urbana: University of Illinois Press, 1988), ix.

The culture of poverty, as it is defined by the trait list, is in itself impossible to analyze because there is…no there, there…. [T]he words are all free-floating, unattached to definition or concrete values. There is no point in trying to make sense of the list because its ambiguities and internal contradictions are too great. One is left simply to admit that it is useless, or to wander forever in a circle that cannot be closed. The publication of the trait list was the nadir of a career filled with outstanding work…[I]t is fair to say that what [Lewis] wanted to know about his informants was—quite simply—everything….He did not, however, have the patience of a Boas or a Benedict to organize, classify, and reflect on his data or to delay generalization or publication….and….I do believe that what Lewis called a culture was not a way of life or an adaptation to a highly specific set of economic conditions handed down along family lines. That small portion of his informants who did share the characteristic clustering of traits did not, I am convinced, acquire it through the agencies of culture… Rather, I believe, these traits were the manifestations of a variety of problems—among them, emotional and mental disorders, alcohol, and other drug addictions, and a variety of illnesses and diseases associated with poverty. The condition of extreme poverty shared by these people sometimes brought them together in communities, "reserved for," or taken over by, social pariahs.[45]

In the end, Rigdon used her book as a response to the "culture of poverty" theory. Its stated goal was to disseminate publicly her dissatisfaction with the notion that the

---

[45] Ibid., 177.

poor have a specific culture. Even though she openly admits "[that] perhaps there is a culture that is shared by some, or even many, of the world's poorest people," she offers no support for Lewis' "culture of poverty" thesis.[46] Her overall dismissal of the "culture of poverty" theory is directed specifically toward the "inappropriate," "non-scientific," and "inaccurate" methodologies used by Lewis to collect data and her opinion that Lewis changed his book titles and research agenda merely to sell more books.

Economics

Hernando de Soto: 2000.[47] Though De Soto does not speak directly about the "culture of poverty," he does speak openly about the role that "culture" plays in the development of national economies. In his book *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else,* he writes:

> Traditional approaches explain poverty as a general defect in the culture; a
> number of academics have even relegated an entire continent (i.e. Africa) to
> poverty because its people have the wrong kind of culture for development…But
> the suggestion that it is culture that explains the success of such diverse places as
> Japan, Switzerland, and California, and culture again that explains the relative

---

[46] Ibid., 179.

[47] De Soto is President of the Institute for Liberty and Democracy (ILD), headquartered in Lima, Peru. He was named one of the five leading Latin American innovators of the century by *Time* magazine in its May 1999 issue on "Leaders for the New Millennium." De Soto played an integral role in the modernization of Peru's economic and political system as President Alberto Fujimori's personal representative and principal adviser. His previous book, *The Other Path*, was a best-seller throughout Latin America and the U.S.

poverty of such equally diverse places as China, Estonia, and Baja California, is worse than inhumane; it is unconvincing.[48]

For De Soto, the fact that a "culture" could improve or destroy the economy of a country is not only erroneous, it is ridiculous. He refuses to accept the cultural explanation and prefers to blame the system, especially the government. He also refuses to accept the undeniable successes of countries such as Singapore and South Korea that have effectively overcome what appeared to be condemning levels of national poverty, and they did so despite being as poor as or poorer than numerous Latin American countries, including Peru.

History

Maurice Isserman: 2000.[49] Maurice Isserman openly refutes the "culture of poverty" in the *New York Times*. Referring to Michael Harrington's review of the "culture of poverty," Isserman writes:

> How relevant does it [the culture of poverty] remain today? As social theory, it is deeply flawed. Harrington's culture-of-poverty thesis was at best ambiguous, at worst an impediment to making the case for what he regarded as the real solution. What remains fresh and vital in "The Other America" is its moral clarity. Harrington argued that Americans should be angry and ashamed to live in

---

[48] *Q&A With Hernando de Soto: The Power of the Poor*, documentary, directed by Hernando de Soto (Thursday, Oct. 8, 2009; Eire, Pennsylvania: Free To Choose Media / PBS, 2009).

[49] Maurice Isserman is a professor of History at Hamilton College and the author of *The Other American: The Life of Michael Harrington* (New York: Public Affairs, 2000). He refutes the "culture of poverty" thesis and writes (June 19, 2009): "Harrington said he would be happy if *The Other America* sold 2,500 copies. Instead, it sold 70,000 within the first year." According to Isserman, among the book's readers, reputedly, was John F. Kennedy, who in the fall of 1963 began thinking about proposing anti-poverty legislation. After Kennedy's assassination, Lyndon Johnson took up the issue, calling in his 1964 State of the Union address for an "unconditional war on poverty."

a rich society in which so many remained poor…The fate of the poor hangs upon

the decision of the better-off. If this anger and shame are not forthcoming,

someone can write a book about the other America a generation from now and it

will be the same or worse. [50]

According to Isserman, the fact that the "culture of poverty" has again resurfaced as a

serious contender to explain poverty is absurd. More importantly, the fact that

researchers have again set the "culture of poverty" at the forefront of their research

agenda is utterly ludicrous.

Conclusion of Section I: Critics

Up to this point, negative reactions to the "culture of poverty" thesis have been

covered extensively. In order to condense the various arguments shared by the

aforementioned authors and provide a synthesized table of what the naysayers actually

believe, an itemized summary of their arguments against the "culture of poverty" thesis

is offered below:

- The "culture of poverty" thesis derives from an ethnocentric, middle-class

    white man who prefers to (**a**) place the blame on the victim instead of placing

    the responsibility on the government and (**b**) does not try to understand the

    poor.

- The "culture of poverty" thesis derives from data that was elicited through

    subpar research standards.

---

[50] Maurice Isserman, "Michael Harrington: Warrior on Poverty", *New York Times* (New York City, NY) Jun. 19, 2009, A1.

- The "culture of poverty" thesis does not accurately represent the poor because it originates from data gathered on the mentally ill, alcoholics, drug addicts, and poor people with other identifiable factors contributing to their condition.

- The term *culture* it too vaguely defined, referring to traits and characteristics that are used to express an all-encompassing explanation of how the poor live their lives.

- Lewis is not clear as to how the "culture of poverty" is created or perpetuated; he only explains that it is a generational sub-system created as a reaction to a macro-culture.

- The "culture of poverty" is a dangerous myth that has influenced too many politicians and injured the poor.

- Culture is not a convincing factor when evaluating the advancements (or underdevelopment) of a nation. It is inhumane to compare cultures.

After reading all the publications covered in this section, it is reasonable to ask a number of questions: Is it inhumane to compare cultures? Is Lewis laying blame on the victim? Is the "culture of poverty" a blunt manifestation of an ethnocentric researcher trying to impose his middle-class values on the rest of society? Is it right to believe that the way some people live is worse than another? Is one belief system (culture) superior to another? Is the government of each nation with high indexes of poverty failing its citizens? Is it the responsibility of the government to feed, clothe, educate, and supply every needful thing to the masses of its country? Can one assume that the generationally

poor remain in poverty because of their belief systems, day-to-day decisions, and habits? Are the poor marginalized, exploited, and underserved because they have no other options? Or, do the poor choose to stay out of contact with the government? Who is to blame? Does culture really impact the economic prosperity of an individual, a family, a community or a nation? These are legitimate and logical questions to ask. However, to come to a conclusion regarding whether or not the "culture of poverty" is a "real thing," one must first turn to the literature and findings that support it. But before continuing to Section II, wherein the researchers that support the "culture of poverty" thesis will be covered, it will be beneficial first to expound upon some of the pitfalls and errors presented in the works of the aforementioned authors.

Observations

To begin with, a major hiccup with the arguments offered by the critics of Lewis is that, while they openly attack the validity of the "culture of poverty" thesis, they refrain from offering solutions to reduce poverty. That is to say, the naysayers who oppose the "culture of poverty" thesis spend more time trying to explain why Lewis was wrong (how he is offensive, ethnocentric, and not politically correct) than in offering viable explanations as to why generational poverty exists in specific families, cities, or nations.

The critics who reject the "culture of poverty" tend to hold the government accountable for desperate levels of inequality and overwhelming levels of poverty in each country. The two main problems with this socialist mentality are (1) the role of the

individual and his/her agency is dismissed completely and (2) little empirical evidence supports the notion that high government involvement produces general prosperity.

There is great danger with placing the bulk of the blame on the government. The *individual* then has no accountability. This tendency supports the idea that there is no correlation between spending habits, work habits, or views on education of the individual and economic prosperity. Basically, what the critics of the culture of poverty are saying is that there is no relationship between economic prosperity and what the citizens of each nation do (or do not do).

As for the second question, "Can the government of each nation truly be *the* problem?": according to those who reject the "culture of poverty" thesis, it must be the government who is limiting, marginalizing, and causing poverty in the lives of the poor. Again, the challenge with this thesis is that the "blame" is only transferred, and there is no accountability. Blame aside, the question remains: who is going to be held accountable, the individual or the State?

An additional weakness in the arguments of the aforementioned scholars is that they are more concerned about political correctness than ending poverty. They are overly consumed with trying not to hurt the feelings of the poor (who tend not to read their articles anyway) that they have neglected to realize, or admit, that poverty has continued to increase in the areas of those nations where values and cultures have remained relatively untouched. For example, throughout Latin America, one of the primary interests of Oscar Lewis, poverty has continued to increase over the past five decades, whereas nations that have changed their world-view and culture to adapt to the modern

world are beginning to prosper, enormously. What, other than culture, could explain the difference?

Section II: Supporters

Section II puts forth the publications of those researchers who supported the "culture of poverty" thesis *directly*.[51] As was done in Section I, the publications of the researchers who support Lewis' thesis will be divided into their respective academic disciplines.

Political Science

Michael Harrington: 1962. Harrington supported the "culture of poverty" thesis, immediately. In his book *The Other America: Poverty in the United States*, Harrington proposed that much of the poverty in the United States was comprised of "a separate culture [and] another nation," which was characterized by "its own way of life." [52] Arguing that most of the Americans suffering in poverty are primarily those individuals who have marginalized themselves, he writes, "One of the most important things about [the poor]…is that the poor are invisible. They are not simply neglected and forgotten as in the old rhetoric of reform; what is much worse, they are not seen."[53]

Continuing his description of the problems of the poor in the United States, Harrington explains:

---

[51] Only the publications that focus specifically on the "culture of poverty" thesis will be mentioned in this section. As for the work of Lawrence Harrison—and most specifically the Culture Matters Research Project—his initiatives, along with the works of those who collaborate with him, are the focal point of Chapter III; their works will not be mentioned in this section.

[52] Michael Harrington. *The Other America: Poverty in the United States* (New York: Touchstone, 1962), 162. In 1999, *Time Magazine* named *The Other America* one of the 10 most influential nonfiction books of the 20th century.

[53] Ibid., 12.

[the poor are those who] lack education and skill, who have bad health, poor

housing, low levels of aspiration and high levels of mental distress. . . . And if

one problem is solved, and the others are left constant, there is little gain. Instead

of relying on a rising tide of affluence to lift all boats…America needed a broad

program of "remedial action" — a comprehensive assault on poverty.[54]

Such a comprehensive assault on poverty could only legitimately take place by

infusing values and attitudes that coincide with economic prosperity. Such values and

attitudes must be taught through the media, public education institutions, and of course,

in the walls of family homes.

Charles Murray: 1984. Charles Murray wrote his seminal book *Losing Ground*

in 1984. His premise was that the government welfare system produced and supported

an underclass system, which is what he called welfare. And, provided that the welfare

system was predominantly comprised of African Americans, the "culture of poverty"

position was again considered a racial attack, not a solution.

For Murray, the welfare system did not enhance productivity; rather, it formed a

higher sense of citizen-government dependency. Murray does not necessarily view the

poor as behaviorally or morally deficient, but rather as rational actors. He claims that

cash assistance creates a disincentive to engage in the private economy, serving only to

foster dependency and enabling the "destitution of the soul." His conclusions regarding

the effects of welfare were that the poor remained poor because they were rewarded for

---

[54] Ibid., 164.

being poor, which ultimately increased crime rates, unwed mothers, and lack of participation in political movements.[55]

Lawrence Mead: 1986. Mead argues that the welfare system is too permissive and does not expect enough out of its beneficiaries, thus creating a culture of dependency. A "lower class" is formed whose permissiveness allows people to take advantage of the system.[56] Eventually, this lack of accountability toward the broader society poisons the poor's notions of self-sufficiency and citizenship. This is the type of conservative theory which tends to posit that full exposure to the realities of the economic market is the best cure to the poverty problem, a situation many today see as caused by the welfare system. What is more, Murray and Mead argue that the welfare system contributes to family disintegration by creating incentives for single mothers to remain single or even divorce.

Sociology

D. Patrick Moynihan: 1965. Patrick Moynihan was a believer that the "culture of poverty" is real. And, while Oscar Lewis first coined the "culture of poverty," it was internationally popularized with Daniel Patrick Moynihan's famous 1965 position paper, *The Negro Family: The Case for National Action,* better known as the *Moynihan Report*.[57] This report proposed that the poor people of the United States, especially the African-American population, were poor not because of their history (slavery) in the

---

[55] Charles Murray, *Losing Ground: American Social Policy 1950-1980*, (New York: Basic Books, 1984).

[56] Lawrence Mead, *Beyond Entitlement: The Social Obligations of Citizenship*, (New York: Free Press, 1986).

[57] D. Patrick Moynihan, *The Negro Family: The Case for National Action*, Office of Planning and Research, United States Department of Labor (March 1965), www.dol.gov/asp/programs/history/webid-meynihan.htm.

United States; rather, they remained in poverty because of their belief systems, habits, world-views, and traditions.

Moynihan understood that the poor were poor because of their belief system, their spending habits, and their time orientation—their *culture*. He supported Lewis' thesis candidly and pressed to have its implication impact the national agenda, which he ultimately succeeded in doing with President Johnson. Because the *Moynihan Report* focused its attention predominantly on African Americans living in the ghettos in larger cities in the United States, a vast majority of scholars viewed the proposal as a racial attack. This is what led to the heated debates and ultimate rejection of the "culture of poverty" being used as a viable theory to explain poverty.

James Patterson: 1981, 1984, 1994, 2000. In his book *America's Struggle Against Poverty in the Twentieth Century*, Patterson wrote of the blistering debates among researchers who oppose the use of "culture" as a platform to explain poverty:

This third revision reflects my continuing belief that poverty in the United States is not only a major concern—perhaps the biggest the nation faces—but also a source of angry controversy which reveals much about American culture and politics. For these reasons I have added a chapter that explores developments affecting the struggle against poverty in the United States between 1985 and 1994.[58]

Patterson effectively updated Lewis by incorporating new data to which Lewis did not have access. Additionally, Patterson focused on poverty in the United States.

---

[58] James Patterson, preface to *America's Struggle Against Poverty in the Twentieth Century* (Cambridge: Harvard University Press, 1981), viii.

More specifically, he wished to cover the efficacy (or inefficacy) of the numerous welfare programs created by politicians in the U.S. He divided the book into four chronological sections: (1) the pre-Depression era, (2) the post-Depression period, (3) the early 1960s "war on poverty" years (referring to President Johnson's initiative, which was heavily influenced by the "culture of poverty" thesis), and (4) the Nixon years in the late 1960s and early 1970s. Patterson republished this book in 1986 and then again in 1994, including additional chapters with each publication that were focused primarily on the "Regression in the Early 1980s" and the 1985-1994 periods of welfare reform.

In 2000, Patterson offered yet another edition of this book wherein he added another chapter entitled, "The Amazing 1990s." This chapter focuses on politics and policies of the new welfare reform legislation. In every publication, however, Patterson focuses primarily on how *public attitudes toward the poor shape* (or fail to shape) public policy toward the poor. For Patterson, the values, attitudes, and belief system of policy makers and the masses represent a direct correlation between the progress or failure of a nation, with respect to reducing poverty levels.

William J. Wilson: 1987. Nearly four decades after the "culture of poverty" debut, Wilson offers a convincing explanation regarding the drought of academic publications: "The most forceful and influential arguments on the poor [in academics] in

the late 1960s were put forth by liberals… [while] the conservative arguments moved to the forefront in the late 1980s, undergoing only slight modification since the 1960s."[59]

Wilson demonstrates that the "culture of poverty" argument, virtually unchanged from its original position, was still not widely acceptable among academics after more than twenty-five years. He then explains that the immense backlash of literature was due to its popular political reception, as noted above, with President Johnson's War on Poverty initiative. Thus, with the huge leftist revolt against the "culture of poverty" thesis, there is no wonder that the amount of pro-Lewis literature is scarce.

The drought of publications in support of the "culture of poverty" is apparent. Where there are several dozen publications refuting and rejecting the "culture of poverty" thesis, there are but a handful of publications that support it. Nevertheless, as shown with the previous summaries, there were a few outspoken scholars and policy makers who, over the last five decades, refused to remain silent. They published their research in order to demonstrate that *culture does in fact matter* when related to economic progress. Hence, Lewis' "culture of poverty" thesis has unrelentingly overcome its detractors and survived even into the 21st century. In an effort to explain this literary drought further, Wilson stated:

> The liberal perspective…on the underclass has become less persuasive and convincing in public discourse principally because many of those who represent traditional liberal views on social issues have been reluctant to discuss openly or…acknowledge the sharp increase in social pathologies in [underclass]

---

[59] William Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: Chicago University Press, 1987), 189.

communities…*the levels of poverty in the underclass areas has increased, not decreased,* over the past five decades. [60]

A more resounding condemnation of liberal policy could hardly be imagined.

Myron Magnet: 1993. Just as Oscar Lewis bent the ear of President Johnson and highly influenced his poverty initiatives, President George W. Bush was equally inspired by Magnet's position on poverty. Edward Helmore writes in the *Observer* that "in 1998 while preparing to run for his second term as governor of Texas," the then-Governor Bush "invited Magnet for a brainstorming session. Magnet's ideas made their way into almost every Bush campaign speech." [61] This fact once again demonstrates the influence that the "culture of poverty" thesis—though masked with a different name and executed by a different individual—continued to exert upon the political field.

In *The Dream and the Nightmare*, Magnet supports the "culture of poverty" thesis that Oscar Lewis established more than two decades earlier. He argues that poverty is a direct outcome of values and worldview. Speaking about poverty, he writes that it is the result of a destitution of the soul and a failure to develop the habits of education, reasoning, judgment, sacrifice, and hard work required to succeed in the world. He continues by stating that the poor must raise themselves out of poverty and stop relying on the government to provide them with every needful thing. "Government

---

[60] Ibid.*,* 187 (emphasis added).
[61] Edward Helmore, "All we need to tell the poor is: Come on, Fellas, Shape Up**:** Myron Magnet's Victorian Cures for social Ills are Now a Cornerstone of President Bush's Thinking," *Observer* (New York), Apr. 23, 2001.

can't save anyone," Magnet declares, "but it can nurture a physical and social environment in which people discover they can save themselves."[62]

According to Magnet, efforts to break the cycle of poverty, such as welfare programs, job training, and quota systems for minorities, fail because government "fails to understand that *the underclass is less an economic matter than a cultural one.*" [63] He concludes his argument by saying, "The ideas [of the poor] themselves create the reality, not economic changes or the failure of government programmes."[64]

Nathan Glazer: 2000. Glazer notes that culture tends to be the last explanatory variable that policymakers look to as a viable explanation of poverty. He explains, "Culture is one of the less-favored [explanations] in current thinking…[T]he least favored, of course, is race—[i.e.] genetic characteristics—which played such a large role over much of the first half of the century." [65] Glazer recognizes that, instead of turning to culture as a plausible reason for chronic poverty (both *between* and *within* nations), "the political left['s] explanations based on differences in power and degree of exploitation are favored to explain differences among nations and continents."[66] Yet, he concludes, "I think culture *does* make a difference."[67]

---

[62] Myron Magnet, *The Dream and the Nightmare: the Sixties' Legacy to the Underclass* (San Francisco: William Morrow, 1993), 14-15.

[63] Ibid., 14 (emphasis added).

[64] Ibid., 18.

[65] Nathan Glazer, "Disaggregating Culture," in *Culture Matters: How Values Shape Human Progress,* ed. Lawrence Harrison and Samuel Huntington (New York: Basic Books, 2000), 220.

[66] Ibid., 221.

[67] Ibid., 230 (emphasis added).

Education

Ruby K. Payne: 2006. In her book *A Framework for Understanding Poverty*, Payne explains how there is a class system in the United States comprised of a wealthy upper class, a middle class, and the working poor class. What is most interesting, however, is how Payne recognizes that these three classes each have their own set of rules and values and that they differ from each other. Payne describes these rules and how they affect the poor class, especially in the classroom.

Payne is a firm believer that generational poverty exists. She explains that the poor working class has a set of values that tend to keep them trapped in a continual cycle of poverty. She explains that generational poverty includes a learned helplessness that is passed from parents to children, generationally. This learned helplessness can be explained by the time orientation of many of the poor—specifically that they feel as though they have no escape from poverty, and therefore, in order to make the best of their situation, they must live in the moment and experience what they can when they can. This leads to people spending money right after they get it and teaches children to do the same. It creates a trap for children, keeping them and their offspring in poverty. Another important point Payne makes is that leaving poverty is not as simple as acquiring a lot of money and moving up, but also includes giving up relationships in exchange for achievement. This helps to explain why the culture of poverty tends to keep families in poverty from generation to generation, as this is the culture they know and the relationships they have are all within that class.[68]

---

[68] Ruby Payne, *A Framework for Understanding Poverty* (Highlands: Aha! Process, Inc., 1996).

Luis Small et al.: 2010. Small et al. buoy Wilson's 1987 claim, regarding the drought of literature in support of the "culture of poverty," by drawing attention to the recent emergence of literature that came about at the turn of the 21st century:

> Over the past decade, sociologists, demographers, and even economists have begun asking questions about the role of culture in many aspects of poverty, and even explicitly explaining the behavior of low-income population in reference to cultural factors… After decades, scholars have begun to explore a long abandoned topic…Culture is back on the poverty research agenda. [69]

As Small et al. show, the culture explanation to poverty, which had been shunned and ignored for decades, is once again at the forefront of the research agenda. This time, however, it is being treated with the professionalism

Small et al. explain that despite the efforts of a handful of researchers who refused to succumb to the pressures of the naysayers during the 1960s and 1970s (Harrington 1962; Moynihan 1965; Foster 1969; Rangel, 1977), the bulk of the supporters of Lewis' thesis did not emerge until after the 1990s (Harrison 1993, 1997, 2000, 2008; Wei-ming, 1996; Montaner, 1997; Fukuyama, 1999; Huntington 1996, 2000; Landes, 1998; Inglehart, 2000; Payne 2006). And, although the bulk of their publications arrived after the 1990s, they agreed that Lewis' "culture of poverty" thesis offered a pragmatic answer to why *generational* poverty pervades in families, communities, and nations. Furthermore, for these scholars, the "culture of poverty" offered a viable solution to end a significant portion of poverty throughout the world, for

---

[69] Luis Small, David Harding, and Michèle Lamont, "Reconsidering Culture and Poverty," *The Annals of the American Academy of Political and Social Science* 629. 6 (2010): 6-27, (forthcoming).

they concurred that if a culture of a people caused poverty, then that culture could be modified and poverty levels among those individuals would be significantly reduced.

Nicolas Duvoux: 2010. Duvoux (2010) supports the claims made by Small and Wilson. Duvoux explains that for many "the 'culture of poverty' became the culture of welfare inasmuch as the latter was being criticized."[70] That would explain the sudden and overwhelming reaction of anthropologists summarized in Section I. Yet, for Duvoux, "abandoning the question of culture was regrettable from both scientific and political standpoints…[because] from a scientific standpoint, researchers ought to be concerned with culture in order to understand how individuals respond to poverty, how they cope with it and how they escape it."[71]

Patricia Cohen: 2010. Patricia Cohen of the *The New York Times* recently reverted her attention to the "culture of poverty" thesis, and with good reason. A quick glance at Section I and Section II of the present study illustrates that there has been an immense amount of literature against the "culture of poverty" thesis and a minuscule amount of literature in support of it. Nevertheless, quality, not quantity, has been the golden nugget for the "culture of poverty" thesis, with several presidents of the United States including it in their national reforms.[72]

In her column, Cohen (citing Small et al.) beckons "*young scholars without baggage*" to take the lead and redefine the "culture of poverty" thesis, arguing that the "culture of poverty" notion has been ignored and banned from research agendas for far

---

[70] Nicolas Duvoux, "The Culture of Poverty Reconsidered," *The Annals of the American Academy of Political and Social Science* 629 (2010): 6-27.
[71] Ibid., 7.
[72] Mainly Kennedy, Johnson, and George W. Bush.

too many years.[73] This is exactly the purpose and aim of the present study. And, with

some of the most prestigious researchers of the world on board,[74] the effort to

demonstrate the existence of the "culture of poverty" is more relevant now than ever

before. Now, at the turn of the 21st century, whether Lewis' "culture of poverty" thesis

was backed by perfect data acquisition or not, one plain fact remains true: as David

Landes writes, "Max Weber was right. If we learn anything from the history of

economic development, it is that *culture makes almost all the difference*."[75]

Conclusion

Oscar Lewis' "culture of poverty" theory immediately sparked a wildfire in the

academic and political realms, one which many researchers tried to put out. For a few

people—especially those in positions of power—the "culture of poverty" theory

answered the question of why the poor around the world remained in chronic poverty.

For them, Lewis' "culture of poverty" thesis was innovative and creative, encapsulating

the concept that *cultural* attitudes, beliefs, and traditions caused the poor to remain in

chronic poverty. For many others, however, the "culture of poverty" thesis was

inhumane, ridiculous, a façade, and completely out of line. For these individuals, it

showed no scholarly rationale and was based solely on ethnocentric, middle-class values.

Their reaction converted the "culture of poverty" thesis into an ethereal concept, forcing

---

[73] Patricia Cohen, "'Culture of Poverty' Makes a Comeback," *New York Times* (New York) Jun. 19, 2010, A1.

[74] Nicolas Duvoux at the Université Paris Descartes, Mario Luis Small at University of Chicago, Michéle Lamont of Harvard, the late Samuel P. Huntington of Harvard, and Lawrence Harrison and Miguel Basáñez with the Fletcher School of Law and Diplomacy at Tufts University.

[75] David Landes, "Culture Makes Almost All the Difference" in *Culture Matters,* ed. Lawrence Harrison and Samuel Huntington (New York: Basic Books, 2000), 2. In this chapter Landes dedicates an entire section to discussing Max Weber's influence on social and religious studies as they pertain to economic progress. He focuses primarily on Calvinistic Protestantism and the values embedded therein.

it to be abandoned and untouched, where it has remained until now.[76] It is ripe for

resurrection by budding scholars with interest in demonstrating its legitimacy—a

legitimacy that will be demonstrated by an en emerging Hispanist with an

interdisciplinary focus.

When Oscar Lewis published his "culture of poverty" thesis, he may not have

anticipated that it would impact the national welfare reform, but it did. Scholars from

around the world were scared—and understandably so—because, according to them, if

what Lewis wrote were accurate, the implications would be devastating: the poor are

poor because of their attitudes, beliefs, customs, and even religion. This was taboo in the

Civil Rights era (the 1960s and 1970s) when the United States was trying to establish

freedom and appreciation toward all. Additionally, if the poor are poor because of their

culture, then it would be an immense task to overhaul a culture comprised of

characteristics that are fatalistic, destitute of hope, and devoid of political participation.

Such implications scared scholars. Therefore, their reaction was to retaliate. This is why

Cohen's supplication must be taken seriously and literally. Her beckoning to younger

scholars without baggage is a call to action, a call to readdress a theory that was

prematurely shunned, scoffed at, ignored, and ultimately rejected by academics. With 44

million Americans and hundreds of millions of individuals around the world suffering in

poverty, it is time to allow the cultural explanation to be discussed freely without being

censored in the academic realm.

---

[76] I went to six sociologists at Texas A&M University to see if one would be willing to sit on my dissertation committee. When they realized that I would be supporting the "culture of poverty" thesis, each professor refused to participate on a committee "that supported a dead thesis."

Oscar Lewis defended the existence of a "culture of poverty" because he saw the same attitudes, characteristics, beliefs, habits, and patterns present in the lives of the poor in India, Cuba, Mexico, and the United States. His *forte* was understanding poverty at the level of the individual. This is the entire purpose of the "culture of poverty" thesis. By using the bottom-up approach—with one individual or family as a case study— Lewis aimed to create a base of common denominators present in the lives of the poor. These common denominators, then, could be used as a cross-referencing tool that he could apply among the poor of different nations to find similarities. Hence, his trait-specific description of the "culture of poverty" was a list of characteristics that he found present in the lives of the poor around the world. This explains why the "culture of poverty" thesis is far more expository than accusative. What Oscar Lewis expressed in his "culture of poverty" thesis was simple: (1) not all the poor subscribe to the "culture of poverty," (2) not all those born into the "culture of poverty" are doomed to live in poverty, and (3) the "culture of poverty" thesis simply maintains that *individuals born into poverty tend to remain in poverty because their thought processes tend to lead them toward marginality, fatalism, fear of money, and a faith that heavily emphasizes the afterlife, ultimately justifying their feelings of having less material wealth in this life.*

In spite of the scholars, politicians, and educators who have done all they can to downplay, deny, and diminish it over the past fifty-plus years, the "culture of poverty" thesis has never been extinguished. That is because it makes sense. The "culture of poverty" theory is certainly *not* a façade. It *is not* and *never has been* a sterile subject; nor was it a mere fad created for philosophizing. And, while the words still cannot be

written without the use of quotation marks, the topic is finally where it belongs: at the

forefront of the research agenda.

CHAPTER III

LAWRENCE HARRISON: THE "CULTURE MATTERS" CHAMPION

Question: Why does Latin America remain chronically underdeveloped while other nations—that were once just as poor, or poorer—progress?[77]

Introduction

This chapter is divided into six sections: Section I, "The 'Culture Matters' Thesis & Lawrence Harrison," will define the "culture matters" thesis and authenticate Lawrence Harrison's credibility as the "culture matters" champion of the 21st century. Section II, "Max Weber, Alexis de Tocqueville, and George Foster: The Roots of the Culture Matters Thesis," will illustrate the theoretical underpinnings embedded in Harrison's "culture matters" thesis. Section III, "The Culture Matters Research Project," will show how Harrison has revived the "culture matters" thesis through his Culture Matters Research Project, converting it into a comprehensive discourse in the 21st century by interlacing the theories of the three scholars presented in Section II. Section IV, "Critics: Cultural Relativists," will exhibit the major backlash of controversy that Harrison's "culture matters" thesis has generated from cultural relativists during the 20th and 21st centuries. Section V, "The Rebuttal: Modern-day Supporters," will identify the chief supporters of the "culture matters" thesis and provide a short synopsis of their sustaining positions. Section VI, "Literature Review," is the final section of this chapter

---

[77] Lawrence Harrison. (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011.

and will provide a review of the literature published by Harrison, with focus placed solely on his major book publications.

<div align="center">**The "Culture Matters" Thesis and Lawrence Harrison**</div>

The "Culture Matters" Thesis

Since the 1970s, cultural anthropologists have participated in the design of projects [to determine why poverty pervades]…but since I was first involved in international development assistance, almost half a century ago, dominant development paradigms have come and gone…and…*at no point in this paradigm odyssey have cultural values and attitudes been confronted....*[78]

The "culture matters" thesis argues that the worldview of a nation's government determines its economic progress and overall development. Additionally, the "culture matters" thesis contends that there exist two types of cultures: (1) progress-resistant cultures and (2) progress-prone cultures, with religion and government structures being the key differentiators. For example, "progress-resistant cultures" tend to have a socialist or communist government structure, as well as a significantly high per capita of Catholicism or Voodoo; whereas "progress-prone cultures" are founded on Protestant or Confucian principles and have a propensity toward democratic systems of government. In short, the "culture matters" thesis maintains that "progress-prone cultures" are better at creating national progress and development than "progress-resistant cultures."

---

[78] *Cato Unbound*, "Culture and Economic Development," 4 December 2006, http://www.cato-unbound.org/2006/12/04/lawrence-e-harrison/culture-and-economic-development/ (emphasis added).

Lawrence Harrison: 1932–

Latin America

Latin America has been Harrison's primary area of interest since the 1960s. From 1969-1981 he served as the Director of USAID Missions to Costa Rica, Guatemala (and the Central American region), Nicaragua, and Haiti. He also served as the Deputy Director for the Dominican Republic. These management assignments provided Harrison with the necessary platform to work one-on-one with local government officials of underdeveloped nations. As he worked in tandem with thsee government officers,, he was able to witness personally their worldview with respect to national growth and economic prosperity. Undoubtedly, the past 40 years have provided Harrison with sufficient information to conclude "[that] *politics can* change a culture and save it from itself."[79]

Motivated by his personal exposure to the governments of the chronically underdeveloped nations in Latin America, Harrison concludes that Latin America remains underdeveloped because of its progress-resistant culture. According to Harrison, unless Latin America's governments change their culture, they will inevitably remain underdeveloped. His conclusions are based on empirical data, not emotions.

Academia

In addition to his career in the private sector, Harrison has had an outstanding academic career. Though he is a self-defined "non-academic," Harrison has a scholarly track record equal to—and in many cases superior to—many "academics." He has been

---

[79] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), subtitle.

a visiting scholar at the Center for International Affairs at Harvard University for a

combined total of eight years (1981-83, 1988-1990,1994-96,1998-2000). He was the

vice president for the International Development & National Cooperative Business

Association from 1984 to 1988.[80] After his vice presidency with NCBA, Harrison was a

visiting scholar at the *Instituto Centroamericano de Administración de Empresas* from

1997 to 1998.[81] He has also worked as a private consultant to USAID, where he served

as the lead on a myriad of projects and programs in Latin America and Asia. In 1999,

Harrison began working as the director of the Culture Change Institute (CCI) in the

Fletcher School of Law and Diplomacy at Tufts University.

Culture Matters Thesis

Lawrence Harrison has championed the "culture matters" thesis by correlating

national development with dominant religion, government structure, and ethical codes

through World Values Surveys. These correlations have provided him with the empirical

data to conclude that a nation's prosperity and development have more to do with culture

and less to do with coincidence or history.

In his book *The Central Liberal Truth: How Politics Can Change a Culture and
Save It from Itself,* Harrison describes the process of how *he* came to the conclusion that

culture makes the difference between developed and underdeveloped nations:

---

[80] Founded in 1916, the National Cooperative Business Association was known as the Cooperative League of America until 1922 and as the Cooperative League of the USA (CLUSA) until 1985. NCBA remains dedicated to developing, advancing and protecting cooperatives.

[81] "About INCA," last modified 12 October, 2011, http://www.incae.edu/en/about-us/ explains that they are a program dedicated to educate leaders and businesspeople who will transform companies and organizations in Latin America and the whole world.

I started my career in USAID in 1962 at the time of President Kennedy's Latin

American initiative with the presumption, widely shared by my colleagues, that

Latin America was in "trouble" because the United States had neglected it.

Ironically, the dominant explanation…for Latin America's underdevelopment in

the 1970s and the 1980s was Dependency Theory: Latin America was poor,

unjust, and authoritarian not because it had been *neglected* by the United States

but because it had been *exploited* by the United States….After I worked in Latin

American countries for a few years, it became apparent to me that the "neglect"

view was both naïve and arrogant...What also became increasingly apparent to

me was a pattern of problems that were common, in greater or lesser degree, to

all the countries in which I worked, among them disrespect for the law, unbridled

exercise of authority, lack of cooperation with another, passivity when

encountering problems, lack of civic consciousness, lack of trust, and pursuit of

narrow personal interest. To be sure the shortcomings are found in all human

societies, including the United States. But the *degree of intensity* of the problems

in Latin America seemed to me to be much greater.[82]

Harrison became convinced that culture matters only *after* experiencing the worldview

among government officials that pervades in Latin America's underdeveloped nations.

His words also indicate that he did not approach Latin America's chronic

underdevelopment with preconceived notions. Instead, his conclusion is based on four

---

[82] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi, (emphasis added).

decades of exposure to, and personal experience with, the worldview evident in underdeveloped nations in Latin America.

Alexis de Tocqueville, Max Weber, and George Foster:

The Roots of the "Culture Matters" Thesis

A growing number of scholars, journalists, politicians, and development practitioners are focusing on the role of cultural values and attitudes as facilitators of, or obstacles to, progress. [We] are the intellectual heirs of Alexis de Tocqueville, who concluded that what made the American political system work was a culture congenial to democracy; Max Weber, who explained the rise of capitalism essentially as a cultural phenomenon rooted in religion; and Edward Banfield, who illuminated the cultural roots of poverty and authoritarianism in southern Italy, a case with universal applications.[83]

Question: Professor Harrison, what has inspired you to carry the "culture matters" torch into the 21st century?

Answer: Max Weber, Alexis de Tocqueville, and George Foster were right: culture matters.[84]

The "culture matters" thesis is not new. Its roots derive from the works of Alexis de Tocqueville, Max Weber, and George Foster. For the purposes of this dissertation,

---

[83] David Landes, "Culture Makes Almost All the Difference" in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 3.

[84] Lawrence Harrison. (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011.

attention will be placed solely on the influence that these three intellectuals have had in the development of Harrison's 21st-century "culture matters" thesis. De Tocqueville's political-culture thesis will be reviewed first, followed by Max Weber's comparative analysis of Protestant and Catholic theologies, and finally George Foster's thesis on the "universal peasant culture."

Alexis de Tocqueville: 1805–1859

De Tocqueville's connection to the "culture matters" thesis is rooted in the relationship that politics and culture share in determining the development of a nation. Focused on the influence that politics has on national culture, Alexis de Tocqueville spent most of his time investigating how the worldview of government officials and religious leaders influence the national identity, legal structure, and economic prosperity of a nation. In his book *Democracy in America,* which he wrote after spending time in the United States just after the nation was formed, De Tocqueville expressed his impressions of how culture, religion, and politics directly impact the industry and overall development of nations:

> Upon my arrival in the United States, the religious aspect of the country was the first thing that struck my attention; and the longer I stayed there, the more did I perceive the great political consequences resulting from this state of things, to which I was unaccustomed….[85] [The British settlers] brought with them into the New World a form of Christianity which I cannot better describe than by styling it a democratic and republican religion. This contributed powerfully to the

---

[85] Alexis de Tocqueville, *Of Democracy in America* (London: David Campbell Publishers, 1994), 26.

establishment of a republic and a democracy in public affairs; and from the

beginning, politics and religion contracted an alliance which has never been

dissolved.[86]

De Tocqueville describes how the values and attitudes which were created and

implemented by previously oppressed European immigrants were effectively converted

into a revolutionary national identity and culture. He marveled at the apparently

inextricable relationship among religion, democracy, and national development found in

the United States.

De Tocqueville applauded the government of the United States, especially the

democratic republic. While in the United States, De Tocqueville witnessed first-hand

how democracy—a government system that allows merit-based competition—was a key

explanation for why freedom of competition created rapid economic development in the

United States. Upon seeing the industrial spirit and economic progress of the United

States, he was convinced that the religious freedoms and political democracy afforded

therein were directly linked to the values and attitudes maintained, permitted, and

fostered by its government. Writing specifically about the democratic nature of the

United States government, he mentioned on several occasions how impressed he was

with the role and authority of the president of the country:

The President of the United States is responsible for his actions…the authority of

the president is only exercised within the limits of a partial sovereignty…but the

---

[86] Ibid., p. 300.

person of the King is inviolable by the French Charter…whilst that of the King in

France is undivided…exceed[ing] its natural limit.[87]

The limited political power afforded to the president of the United States was of special

interest to De Tocqueville because it was completely contrary to the government

structure of his native country, France. Having come from France—a land where

monarchs with unlimited power reigned—to witness a democratic republic, run by the

people, with leaders who had limited authority, was a revolutionary experience that

engendered a spirit of cooperation and progress.

The relationship between religion and politics was important to De Tocqueville

because he saw how each impacted national identity and economic prosperity. However,

De Tocqueville was most impressed with how Christianity, and more specifically

Protestantism, lent itself to democracy in the United States. In his review of De

Tocquville's book, James Ceaser[88] indicates, "De Tocqueville left America in 1832 with

the intention not merely of describing its political and social institutions, but of creating

a new political science for a world itself quite new."[89] Thus, De Tocqueville was a

witness to how the political culture of the United States, which was profoundly

influenced by Protestantism, fostered a radius of trust that extended beyond family

relationships and which also stimulated hope, charity, and industrial competition.

De Tocqueville's personal witness of the United States' government structure

demonstrated to what degree a nation's government-worldview *positively* influence

---

[87] Ibid., p. 19.

[88] James Ceaser is the Harry F. Byrd Professor of Politics at the University of Virginia and director of the Program for Constitutionalism and Democracy.

[89] James Ceaser, "Alexis de Tocqueville on Political Science, Political Culture, and the Role of the Intellectual," *The American Political Science Review,* 79, no. 3 (September, 1985): 656-672, at 663.

national development; it also confirmed that government can destroy national development. He ultimately concluded that, when government creates laws and policies that cultivate entrepreneurship, liberty, industry, and independence, economic progress is inevitably achieved. For De Tocqueville, there remained no doubt: politics matter.

Max Weber: 1864–1920

In 1904-1905, Max Weber published *The Protestant Ethic and the Spirit of Capitalism*. Weber's thesis, while controversial, is simple: Protestant theology is better than Catholic theology at creating national development. To quote directly from Weber:

> In the past, they [the Catholics] have, unlike the Protestants, undergone no particularly prominent economic development in the times when they were persecuted or only tolerated, either in Holland or in England. On the other hand, it is a fact that the Protestants (especially certain branches of the movement to be fully discussed later) both as ruling classes and as ruled, both as majority and as minority, have shown a special tendency to develop economic rationalism which cannot be observed to the same extent among Catholics either in the one situation or the other. Thus the principal explanation of this difference must be sought in the permanent intrinsic character of their religious beliefs, and not only in their temporary external historico-political situations.[90]

For Weber, religious beliefs were the only plausible explanation for why Catholics failed to economically progress, and for why Protestants excelled, financially.

---

[90] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, translated by Talcott Parsons (New York: Scribner, 1905), pp. 3-4.

David Landes, economic historian at Harvard, offers the following analysis of Max Weber's thesis on the Protestant ethic:

> Max Weber was right. If we learn anything from the history of economic development, it is that culture makes almost all the difference….[91] Because culture and economic performance are linked, changes in one will work back on the other….[92] Protestantism—and more specifically its Calvinist branches—is what most promoted the rise of modern capitalism, which surely reflects the industrial capitalism he knew from his native Germany. Protestantism did this… by *not* easing or abolishing those aspects of the Roman [Catholic] faith that had deterred or hindered free economic activity (the prohibition of usury, for example) nor by encouraging, let alone inventing, the pursuit of wealth, but by defining and sanctioning an ethic of everyday behavior that conduced to economic success.[93]

As Landes explains, Weber's thesis argues that Protestantism produces higher levels of economic progress by abolishing Catholic theology—a theology that shuns riches, condemns the wealthy, and praises poverty; a theology that fosters authoritarianism and dependency; a theology that, when implemented and sustained by the governments of nations, produces very little, if any, economic development.[94]

---

[91] David Landes, "Culture Makes Almost All the Difference" in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 2.

[92] Ibid., p. 4.

[93] Ibid., p. 11 (emphasis added).

[94] Take for example the Spanish Inquisition of Latin America: the Spanish invaded the Americas and extracted all the riches and exported them to Spain. They left very little, if any, of the natural wealth they encountered in the Americas; none of the resources were reinvested in the conquered nations.

Landes continues his analysis of Weber's thesis by articulating how Protestants specifically challenged Catholic theology:

> Calvinistic Protestantism [abandoned Catholicism] initially by affirming the doctrine of predestination: One could not gain salvation by faith or deeds; that question had been decided for everyone from the beginning of time, and nothing could alter one's fate. Such a belief [on predestination]…did not last more than a generation or two…*it was eventually converted into a secular code of behavior:* hard work, honesty, seriousness, the thrifty use of money and time. All of these values help business and capital accumulation. Weber's point is that Protestantism produced a new type of businessman, one who aimed to live and work a certain way. It was the *way* that mattered, and riches were at best, a by-product.[95]

Uncluttered by political correctness, Weber's thesis equates Protestantism to prosperity and Catholicism to poverty, essentially placing the Protestant theology *above* Catholic theology in the hierarchy of economic success. Politically correct or not, an analysis of chronically underdeveloped nations will demonstrate that Weber was right: Protestantism nurtures the role of individual agency, entrepreneurship, industry, and a future time orientation; Catholicism, conversely, nurtures fatalism and dependency.

Fatalism and the Individual

Weber's thesis argues that Catholicism perpetuates fatalism in the psyches of individuals. For Weber, fatalists do not question their circumstances; they accept them.

---

[95] Ibid., p. 12 (emphasis added).

Fatalists do not strive to achieve wealth or even progress because, for them, their efforts do not matter. For the fatalist, "God is in control of everything," making agency null and void. Fatalists are often heard voicing their opinions that can be summarized in these sentences: "It doesn't matter what I do. I can't control what happens in my life; God will do what God will do." "I was born poor. I live poor. I will die poor." Fatalism causes individuals to surrender to the environment in which they were born; they have no ownership of their actions because everything happens for a reason, and that reason belongs to God. Fatalism does not promote competition. Fatalism does not encourage progress. Fatalism does not provoke action. Instead of acting as agents unto themselves, fatalists are acted upon. Fatalism is the polar opposite of the "compete and conquer" notion of Protestantism. Fatalism does not promote economic prosperity; it engenders a "give up and give in" mentality.

Fatalism and Politics

Weber's thesis suggests that, when a nation is built upon Catholic values, attitudes, and beliefs, such as fatalism, that nation will ultimately remain underdeveloped. Accepting and applying Weber's thesis sheds light on why Latin America—which is overwhelmingly Catholic—has remained chronically underdeveloped. Weber's definition is quite convincing: when fatalism influences the various economic policies, legal structures, and overall leadership of a nation, that nation is ultimately doomed to generational underdevelopment. Thus, virtually every country in Latin America is destined to falter in a permanent state of underdevelopment because the

governing bodies are absolved of any type of personal accountability.[96] When

individuals who are not held accountable for their actions are placed in a position where

they decide with which countries to do business, how citizens are to pay taxes, and the

overall fate of the masses, a lack of accountability wreaks havoc on the economic

stability of that nation. Such a mentality dooms each nation to chronic

underdevelopment and poverty.

Protestantism and the Individual

Many thinkers believe that Protestantism does not engender fatalism. Instead, as

Weber indicates, Protestant theology inculcates in its followers a completely different

mindset with values and attitudes such as:

> Hard work, honesty, seriousness, and thriftiness [as] positive values that will help
> [individuals] attain better jobs, higher positions, and more wealth….[97] The God
> of Calvinism demanded of his believers not single good works, but a life of good
> works combined into a unified system. There was no place for the very human
> Catholic cycle of sin, repentance, atonement, release, followed by renewed sin.[98]

In other words, in this view, Protestantism engenders personal agency. It demands its

followers to make good choices, to work hard, to look toward the future, and to take

control of their own destiny. More importantly, it requires its followers to persevere

every single day, and not just once or twice. Proponents of this dichotomy argue that

Protestantism promotes progress; Catholicism doesn't.

---

[96] The exception to the generality here is Brazil. For a more in-depth explanation, see the summary of Harrison's book *Who Prospers?,* offered in the final section of this chapter.

[97] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, translated by Talcott Parsons (New York: Scribner, 1905), 116.

[98] Ibid., p. 117.

To exemplify how Protestants view and value hard work, punctuality, and the use of money, Weber cites several pages of suggestions offered by Benjamin Franklin. To draw upon just a few:

- "Remember that credit is money."[99]

- "Remember that money is of the prolific, generating nature. Money can beget money, and its offspring can beget more, and so on."[100]

- "Remember that time is money."[101]

- "The sound of your hammer at five in the morning, or eight at night, heard by a creditor, makes him easy six months longer; but if he sees you at a billiard-table, or hears your voice at a tavern, when you should be at work, he sends for his money the next day; demands it, before he can receive it, in a lump. It shows, besides, that you are mindful of what you owe; it makes you appear a careful as well as an honest man, and that still increases your credit."[102]

- "Remember this saying, The good paymaster is lord of another man's purse. He that is known to pay punctually and exactly to the time he promises, may at any time, and on any occasion, raise all the money his friends can spare."[103]

---

[99] Ibid., p. 48.
[100] Ibid., p. 48.
[101] Ibid., p. 49.
[102] Ibid., p. 49.
[103] Ibid., p. 50.

- "After industry and frugality, nothing contributes more to the raising of a young man in the world than punctuality and justice in all his dealings."[104]

The values, attitudes, and the culture of industry presented in Franklin's words describe a Protestant view of time, money, credit, and progress. When these values are compared with the teachings received through catechism (training in Catholic theology) the difference in mindset is evident. The following precepts, all of them originally found in the Bible, are emphasized frequently in Catholic teaching:

- "But seek first the kingdom of God and His justice, and all these things shall be given you besides."[105]

- "For the love of money is the root of all evil."[106]

- "And the disciples were astonished at his words. But Jesus answereth again, and saith unto them, Children, how hard is it for them that trust in riches to enter into the kingdom of God![107]

- "It is easier for a camel to go through the eye of a needle, than for a rich man to enter into the kingdom of God. Again I tell you, it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God."[108]

- "Blessed are the poor in spirit, for theirs is the Kingdom of heaven."[109]

- "But woe unto you that are rich! for ye have received your consolation."[110]

---

[104] Ibid., p. 51.
[105] The Holy Bible, Douay Version (Matthew 6:33).
[106] The Holy Bible, Douay Version (Timothy 6:10).
[107] The Holy Bible, Douay Version (Mark 10:4).
[108] The Holy Bible, Douay Version (Matthew 19:24).
[109] The Holy Bible, Douay Version (Matthew 5:3).

Protestantism and Politics

According to Weber, when a Protestant ethic governs a nation, that nation will inevitably nurture entrepreneurship, job creation, innovation, savings, and human capital. Each of these indicators, in turn, impacts the overall economic development of a nation. And, when a Protestant ethic is coupled with a democratic government, where freedom of expression, honesty, competition, and loyalty are celebrated values and virtues, this Protestant ethic stimulates multidimensional growth. For example, in nearly every Protestant nation the absence of business monopolies is a key indicator of perspective regarding competition: the more a business has to compete for customers, the better it becomes at producing products, the more efficient it becomes at delivering products, and the better it understands its customers. Competition inevitably produces winners and losers; the best survive, the worst fade away. For Protestants, competition leads to excellence. Such is not the case—or so goes the argument—with Catholic nations, where ambition and competition are values that are not typically nurtured. For example, business monopolies pervade and government intervention tends to restrict the level of competition found therein.

Catholicism and Dependency: The Latin American Case

Though Weber does not directly mention it, one may argue that dependency is a major consequence of Catholicism. One primary example offered by Weber is the role of ecclesiastical literacy. For Weber, Protestantism trumps Catholicism in the acquisition of knowledge and temporal materials because Protestants are expected to read the Bible,

---

[110] The Holy Bible, Douay Version (Luke 6:24-25).

both individually and with their families; while Catholics, historically, were discouraged from reading the Bible. Landes writes of this reality and states:

> Good Protestants were expected to read the Holy Scriptures for themselves. (By way of contrast, Catholics were catechized but did not have to read, and they were explicitly discouraged from reading the Bible). The result: greater literacy from generation to generation. *Literate mothers matter.*[111]

Literacy matters. That Catholicism has historically deterred individuals from reading the Bible independently offers a plausible explanation of *why* and *how* dependency runs rampant in Latin America. By not reading the Bible in their homes, with their families, or on their own, Catholics became accustomed to attending church, listening to the priest discuss the will of God, and ultimately gathering their knowledge from a third party. The priest became the conduit of values, attitudes, and beliefs. What the priest says is what God wants. Such attitudes and values are then passed down, generationally. No one questions the priest, for he personifies the law. Thus, as Weber notes, the more priests emphasized the wickedness of wealth, the more poverty became a justified lifestyle.

In this view, Catholicism nurtures the habit of dependency. Someone else tells you who God is, what He desires of you, and how you should live your life. Someone else prescribes the values, the attitudes, and the beliefs you should maintain. Protestants, conversely, were expected to read the Bible, interpret the parables, and *independently*

---

[111] David Landes, "Culture Makes Almost All the Difference," in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 7 (emphasis in the original).

strive for excellence in all things. Catholicism nurtures dependency; Protestantism doesn't.

Many discount Weber's methodology of religious comparativism. It is not politically correct. It injures the egos and feelings of others. They argue that, by comparing and contrasting religions, Weber condemns and criticizes. For Weber, however, his thesis made evident that which he observed occurring around the world: prosperous/progressive nations (and individuals) tended to maintain attitudes, values, and a culture that coincided with Protestantism theology; while poor nations (and individuals), conversely, were inclined to maintain values, attitudes, and a culture that paralleled Catholic theology.

Catholicism vs. Protestantism: The Weber Model

For Weber, the contrast between Catholicism and Protestantism is unmistakable: Protestants—especially Calvinists—are motivated (and demanded) to believe that they can simultaneously receive the grace of God and material wealth. Catholics, conversely, may not have the same flexibility. Fatalism and dependency are the most perilous byproducts of Catholic theology—specifically the attitudes and values taught regarding economic progress. Catholic theology, therefore, goes a long way toward explaining why Latin America is chronically underdeveloped. According to Weber, if Latin America is going to progress, the values and attitudes regarding economics, accountability, and agency must be altered. Weber figured it out early: Protestantism engenders a culture of industry and capitalism. Catholicism doesn't. *Religion matters*.

George Foster: 1913-2006

George Foster's "universal peasant culture" thesis is perhaps the most salient

component of Harrison's "culture matters" discourse. Foster's thesis, which came to

fruition in the mid-1960s, argues that the "peasants" (the poor) of every society

subscribe to a specific system of beliefs, values, and attitudes, regardless of the macro-

economic status of a nation. Following are Foster's personal definitions and explanations

of his motivation in researching the "peasant societies":

 I am as an anthropologist concerned with two levels of problems: (1) the nature

of the cognitive orientation itself which I see as something "psychologically

real," and the ways in which and the degree to which it can be known; and (2) the

economical representation of this cognitive orientation by means of models or

integrating principles which account for observed behavior, and which permit

prediction of behavior yet unnoted or unperformed. Such a model or

principle…an inferential construct or an analytic abstraction derived from

observed behavior….[112] I am concerned with the nature of the cognitive

orientation of peasants…. I am also concerned with the implications of this

orientation and related behavior to the problem of the peasant's participation in

the economic growth of the country to which he may belong. Specifically…I

attempt to show…[t]he kinds of behavior that have been suggested as adversely

influencing economic growth are, among many, the "luck" syndrome, a

"fatalistic" outlook, inter- and intra-familial quarrels, difficulties in cooperation,

---

[112] George Foster, "Peasant Society and the Image of Limited Good," *American Anthropologist* new series, 67 no. 2 (April, 1965): 293-315, at 299.

extraordinary ritual expenses by poor people… and the problems these expenses

pose for capital accumulation, and the apparent lack of …the "need for

achievement."[113]

Foster's thesis contends that there exists a direct correlation between the

"psychologically real" (the worldview) maintained by the poor and their economic

prosperity. His aim in investigating the poor was to create a model, or typology, that

would empirically demonstrate how the worldview of the poor influences their economic

prosperity.

Typology

Regarding the necessity for a typology, Foster writes:

A sound model should make it possible to predict how people are going to

behave when faced with certain alternatives. A model therefore has at least two

important functions: it is conducive to better fieldwork, and it has practical utility

as a guide to policy and action in developmental programs.[114]

By creating a typology of the worldview manifested in the psyche of the poor, Foster

essentially offered researchers (1) a model that reveals how the poor react to their

present situations, which ultimately (2) supplied policy makers with the necessary

resources to create more efficient programs that would in the end help raise the poor out

of poverty. This is the same motivation behind Harrison's "culture matters" typology of

progress-prone and progress-resistant cultures. (See Chapter IV for a full overview of

Harrison's typologies).

---

[113] Ibid., p. 300.
[114] Ibid., p. 309.

More inspiring than the simple creation of the typology is Foster's belief that the typology would benefit the poor. In his own words, Foster writes:

> I will suggest that peasant participation in national development can be hastened not by stimulating a psychological process, the need for achievement, but by creating economic and other opportunities that will encourage the peasant to abandon his traditional and increasingly unrealistic cognitive orientation for a new one that reflects the realities of the modern world.[115]

While Foster understood that the poor would remain in poverty unless they changed their traditions, and their "increasingly unrealistic cognitive orientation," he did not suggest that the poor were doomed to an eternity of poverty. Instead, he suggested that researchers and policy makers could effectively reduce poverty *universally* by first understanding the psyche of the poor (how they see the world) and then educating governments on how to create more efficient programs that will permit the poor to overcome the myriad of obstacles they face each day.

"Limited Good"

One obstacle covered in the "universal peasant culture" is the "Limited Good" mentality. The "Limited Good" mentality suggests that the world has a limited amount of goods and resources to offer human beings. Therefore, because the world is limited on what it can offer to the human race, as one individual progresses, he or she is, in effect, taking away from the rest of the world. Foster states it this way:

---

[115] Ibid., p. 297.

A peasant sees his existence as determined and limited by the natural and social

resources of his village and his immediate area. Consequently, there is a primary

corollary to The Image of Limited Good: if "Good" exists in limited amounts

which cannot be expanded, and if the system is closed, it follows that an

individual or a family can improve a position only at the expense of

others….Hence an apparent relative improvement in someone's position with

respect to any "Good" is viewed as a threat to the entire community. Someone is

being despoiled, whether he sees it or not. And since there is often uncertainty as

to who is losing, obviously it may be ego; any significant improvement is

perceived, not as a threat to an individual or a family alone, but as a threat to all

individuals and families. This model was first worked out on the basis of a wide

variety of field data from Tzintzuntzan, Michoacán, Mexico: family behavior,

exchange patterns, cooperation, religious activities, court claims, disputes,

material culture, folklore, language, and many other bits and pieces.[116]

The "Limited Good" mentality suffocates the economic progress of both individuals and

nations. At the individual level, if my neighbor begins to succeed economically, then

there is less "good" for the rest of the community to obtain. Such a worldview promotes

fear and selfishness. When this attitude is applied at the macro-political level, the natural

consequences are corruption, isolation, and abuse of authority—the same consequences

that continue to plague Latin America. Worldview directly translates into economic

prosperity, or failure, at the individual and national level. *Worldview matters*.

---

[116] Harrison, Lawrence. *Who Prospers?: How Cultural Values Shape Economic and Political Success* (New York: Basic Books, 1992), 97.

De Tocqueville, Weber, and Foster each dedicated their research to understanding how culture impacts economic progress. Each used what they perceived to be happening around the world during their lives: De Tocqueville approached national development through political structures, Weber explained it through religion, and Foster relied on the worldview and role of "peasants" to describe the differences. They did not write to injure or damage the feelings of politicians, the clergy, or the poor. They were intellectuals trying to demonstrate and interpret why certain nations are able to improve and prosper while other nations do not. They wanted to provide other researchers with data gathered from their investigations, their ethnographies, and their experiences that could be used to reduce poverty. Though their approaches differed by discipline, each reached the same exact conclusion: *culture matters*.

The Culture Matters Research Project

The influence of cultural values, beliefs, and attitudes on the way that societies evolve has been shunned by scholars, politicians, and development experts, notwithstanding the views of De Tocqueville [and] Max Weber. It is much more comfortable for the experts to cite geographic constraints, insufficient resources, bad policies and weak institutions. That way they avoid the invidious comparisons, political sensitivities, and bruised feelings often engendered by cultural explanations of success and failure. But by avoiding culture...[t]hey

ignore that progress can be accelerated by (1) analyzing cultural obstacles to it,

and (2) addressing cultural change as a remedy.[117]

The Rebuttal: Culture Matters

Lawrence Harrison has interlaced the theses of Tocqeville, Weber, and Foster

into the "culture matters" thesis, converting it into a prominent discourse on

development in the 21st century. In his review of *Who Prospers?: Underdevelopment is*

a State of Mind, Samuel P. Huntington, political scientist and professor at Harvard,

explained how influential Harrison has been in reviving the culture explanation as the

reason for chronic underdevelopment in Latin America. Huntington writes:

In the 1980s, interest in culture as an explanatory variable began to revive. The

most prominent and most controversial early contribution to this revival was

writing by…Lawrence Harrison, and was published by the Harvard Center for

International Affairs…. [This] book used parallel case studies to demonstrate that

in most Latin American countries, culture had been a primary obstacle to

development. Harrison's analysis generated a storm of protest from economists,

experts on Latin America, and intellectuals in Latin America. In the following

years, however, people in all these groups began to see elements of validity in his

argument.[118]

Controversy, protest, and frustration have been common reactions to Harrison's "culture

matters" discourse. Most critics would prefer that Harrison stop relying on the age-old

---

[117] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), 54.
[118] Lawrence Harrison, *Who Prospers?: How Cultural Values Shape Economic and Political Success* (New York: Basic Books, 1992), 2.

crutch of blaming the victim. Yet, Harrison's purpose in explaining that *culture matters* is not to ridicule, belittle, or blame chronically poor nations or their governments. His ambition is to motivate the governments of persistently poor nations to re-evaluate their histories, understand their present situation, and take the necessary steps to *change* their futures. Hence, the title of Harrison's initiative at Tufts University: the Culture *Change* Institute.

The Culture Matters Research Project (CMRP)

The CMRP is Harrison's main defense against the controversy. It is his response to the void in the literature on culture and progress that half a century of ignorance has created. Harrison explains that his vision for the CMRP was to use empirical data—*not emotions*—to demonstrate that culture, values, and attitudes influence the economic progress of nations. This is exactly what the CMRP has been able to achieve.

By developing the CMRP, Harrison has successfully realized two major objectives: (1) he has created an interdisciplinary and international cohort of respected researchers and (2) he has muted the criticism of being politically incorrect. These two achievements are the founding pillars of empirical support upon which Harrison has built his "culture matters" thesis and launched the "culture matters" discourse.

First, by ensuring that the CMRP team is comprised of respected interdisciplinary scholars, he and his CMRP team successfully disenfranchised the century-old monopoly that sociologists and anthropologists have had on poverty studies. This is an important achievement that must not go unnoticed because now young scholars who are convinced that culture matters can openly study and publish on the

subject without fear that colleagues will ostracize them. Additionally, governments that are aching for change in their nations have the ability to receive information from experts in political science, economics, education, history, and other disciplines. Gone are the days where poverty studies are governed solely by sociology and anthropology.

Second, through the efforts of the CMRP, Harrison has overcome the criticism of not being "politically correct." Knowing that most cultural relativists resist cultural explanations or suggestions from *Westerners*, Harrison made his CMRP team entirely international. Members of the CMRP are respected researchers and intellectuals from Latin America, Africa, Asia, the Middle East, and the United States. This multicultural amalgamation fortifies the "culture matters" thesis because the suggestions are now coming from "insiders" and not just "outsiders."[119] In an interview with a Canadian radio station, Harrison was asked whether he feared or worried about being "politically incorrect" by saying things that "in today's politically correct society are not acceptable." His answer was a short and simple, "No."[120] Certainly, having an international cohort of researchers gives Harrison the needed support and power that could not come without them. Gone are the days where cultural relativists complain that the "culture matters" thesis is the idea of ethnocentric *Westerners*.

---

[119] Daniel Etounga, "Does Africa Need a Cultural Adjustment Program?" in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 65.

[120] Lawrence Harrison. (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Steve Paikin (anchor and senior editor of TVO's flagship current affairs program *The Agenda with Steve Paikin)*, February 12, 2010, http://www.youtube.com/watch?v=TiELJTIQT8Q.

Objectives of the CMRP

Harrison and the rest of the CMRP team recognize that *if* they truly want to make a difference in the world—that is to say if they want to see underdeveloped nations progress—innovation must be at the forefront of change. They recognize that researchers and policy makers need to stop relying on century-old solutions that people like to hear but that have failed them for decades. Through the CMRP, Harrison and his colleagues have begun providing the world with empirical data that will make an impact.

Harrison outlines the following five research objectives for the CMRP:

1. Develop tools that will enable scholars (a) to identify and weigh the cultural values that influence human progress, particularly the contrasting value and attitude patterns found in traditional and dynamic societies; (b) to understand better how that influence is exercised; and (c) to better measure cultural change.[121]

2. Identify and analyze the instruments and institutions of cultural transmission, particularly child-rearing practices, but also schools (civic education, character education, parenting education, anti-crime and anti-corruption education), churches, the media, and political leadership, with emphasis on their capacity to promote progressive value and attitude change.[122]

---

[121] The research was subcontracted to the Institute of Social Research at the University of Michigan led by Ronald Inglehart, coordinator of the World Values Surveys.

[122] The research was conducted by a group chaired by Jerome Kagan of Harvard University. Other members included Mariano Grondona, an Argentine journalist; Nickolas Gvosdev, executive editor of *The National Interest*; Luis Diego Herrera, a Costa Rican psychiatrist; Sharon Kagan of Yale University; former governor of Colorado, Richard Lamm; Thomas Lickona of the State University of New York in Cortland; David Martin of the London School of Economics; John McWhorter of the University of California (Berkeley) and the Manhattan Institute; Carlos Alberto Montaner, Cuban-in-exile columnist;

3. Analyze the complex cause-and-effect relationships between culture and development and among culture, policies, and institutions.[123]

4. Undertake country case studies. Among the candidates: Botswana, Cameroon, Georgia, Italy, Japan, Mexico, the Province of Quebec, Singapore, Spain, Syria, Taiwan, Turkey, and Venezuela.[124]

5. Evaluate activities already underway that are designed to promote progressive cultural change or that produce such change as a by-product.[125]

Not a single one of these research tasks mentions (or insinuates) any desire or intention to convert underdeveloped nations into Western societies. On the contrary, each research task describes the hope of collecting empirical data that can be used by the governments of each nation, respectively, as a resource for self-improvement.

At the end of the five research tasks offered by the CMRP, Harrison explains his major research objective:

> The objective of this project is the elaboration of practical guidelines *for progressive cultural change* that will enhance the prospects for free political and economic institutions to promote accelerated human progress. The guidelines will be available to governments, development institutions, non-governmental agencies, and universities. In no way are the guidelines intended to be imposed on a society from outside; they are to be available when leaders within a society

---

Richard Niemi of the University of Rochester; Michael Novak of the American Enterprise Institute; and Bassam Tibi of the University of Göttingen.

[123] The research was subcontracted to the Institute for the Study of Economic Culture at Boston University led by its director, Peter Berger.

[124] These were coordinated by Lawrence Harrison.

[125] Among those involved are James Fox, former USAID economist, and University of Pittsburgh political scientist Mitchell Seligson.

conclude that traditional values and attitudes are an obstacle to progress and they seek help from development assistance institutions, nongovernmental organizations, and/or universities.[126]

In summary, the CMRP has two clear objectives: 1) provide the world with empirical data, which would ultimately enable national governments to see *how* they can change for the better and 2) help governments to save themselves and not depend on others to save them. Of these two objectives, it is important to mention that the CMRP team can only control the first one. They cannot, however, control the second.

Harrison understands that *if* an underdeveloped nation is going to progress into a developed nation, it must change its culture, attitudes, and values. Most importantly, however, and what most cultural relativists who dismiss the "culture matters" ignore, is that Harrison expects culture change to be conducted internally and not externally:

I want to stress as forcefully as I can that the guidelines contained in the final chapter of this book will only prove useful when political, intellectual, and other leaders *within* a society conclude that some traditional values and attitudes are obstacles to bringing about the kind of society that aspires to democratic governance, social justice, and prosperity. Any efforts to impose the guidelines from outside, whether by governments or development assistance institutions, are likely to fail.[127]

---

[126] My emphasis.

[127] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xiv.

It is paramount to note that Harrison does not state that the CMRP was established to convert all underdeveloped nations into the United States. He is not trying to eliminate or dissolve all of the nations around the world into a single Western culture. His objective with the "culture matters" discourse is much more basic: help the governments of underdeveloped nations to see how *they* can save their respective countries by changing specific attitudes, beliefs, and ideas.

Results of the CMRP

Harrison knows that his "culture matters" thesis frustrates a lot of people, but he refuses to surrender to the pressures and controversy that emerge from his thesis. The last 40 years of exposure to the worldview maintained by the governments of underdeveloped nations have shown him that "cultural factors may not supply the whole explanation, but *surely…culture matters.*"[128] This is exactly the reason that he created the Culture Matters Research Project. The data collected from the CMRP team, which is comprised of more than 60 professionals, covers approximately 85% of the world's population. This data, subsequently, has aided the CMRP team to produce three empirically sound books within the first three years of starting the project. These three books are: *The Central Liberal Truth: How Politics Can Change a Culture and Save It from Itself (2005); Developing Cultures: Essays on Cultural Change* (2005); and *Developing Cultures: Case Studies* (2006). These three books are a palpable

---

[128] *Cato Unbound*, "Culture and Economic Development," 4 December 2006, http://www.cato-unbound.org/2006/12/04/lawrence-e-harrison/culture-and-economic-development/.

manifestation of Harrison's powerful leadership, as well as his sense of urgency in providing the world with empirical data that can be used to help reduce poverty.[129]

Critics: The Cultural Relativists' Argument

> *The way things appear to me,*
>
> *in that way they exist for me;*
>
> *and the way things appears to you,*
>
> *in that way they exist for you.*[130]

As Huntington explained, Harrison's "culture matters" discourse has generated a mass of controversy and frustration. This, however, is not something that Harrison has ignored. On the contrary, Harrison is keenly aware that the "culture matters" theory bothers scores of individuals, especially cultural relativists who cringe at the thought of cultural comparison. Drawing upon the philosophy of Jim Crowe, cultural relativists maintain that no single culture is better or worse than another culture. Instead, cultural relativists, like Ruth Benedict[131] and Richard Shweder[132], maintain that all cultures are separate, but equal, and in order to fully appreciate and understand the worth of a culture, one must first comprehend the context in which that culture is found.[133]

---

[129] These three books will be covered in the final section of this chapter.

[130] Plato's *Theaetetus* Section 152(a).

[131] Ruth Benedict was a cultural relativist who refused to place cultures in hierarchical order of "good" vs. "bad." She studied anthropology under Franz Boaz at Columbia University.

[132] Richard A. Shweder is a cultural anthropologist and professor of Human Development at the University of Chicago. He received his Ph.D. degree in social anthropology in the Department of Social Relations at Harvard University in 1972. He has taught in Kenya. He currently teaches at the University of Chicago.

[133] Ruth Benedict, *The Chrysanthemum and the Sword* (Boston: Mariner Books, 1946).

Frank Hartung (1954) offers a clear explanation of what cultural relativism is and explains why Harrison, and other cultural comparativists, are met with such deeply rooted opposition from cultural relativists in the fields of anthropology and sociology:

> Cultural relativity is one of the most important conceptions to which anthropology and sociology have devoted much attention. It is a theory of human conduct based upon observational studies of different cultures and different societies. Briefly stated, [it] asserts that any set of customs and institutions, or way of life, is as valid as any other.[134]

Hartung's definition is unambiguous: cultural relativists refuse to compare cultures or place them in any hierarchical order of importance because each culture is inherently valid. His definition also explains why the backlash toward the "culture of poverty" thesis and the "culture matters" thesis derives principally from anthropologists and sociologists.

In the following paragraphs, several of the most outspoken critics of the "culture matters" thesis will be identified and a brief overview of their principle arguments against the "culture matters" thesis will be shared.

Robert Shweder: 1924–2003

University of Chicago anthropologist Robert Shweder is another cultural relativist who rejects the "culture matters" thesis. In his essay, "Moral Maps, 'First World' Conceits, and the New Evangelists," Shweder, though cautious of "radical

---

[134] Frank Hartung, "Cultural Relativity and Moral Judgments," *Philosophy of Science*, 21, no. 2 (Apr., 1954): 118-126, at 119.

relativists—those who believe that anything goes,"[135] declared himself a cultural

pluralist (one who accepts all cultures as inherently good) and said:

> Throughout history, whoever is wealthiest and the most technologically
>
> advanced thinks that their way of life is the best, the most natural, the God-given,
>
> the surest means to salvation, or at least the fast lane to well-being in this
>
> world…Dazzled by our contemporary inventions and toys (e.g., CNN, IBM, Big
>
> Mac, blue jeans, the birth control pill, the credit card) and at home in our way of
>
> life, we are prone to similar illusions and the same type of conceits.[136]

Shweder openly criticizes Harrison, and all other Westerners, who "conceitedly"

compare and qualify certain cultures as better than others. He writes, "What does it mean

to say 'culture matters'? It depends on who is speaking. The theme of this volume is

expressive of an intellectual stance known as "cultural developmentalism." For a cultural

developmentalist, the assertion that "culture matters" is a way of saying that some

cultures are impoverished or backward whereas others are enriched or advanced. It

means that there are good things in life (e.g., health, domestic tranquility, justice,

material prosperity, hedonistic enjoyment, and small families) that all human beings

ought to want and have but that their culture keeps them from wanting and/or having.

In response to Harrison's "culture matters" thesis, Swheder writes:

Culture matters for me too but in a rather different sort of way: If I were ever to

refer to a "culture of poverty," I would probably reserve the expression for

---

[135] Richard Shweder, "Moral Maps, 'First World' Conceits, and the New Evangelists," in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 167.
[136] Ibid., p. 168.

ascetic communities in which the renunciation of wealth and the repudiation of worldly goods had been positively valued as an objective good….Although the idea of an "impoverished culture" is not exactly an oxymoron, it has played almost no part in my own field research....[137]

Shweder does not mince words: for him the "culture matters" thesis is worthless, even "illusionary," and anyone who maintains that a "culture of poverty" exists is simply ethnocentric. Perhaps, then, Shweder would disagree with the following illusions Harrison offers regarding the purpose of his "culture matters" thesis:

Life is better than death.

Health is better than sickness.

Liberty is better than slavery.

Prosperity is better than poverty.

Education is better than ignorance.

Justice is better than injustice.[138]

Maybe these "illusions" offered by Harrison would be more appropriate for Shweder if they were inverted? This credo might look something like this:

Death is better than life.

Sickness is better than health.

Slavery is better than liberty.

Poverty is better than prosperity.

---

[137] Ibid., p. 160.
[138] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), 9.

Ignorance is better than education.

Injustice is better than justice.

Apparently, for Shweder and all other cultural relativists, the above list of "illusions" is most appropriate. Their rationale would appear to support the notion that, as long as the government of a nation—or the people of a nation—agree that slavery is better than freedom, then they ought to have the right to practice it.If the values of a nation feed corruption and produce further poverty, then, should such practices be respected by the rest of the world? For it would be a disgrace for a conceited Westerner to dare to improve the world by challenging corrupt governments and their inefficient economic cultures. Thus, the first set of "illusions," offered by Harrison, are not preferred by Shweder because they exhibit the purpose of the "culture matters" thesis: to *improve* the quality of life for the citizens of all nations by illustrating *why* certain nations are more aptly suited for progress while others are not. *Prosperity matters*.

Thomas S. Weisner: 1943–

Thomas Weisner, professor of anthropology at the University of California-Los Angeles and a Harvard graduate, believes that culture does not make a difference. He is a cultural relativist. His primary area of interest throughout his career has been sub-Saharan Africa. In responding to the "culture matters" thesis, and most specifically the notion that parenting patterns and child rearing practices need to be altered in order to help nations develop, Weisner retorts:

In my view, there is nothing fundamental in the parenting and childcare practices in Africa today that would prevent economic development under some version of

a market model or a local version of a more pluralist society. Many values and

practices in African family life and childcare are at least compatible with

economic development and political pluralism…. [T]he conception of culture

and values as rather inflexible traits that are inculcated early and become part of

a national cultural "character" is mostly wrong…I think [it] is wrong to argue

that culture *precedes* resource-based, institutional, and politico-economic

factors.[139]

According to Weisner, there is no link between what children think, believe, grow up

with, or perceive of their country, and the way in which they were reared as children. For

him, culture does not play a significant or relevant role in the economic progress of a

nation. As he explains in the conclusion of his essay, cited here:

Let parents and children around the world decide how to innovate and

experiment with their cultural practices…. Of course, like all cultural ways of

life, socially distributed socialization has costs as well as benefits.... There is

little basis for prescribing interventions and new-values orientations that require

specific changes in parental goals or child care practices within the family

system….[140]

Weisner would prefer a hands-off approach to helping underdeveloped nations increase

their economic prosperity. For him, apparently, it would be more advantageous to allow

underdeveloped nations to solve their own problems, if those problems have lasted for

---

[139] Thomas Weisner, "Culture, Childhood and Progress in Sub-Saharan Africa," in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 147.
    [140] Ibid., p. 146.

decades or centuries. Culture, however, is not the culprit of poverty or lack of economic progress in underdeveloped nations. As one of the final section titles in his essay announces, "Culture Values Do Not Define Cultures or the Potentials for Change."[141]

Hernando de Soto: 1941–

Peruvian economist Heranando de Soto is not convinced by Harrison's "culture matters" theory. Though not a self-proclaimed cultural relativist, de Soto argues that the culture explanation falls flat when trying to describe why Latin America (with the exception of Chile and Brazil) continues to produce high levels of poverty decade after decade. To cite again from his book, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*:

> Traditional approaches explain poverty as a general defect in the culture; a number of academics have even relegated an entire continent (i.e. Africa) to poverty because its people have the wrong kind of culture for development…*But the suggestion that it is culture* that explains the success of such diverse places as Japan, Switzerland, and California, and culture again that explains the relative poverty of such equally diverse places as China, Estonia, and Baja California, *is worse than inhumane; it is unconvincing.*[142]

Clearly, de Soto is convinced that culture does not matter. According to him, the century-long plague of poverty and inequality in Peru would be solved if, as he writes in

---

[141] Ibid., p. 142.
[142] Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2007).

the same book, government would overhaul the property rights and privileges of the citizens of Peru.[143]

Jeffrey Sachs: 1954–

Columbia University professor of economics and another Harvard graduate, Jeffrey Sachs, is not fully persuaded by the "culture matters" thesis, either. "If social scientists were to spend more time looking at maps [instead of culture]" Sachs argues, "they would be reminded of the powerful geographical patterns in economic development."[144] Here Sachs intends to demonstrate that geography and climate—not culture—are the major distinguishing factors between developed and underdeveloped nations. However, Sachs leaves some room for mutual understanding:

> The cultural explanations of economic performance may be helpful in some circumstances, especially in accounting for resistance to capitalist reforms in the nineteenth century, but [growth] explanations should also be tested against a framework that allows for other dimensions of society (geography, politics, economics) to play their role. Controlling for such variables sharply reduces the scope for an important independent role of culture.[145]

Though Sachs is not totally convinced that culture plays a major role in development, he does leave the door open to a certain degree for the culture explanation.

Certainly there are other critics of the "culture matters" thesis. Yet these are the primary opponents of Harrison's work. These are the scholars, moreover, whom

---

[143] Ibid., p. 4, (emphasis added).

[144] Jeffrey Sachs, "Notes on a New Sociology of Economic Development," in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 31.

[145] Ibid., p. 42.

Harrison has identified as the most avid critics of the "culture matters" discourse in the

21st century.

Observations

Cultural relativists, particularly those in sociology and anthropology, have

monopolized the discourse of development for far too long. Their arguments must be

challenged and refuted. Something must change. Not all of the nations around the world

are equal, nor are all cultures equivalent. This is especially salient when nations and

cultures are compared in the context of economic progress and human development.

Policy makers, researchers, and academics must stop reverting to a broken worldview

model. Jim Crowe was wrong. "Separate but equal" is a failed system. It failed

miserably in the 1960s. It fails just the same when applied to cultures. The fact is

uncomplicated: nations based on Protestant ethics and values progress economically,

while nations founded upon Catholicism remain chronically poor. Regardless of what

cultural relativists believe, there is no comprehensible justification for why billions of

people around the world continue to live in poverty in the 21st century. When will the

cultural relativists, who support Jim Crowe's philosophy, understand that their ideology

impedes the economic progress of chronically poor nations?

Modern-Day Supporters

The major supporters of Lawrence Harrison's work are found working in

collaboration with the Culture Matters Research Project. In this section, a few of the

most prevalent supporters of the "culture matters" initiative will be identified and their

arguments outlined. Close attention to the names and regions represented in this section

will show the interdisciplinary and international support the "culture matters" thesis has gathered throughout Harrison's career.

Samuel P. Huntington: 1927–2008

> *There is no Americano dream. There is only the American dream created by an Anglo-Protestant society. Mexican-Americans will share in that dream and in that society only if they dream in English.*[146]

Prior to his passing in 2005, Huntington was one of the most insistent supporters of Lawrence Harrison's "culture matters" initiative. He was the sponsoring official of the Culture Matters symposiums held at Harvard University. He co-authored *Culture Matters,* a best-selling book, and was one of the most influential political scientists of the 20th century. He often mentioned the role that culture plays in the progress or failure of nations, a position that many scholars and policy makers struggle to accept.

In his book *The Clash of Civilizations and the Remaking of World Order*, Huntington recounts how his "culture matters" conviction caused a bevy of controversy among other scholars:

> In the summer of 1993 the journal *Foreign Affairs* published an article of mine title "The Clash of Civilizations?". That article, according to *Foreign Affairs* editors, stirred up more discussion in three years than any other article they had published since the 1940s. It certainly stirred up more debate in three years than anything else I have written. The responses and comments on it have come from

---

[146] Samuel P. Huntington, "The Hispanic Challenge," *Foreign Policy* (New York) Mar. 4, 2004, p., 45.

every continent and scores of countries. People were variously impressed,

intrigued, outraged, frightened and perplexed by my argument….[147]

The argument proposed by Huntington in the *Foreign Affairs* article is the following:

It is my hypothesis that the fundamental source of conflict in this new world will

not be primarily ideological or primarily economic. The great divisions among

humankind and the dominating source of conflict will be cultural. Nation-states

will remain the most powerful actors in world affairs, but the principal conflicts

of global politics will occur between nations and groups of different civilizations.

The clash of civilizations will dominate global politics. The fault lines between

civilizations will be the battle lines of the future.[148]

Huntington knew that culture matters. And, when it came to voicing his opinion, he had

no qualms about putting political correctness aside. He based his opinions on factual

data, not feelings.

Huntington maintained a staunch opposition to multiculturalism and bilingual

education in the United States. In 2004, while writing about the "Hispanic Challenge,"

the United States faces with the major influx of illegal Hispanic immigrants, he stated:

The persistent inflow of Hispanic immigrants threatens to divide the United

States into two peoples, two cultures, and two languages. Unlike past immigrant

groups, Mexicans and other Latinos have not assimilated into mainstream U.S.

culture, forming instead their own political and linguistic enclaves—from Los

---

[147] Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster), 13.
[148] Ibid., p. 3.

Angeles to Miami—and rejecting the Anglo-Protestant values that built the

American dream. The United States ignores this challenge at its peril.[149]

Huntington was not concerned with whether or not people's feelings were hurt with what

his research indicated, including the feelings of those in the United States. He

approached poverty head-on, through facts. He was concerned with making change

happen.

Mariano Grondona: 1932–

Grondona holds a law degree and a Ph.D. in law and social sciences from the

National University of Buenos Aires, where he is now a professor of political theory.

He is a former visiting professor at Harvard University and author of 14 books, among

them *The Cultural Conditions of Economic Development* and *Culture and Political

Development*. He writes columns for the Buenos Aires daily *La Nación* and hosts

Argentina's most popular television public affairs talk show.

A native Argentine, Mariano Grondona has lived in Latin America where

poverty levels have continued to increase over past decades, despite the countries' being

heavily endowed with natural resources. He is convinced that values count as a major

contributor to the economic success of nations:

> There are two categories of values: intrinsic and instrumental. Intrinsic values are
>
> those we uphold regardless of the benefits or costs…. In contrast, a value is
>
> instrumental when we support it because it is directly beneficial to us. Let us
>
> assume that a country is dedicated to economic growth and to this end

---

[149] Samuel P. Huntington, "The Hispanic Challenge," *Foreign Policy* (New York) Mar. 4, 2004, p 47.

emphasizes work, productivity, and investment. If decisions favorable to development only answer to an instrumental value of an economic nature, such as increased wealth, the country's effort will decline as soon as the degree of wealth is attained….The revolution of economic development occurs when people go on working, competing, investing, and innovating even when they no longer need to do so to be rich. This is only possible when the values pursued, which promote prosperity, do not vanish as prosperity arrives.[150]

Grondona knows that Latin America will continue to live with the plague of poverty as long as the citizens and governments of the respective nations refuse to convert their instrumental values into intrinsic values. For Grondona, the change must be internal, not external.

Francis Fukuyama: 1952–

Francis Fukuyma is a professor at the Institute of Public Policy at George Mason University. He works as a consultant to the RAND Corporation, a non-profit development organization with offices throughout the world. Fukuyama supports the "culture matters" thesis by demonstrating the role that social capital can play in the creation, implementation, and generational inculcation of values, attitudes, and culture at the familial and national levels. He argues that social capital can either promote or impede the economic progress of a nation, through the following anecdote:

---

[150] Mariano Grondona, "A Cultural Typology of Economic Development," in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 45.

> A retired [Mafia] boss recounted that when he was a young boy, his Mafioso father made him climb a wall and then invited him to jump, promising to catch him. He at first refused, but his father insisted until finally he jumped—and promptly landed on his face. The wisdom his father sought to convey was summed up by these words: "You must learn to distrust even your parents."[151]

This short anecdote illustrates how influential social capital is in the economic progress of a nation. If there are small organizations, religions, or regions of people that refrain from participating with the rest of society because the level of trust is reserved for immediate family (or in this case, no one), then, the citizens of such a nation will struggle to unite and interact with one another. Referring to this anecdote, Fukuyama reiterates: "Sharing values and norms in itself does not produce [a macro] social capital because the values may be the wrong ones."[152] He then concludes,

> The Mafia is characterized by an extremely strong internal code of behavior, *omertá,* and individual Mafiosi are spoken of as "men of honor." Nonetheless, these norms do not apply outside a small circle of Mafiosi. For the rest of Sicilian society, the prevailing norms can be described more as "take advantage of people outside your immediate family at every occasion because otherwise they will take advantage of you first." And as the example cited by Gambetta suggests, even families may not be that reliable.[153]

---

[151] Francis Fukuyama, "Social Capital" in *Culture Matters: How Values Shape Human Progress* in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 98.
[152] Ibid., p. 98.
[153] Ibid., p. 98.

Such attitudes, belief-systems, and inculcated cultures do nothing to promote united families, and much less united nations.

Daniel Etounga-Manguelle: 1943–

Daniel Etounga-Manguelle holds a doctorate in economics from the Sorbonne and is the CEO of *Société Africaine d'Etude d'Exploitation et de Gestion* (SADEG)—a consulting group involved in more than 50 development projects in west, central, and southern Africa. He is also a former member of the World Bank's Council of African Advisors. In *Does Africa Need a Cultural Adjustment Program?*, a chapter found in Harrison's book *Culture Matters*, Etounga-Manguelle explains how Africans can begin to develop their nations and continent:

> We need to undertake peaceful cultural revolutions in four sectors: education, politics, economics, and social life. We are now at a crossroads….We [Africans] must go to the heart of our morals and customs in order to eradicate the layer of mud that prevents our societies from moving into modernism. We [Africans] must lead this revolution of minds—without which there can be no transfer of technology—on our own. We must place our bets on our intelligence because Africans, if they have capable leaders, are fully able to distance themselves from jealousy, the blind submission to the irrational, the lethargy that have been their undoing. If Europe…has been able to impose itself on the planet, dominating it

and organizing it for its exclusive profit, it is only because it developed a conquering culture of rigor and work….[In Africa], [w]e must do the same.[154] As a native Cameroonian, Etounga-Manguelle has experienced a lifetime of poverty that pervades his native country and continent. He is convinced that culture makes almost all the difference because he has seen what happens in nations where values, attitudes, and cultures are transformed—a transformation he yearns to effectuate in his native Africa.

Progress throughout Latin America is stifled, halted, damned, and void because the respective cultures, attitudes, values, and governments do not foster trust, acquisition of wealth, or innovation. Undoubtedly, such bold claims are not politically correct, and people's feelings will surely be bruised, but it is an empirically valid reality—a reality that Lawrence Harrison has championed into the 21st century and supported through the CMRP. He started by building a team. He ignored his critics. He pushed forward. Then, he demonstrated empirically what he knew was true. He never gave up. That is what Lawrence Harrison has achieved through the Culture Matters Research Project.

Literature Review

If culture is important and people have studied culture for a century or more, why don't we have well-developed theories, practical guidelines, close professional links between those who study culture and those who make and manage development policy?[155]

---

[154] Daniel Etounga-Manguelle, "Does Africa Need a Cultural Adjustment Program" in *Culture Matters: How Values Shape Human Progress* in *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 64.

[155] Samuel Huntington and Lawrence Harrison, *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), xvi.

No one who has lived and worked in Latin America can fail to recognize the distinctions between the cultural values of those societies and the value systems of more developed countries. It is indeed important that those attitudes and viewpoints be considered in any discussion of development.[156]

The following literature review is an overview of Harrison's book publications. Each of the books he published is presented according to its publication dates, starting from the oldest and ending with the most recent. A brief summary of the thesis addressed in each book will also be provided. The intention of this literature review is to demonstrate how Lawrence Harrison has personally worked for nearly three decades on the "culture matters" thesis.

1985

Underdevelopment is a State of Mind: The Latin American Case [157]

This book was published nearly 20 years after Harrison began living in Latin America and working with the governments of underdeveloped nations. Despite being his first book, it was through this publication that Lawrence Harrison started influencing the discourse on development among academics and policy makers. The title and subtitle immediately illustrate what Harrison intended to express through his "culture matters" thesis: Latin American nations are *not* chronically underdeveloped because they lack the necessary natural resources to compete in the global market, and they are *not* underdeveloped because they have been historically imperialized by the United States

---

[156] Thomas F. O'Brien, "Business in Latin America. Dependency Revisited: A Review Essay," *The Business History Review* 59, no. 4 (Winter, 1985): 663-669, at 665.

[157] Lawrence Harrison, *Underdevelopment is a State of Mind: The Latin American Case* (Lanham Maryland: University Press of America, 1985).

and Spain. Rather, the majority of Latin America is chronically underdeveloped because of the "state of mind" maintained by the citizens and the governments therein. By "state of mind," Harrison implied that the attitudes, beliefs, and values—or *the culture*—maintained by the people and the governing officials of different nations *negatively impact* economic progress.

In the introduction of the book, Harrison states, "more than any other of the numerous factors that influence the development of countries, it is *culture* that principally explains, in most cases, why some countries develop more rapidly and equitably than others"[158]—an assertion that during the mid 1980s was categorized by anthropologists and sociologists as racist and ethnocentric.

In order to fully appreciate Harrison's content in this book, one must first understand the context in which he was writing. O'Brien (1985) helps illustrate this atmosphere:

> Latin America is the birthplace of dependency theory, which seeks to explain economic underdevelopment, political authoritarianism, and social injustice as the results of interactions between local economic elites and foreign business interests.[159]

For Harrison to offer his "culture matters" thesis, which was contrary to the widely shared Dependency Theory[160] of his time, meant that he would inevitably have to endure

---

[158] Ibid., p. xvi.

[159] Thomas F. O'Brien, "Business in Latin America. Dependency Revisited: A Review Essay," *The Business History Review* 59, no. 4 (Winter, 1985): 663-669, at 665.

[160] Dependency theorists, such as Eduardo Galeano, author of *Las venas abiertas de América Latina*, conclude that chronically poor nations remain poor because they have been imperialized by

controversy.[161] O'Brien further explained that, because Harrison shifted the accountability of underdevelopment back onto the shoulders of Latin America, his position resembled that of previous culture theorists:

> For an analytical underpinning, Harrison draws on the works of scholars [like]
> Max Weber…which emphasize the importance of entrepreneurship, religion, and
> child rearing in economic development…and by so doing Harrison effectively
> places *the cultural interpretation of development* back into the center of the
> debate.[162]

Harrison's straightforward rejection of the dependency theory directly opposed what scholars of his time were supporting. But he knew that the amount of underdevelopment he witnessed while working and living in Latin America was not due to history or ignorance. He knew that it had more to do with the culture of the people. More importantly, for Harrison, chronic underdevelopment in Latin America was an issue that he was prepared to debate with the "culture matters" thesis.

The more Harrison tried to change the paradigm long held by traditional academics, however, the more he was perceived as another Westerner attacking the misfortunate. The fact that he was a white, Jewish graduate of Dartmouth and Harvard only compounded his challenges. None of this, however, deterred Harrison from continuing to share his "culture matters" thesis. In fact, in the final chapter of this book

---

stronger (Western) nations. It was most popular during the 1960s and 1970s as an explanation for why chronically poor regions of the world remained poor.

[161] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi.

[162] Thomas F. O'Brien, "Business in Latin America. Dependency Revisited: A Review Essay," *The Business History Review* 59, no. 4 (Winter, 1985): 663-669, at 664.

Harrison offered the reader a set of recommendations that he believed would, if implemented, break down cultural barriers to development. Among his prescriptions in the final chapter of this book are religious reform, progressive educational change, and a shift in child-rearing practices. Every single one of these themes is highly controversial, but Harrison had the courage to voice his opinion.

1992

Who Prospers? How Cultural Values Shape Economic and Political Success[163]

This work aims to answer the question that is posed in its title: *Who Prospers?* Through this book, Harrison demonstrated *how* culture influences the economic progress of a nation by offering case studies of governments that have adapted their culture and values and successfully improved the economic prosperity of their nation. As a means to measure the way culture and values implicitly influence the economic progress of different nations, Harrison relied on four chief indicators: (1) radius of trust and identification; (2) rigor of the ethical system, particularly its religious roots; (3) the way authority is exercised; and (4) overall attitudes about work and innovation.

The first chapter of this book offers Brazil—perhaps the most economically successful Latin American country—as a case study for what the rest of Latin America could replicate in order to achieve economic success. In this chapter, Harrison outlines how Brazil differs from the rest of Latin America:

Brazil's economic performance since the early 1900s has outstripped that of all other Latin American countries, including oil rich nations like Mexico and

---

[163] Lawrence Harrison, Who Prospers?: How Cultural Values Shape Economic And Political Success (Basic Books, 1992).

Venezuela. During the 20th century Brazil grew faster than any other large

country in the world except Japan. Between 1965 and 1980, Brazil's was the

fifteenth largest economy in the world; in 1987, it was the eighth largest, having

overtaken Australia, China, India, Mexico, the Netherlands, Spain, and Sweden.

In 1987, Brazil, with a population of about 145 million, produced more than did

China, with a population over one billion.[164]

This comparison between Brazil and other Latin American countries, like Mexico,

shows how attitudes, values, and beliefs influence the economic progress of a nation.

Brazil is very different *economically* from other large Hispanic American nations, like

Mexico—a difference he attributed to distinct values, attitudes, and culture:

Since I started working with development problems in Latin America in the early

1960s, people have been telling me that Brazil is different. It is obviously

different by virtue of its size: larger than the forty-eight contiguous American

states; larger than Australia; more than two-and-a-half times larger than India;

three times larger than Argentina. *But what people who know Brazil usually*

mean is that Brazilians have certain qualities that make them different from other

Latin Americans.[165]

Putting the size and population of Brazil aside, Brazil is completely different from other

Hispanic American nations.[166] To support his personal observations pertaining to Brazil

---

[164] Ibid., p. 28.
[165] Ibid., p. 27, (emphasis added).
[166] Harrison does mention the case of the Afro-Brazilian culture in that its roots are heavily
founded upon *Vodun* (voodoo) where neither an ethical code or accountability are present.

and the rest of Latin America, Harrison cited the experiences of other cultured

individuals who had spent years in various Latin American countries:

> A senior American diplomat describes dealing with Brazilian foreign ministry
>
> officials as comparable to dealing with Western European professionals. An
>
> American businessman who experienced great frustration in other Latin
>
> American countries calls his visits to Brazil a breath of fresh air, comparable to
>
> working with private-sector people in the most advanced countries. The *New*
>
> *York Times's* Marlise Simons, who has lived in Brazil and Mexico for a number
>
> of years, described Brazilians to me as being like Americans in their optimism,
>
> can-do attitude, and belief in the future—and unlike Hispanic Americans, for
>
> example, the Mexicans, who are so focused on the past. And Landon Lockett, an
>
> American who taught for five years in a Brazilian university, told me, "Hispanic
>
> Americans are a bundle of complexes, preoccupied with 'dignity.' Brazilians are
>
> casual."[167]

Brazilians are culturally different. The famous sociologist and native Brazilian Gilberto

Freyre agrees. In a fascinating appeal to history, he explains that the difference between

Brazilians and their other Hispanic neighbors stems from a difference between the

Portuguese vs. the Spanish Inquisitions. He writes:

> The Portuguese inquisition of Brazil created a different construction of identity
>
> and culture than what was created by the Spanish inquisition of the rest of

---

[167] Ibid., p. 27.

Hispanic America because the Portuguese [were] an especially adaptable, racially tolerant, and malleable people.[168]

Portugal was historically more tolerant of Jews than was Spain. Whereas Spain persecuted and forced all Jews to convert to Catholicism in the 13th century, in Portugal, Jews held prominent government positions up until the late 15th century. In fact Portugal became a refuge for many Sephardic Jews expelled from Spain by Ferdinand and Isabel in 1492.[169] Freyre's opinion mirrors comments shared by the American diplomat, the American businessman, the *New York Times* journalist, and Lawrence Harrison. Freyre's opinion on Catholicism in Brazil is also shared by the well-known Brazilian lay Catholic anthropologist, Thales de Azevedo, who, in speaking about Brazilian culture, wrote: "Brazilian Catholicism inherited from Portuguese culture a certain softness, tolerance and malleability which an exalted, turbulent and hard Spanish religious character did not know."[170] Responding to De Azevedo's commentary on the "hard" Spanish character that pervades Hispanic America, Nicaraguan historian José Dolores Gámez notes that there was a difference in the character (culture) of the priests that landed in what is now Brazil: "Wanting to break the chains of their priestly vows, especially that of poverty, a large number of priests came to the colonies hoping to enjoy a new existence, carefree and comfortable, and especially to satisfy their earthly ambitions."[171]

---

[168] Gilberto Freyre, *New World in the Tropics.* (New York: Knopf, 1959), p.7.

[169] Henry Charles Lea, "A History of the Inquisition of Spain," *Spheres of Action*, 8, no. *3* Jews (Oct., 1905): 237-259, at 237.

[170] Thales de Azevedo, "Catholicism in Brazil," *Thought* (Fordham University Quarterly) 28 (1953): 257, quoted in Wagley, *An Introduction to Brazil,* p. 234.

[171] José Dolores Gámez, *Historia de Nicaragua: desde los tiempos prehistoricos hasta 1860, en sus relaciones con espana, Mexico y Centro-America* (Managua, Tip: de El País, 1889), 85.

Brazilians, specifically of European decent, are culturally different from their

other Hispanic neighbors.[172] Their vision is toward the future, not the past.[173] While they

appreciate their history, they have moved forward, stopped blaming others, and

progressed. Entrepreneurship is alive and thriving in Brazil; it is something that the

macro-culture looks upon positively. Does this make Brazilians less Latin, then? Are

Brazilians *vendidos* (sell outs) because they have shaken off their past and started

looking toward the future by investing in profitable markets? Not in the least. Brazilians,

of European ancestry, have simply taken a similar (though not identical) cultural heritage

and chosen to do something different with it.

1997

The Pan-American Dream: Do Latin America's Cultural Values Discourage True
Partnership with the United States and Canada?[174]

In this book Harrison addresses four specific questions regarding the differences

between the United States and Canada (Protestant North America) and Hispanic Latin

America (Catholic North America, Central America, and South America). He does make

an exception for Brazil in this book, restating the fact Brazil does not belong *culturally*

to Hispano-Latin America. He begins this book by stating: "The United States and

Canada are prosperous first-world countries with centuries-old democratic institutions;

---

[172] It is critical to make the distinction between Afro-Brazilians and European-Brazilians because, economically speaking, as Andrés Oppenheimer writes in his book, *Basta de historias:* 10% of European (white) Brazilians, who are predominately Protestant, controls 42% of its interests, whereas nearly 50% of Brazil, with African ancestry, lives in poverty. The popular phrase in Brazil is "Se você é preto você é pobre" (If you are black, you are poor). This explains a strong similarity with the poverty in Haiti, which is overwhelmingly African. I have spent nearly a decade in Latin America, mostly in Mexico. I have also spent nearly a year working in Brazil, as well as a couple of years working with Brazilians. I can attest to the differences shared by Harrison in this book.

[174] Lawrence Harrison, *The Pan-American Dream* (Basic Books, 1997).

Latin America's countries are poor and, in most cases, experimenting with democratic capitalism for the first time."[175]

Then, Harrison poses the following four questions as the central theme of this book:

1. Can a coherent, durable community like the European Union be constructed with building blocks so different?

2. Why are the United States and Canada so much more prosperous, so much more democratic than Latin America?

3. Why has it taken so long for Latin America to conclude that democratic capitalism and good relations with the United States are in its best interest?

4. What might be done to enhance the prospects for a dynamic community in the Western Hemisphere?

Harrison's effective question-posing style provokes the reader to stop and ponder why the United States and Canada are so much more advanced *economically* than Hispanic Latin America.

His primary focus in this book is the economic differences that exist between the United States and Hispanic Latin America.[176] Harrison's conclusion is that it is *culture* that causes the major development differences between the United States and the Hispanic world on this side of the Atlantic. More specifically, he explains that the traditional Ibero-Catholic system of values and attitudes fosters authoritarianism,

---

[175] Ibid., p. 27.
[176] Harrison discounts Canada as a major player of interest in the comparison between "North and South" because of population differences, with Canada having only one-tenth of the population of the United States.

orthodoxy, leisure, and a present-tense orientation, whereas the values and culture of Anglo-Protestantism foster the opposite:

> Culture is acquired; it is not transmitted genetically….[Yet] what explains the Latin American traditions of authoritarianism, abuse of power, suppression of economic creativity, and social injustice? Obviously, a number of factors—for example, resource endowment, climate, policies and institutions, history, sheer luck—are relevant. But I believe that by far the most important factor behind the divergent evolution of the northern and southern parts of the Western Hemisphere is cultural values and attitudes with respect, for example, to work, frugality, education, merit, community, and justice. Canada and the United States have been powerfully influenced by Anglo-Protestant culture, in which those and other progress-prone values are emphasized. Latin America has been powerfully influenced by Ibero-Catholic culture, which accords low priority to those values.[177]

Thus at the risk of appearing racist, ethnocentric, and void of politically correct protocol, Harrison continued to lead the renaissance of the "culture matters" discourse during the early 1990s.Harrison's purpose with this book was to propose a potential plan to help Hispanic Latin America increase its prosperity, not attack it. He wanted to put forth the idea that if the Hispanic-Latin American nations would change their attitudes, values, and culture, then they would (as Brazil has) improve and develop.

---

[177] Lawrence Harrison, *The Pan-American Dream* (New York: Basic Books, 1197), 13.

2000

Culture Matters: How Values Shape Human Progress[178]

This is the first book that Harrison published in the 21st century. It was co-edited with Samuel P. Huntington, another highly controversial author we have encountered already in this chapter.[179] This book set the stage for the CMRP. Its title is an affirmative response stating that culture *does* matter. The title does not imply that the book covers matters of culture.[180] The subtitle illustrates Harrison's intention with the publication: it was written in effort to demonstrate *how* values shape human progress. In his foreword to the book, Huntington wrote:

> In the early 1990s, I happened to come across economic data on Ghana and
> South Korea in the early 1960s, and I was astonished to see how similar their
> economies were. These two countries had roughly comparable levels of per
> capita GNP; similar divisions of their economy among primary products,
> manufacturing, and services; and overwhelmingly primary product exports, with
> South Korea producing a few manufactured goods. Also, they were receiving
> comparable levels of economic aid. Thirty years later, South Korea had become
> an industrial giant with the fourteenth largest economy in the world,
> multinational corporations, major exports of automobiles, electronic equipment,

---

[178] Samuel Huntington and Lawrence Harrison, *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), 3.

[179] When Samuel P. Huntington arrived at Texas A&M University he was met with staunch opposition. One of my professors in the HISP Department led the protest against Huntington, picketing with the rest of the individuals who objected to his being invited to speak. In class with this professor, I heard Huntington's ideas and works unappreciated and refuted.

[180] Lawrence Harrison,(Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011.

and other sophisticated manufacturers, and a per capita income approximating

that of Greece…. No such changes had occurred in Ghana, whose per capita

GNP was now about one-fifteenth that of South Korea's. *How could this*

extraordinary difference in development be explained? Undoubtedly, many

factors played a role, but it seemed to me that culture had to be a large part of the

explanation. South Koreans valued thrift, investment, hard work, education,

organization, and discipline. Ghanaians had different values. In short, culture

counts.[181]

Huntington, an avid supporter of Harrison's "culture matters" thesis, demonstrates his

thesis with empirically sound evidence, not feelings. To further explain the purpose of

this book, Huntington continued his defense of the "culture matters" thesis and wrote:

In a 1992 study of the relationship between culture and development, Robert

Kligaard posed the question: "*If culture is important and people have studied*

culture for a century or more, why don't we have well-developed theories,

practical guidelines, close professional links between those who study culture

and those who make and manage development policy?" This is the central

purpose of this book and the further work we hope to undertake is to develop the

theories, elaborate the guidelines, and foster the links between scholars and

practitioners that will foster the cultural conditions the enhance human

progress.[182]

---

[181] Samuel Huntington and Lawrence Harrison, *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison, (New York: Basic Books, 2000), xvi.
[182] Ibid., p. xvi.

This interdisciplinary understanding of national development and policy creation enhances the validity of the "culture matters" thesis. Through this book Harrison began *empirically* linking values with human progress and created the foundation upon which other scholars could expand the "culture matters" thesis.

The last important element to mention about *Culture Matters* is that both angles of the "culture matters" thesis are presented in it. Harrison indicated that this book is a direct result of the Cultural Values and Human Progress Symposium sponsored by Harvard's Academy for International and Area Studies in 1999. At this symposium, scholars, journalists, and reporters presented their perspective on the efficacy (or inefficacy) of the "culture matters" thesis. By presenting both perspectives on the "culture matters" thesis in the same book, Harrison enables the reader to compare and contrast the two perspectives of the "culture matters" thesis and form their own conclusions about which argument is most convincing. Additionally, the technique employed by Harrison to present both perspectives of the "culture matters" argument in one single volume makes it easier for the reader to arrive at an overall understanding of the fault lines in this debate.

The mission of the culture matters thesis is to bridge the gap between theory and practice and to make a difference in the lives those who suffer poverty. This is exactly the mission of this dissertation: to bridge the gap between theory and practice and illustrate that culture influences the economic progress of individuals and nations.

Without doubt, Harrison achieved his goal with this publication because it was for several years a best seller at the World Bank bookstore.[183]

2005

Developing Cultures: Essays on Cultural Change[184]

Co-edited by Harrison and Jerome Kagan, this book puts forward 21 essays divided into the following six sections: 1) Child Rearing, 2) Education, 3) Religion, 4) The Media, 5) Leadership, and 6) Development Projects. Each of these section headings covers one specific area of culture transmission. More specifically, Harrison and Kagan explain that these are the primary six culture transmitters that inculcate culture from generation to generation, at both the macro- and micro-levels.

In addition to illustrating the six primary transmitters of culture, there are four purposes isolated in the Introduction of the book:

1. Show empirically that values, beliefs, and attitudes are a key but neglected component of development and that the neglect of cultural factors may go a long way toward explaining the agonizingly slow progress toward democratic governance, prosperity, and social justice in so many countries in Africa, Latin America, the Islamic world, and elsewhere.[185]

---

[183] Lawrence Harrison and Jerome Kagan, *Developing Cultures: Essays on Cultural Change* (New York: Routledge, 2006), xii .
[184] Ibid., p. xii.
[185] Ibid., p. xi.

2. Demonstrate how culture influences the behavior of individuals and societies, and show how the forces that shape cultural change can accelerate the pace of progress.[186]

3. Focus attention on the malleability of culture and what might be done to strengthen the values and attitudes that nurture progress.

4. Stress that no participant of this book maintains that culture is genetically transmitted and demonstrate that culture is acquired and transmitted from generation to generation through the family, the church, the school, and other socializing instruments.

Harrison laments that, despite having such clearly outlined goals and objectives with this project, when the participants of the CMRP met at the final session of the 1999 symposium, the participants in the symposium agreed that culture changes, but many were uncomfortable discussing measures to encourage or facilitate cultural change.

Developing Cultures: Case Studies (edited by Harrison Lawrence and Peter Berger)[187]

Co-edited by Harrison and Peter Berger, this book covers case studies of 27 nations (or regions) around the world. The nations/regions presented in this book are divided into seven categories: Africa, Confucian Countries, India, Islam, Latin America, Orthodox/Eastern Europe and The West. South America, Europe, and the United States). The full categorization of these nations/regions is as follows: **Africa:** Botswana, South

---

[186] Ibid., p. xi.
[187] Lawrence Harrison and Peter Berger, *Developing Cultures: Case Studies* (New York: Routledge, 2006).

Africa, Yoruba community in Nigeria; **Latin America:** Argentina, Brazil, Chile,

Mexico, Venezuela; **Confucian Countries:** China, Japan, Singapore, Taiwan, India;

Islamic Countries: Egypt, Indonesia, Pakistan, Turkey; **Orthodox/Eastern Europe:**

Eastern Europe, Georgia, Novgorod, Russia; **The West:** African Americans, Ireland,

Italy, Quebec, Spain, Sweden. "The guidelines established and followed by the case

study writers," Harrison explains "were very broad because we were looking for the

answers to four questions."[188]

Here are the four questions that Harrison and the rest of the scholars involved in

this project were attempting to answer through these case studies:

1. How have cultural values and attitudes influenced the evolution of the

   society?

2. What other factors have influenced the evolution of the society?

3. How have other factors influenced cultural values and attitudes?

4. Is there evidence of cultural change? If so, to what can it be attributed?[189]

Many of the societies presented through these case studies demonstrated that values,

attitudes, and culture were directly correlated with the economic progress (or failure) of

each region/nation involved in the project.[190] In an essay published in *Cato Unbound*,

Harrison put it this way:

Of the 27 case studies, ten are economic success stories: the four Confucian

countries of China, Japan, Singapore, and South Korea; India; Chile; and four

---

[188] Ibid., p. xvi.
[189] Ibid., p. xvi.
[190] Some of the major indicators that the CMRP used to track and measure the role of culture in
each society studied were child-rearing practices, several aspects of education, religion, the media,
political leadership, and development projects.

Western societies: Ireland, the Province of Quebec, Spain, and Sweden. While all

ten combine elements of Moynihan's Central Conservative Truth (culture

dominant) and Central Liberal Truth (politics/policies dominant), progress in the

four Confucian countries, Chile, and Sweden is, in my view, chiefly attributable

to pre-existing culture, while progress in Ireland, Spain, and the Province of

Quebec, is chiefly attributable to politics and policies that promoted cultural

change.[191]

The 27 case studies provided Harrison with the empirical data necessary to demonstrate

that culture matters.

In addition to the information collected through these case studies, Harrison

expressed that he hoped that the information provided would allow him to search for

patterns that could then be translated into "useful lessons…to develop the guidelines for

cultural change that are the goal of the Culture Matters Research Project."[192] Such

lessons would then be translated into tangible data that the various governments of the

nations/regions presented in the case studies could use as a tool to understand

themselves, and ultimately, make the necessary changes that would help them develop

into more economically sound nations/regions.

---

[191] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi.

[192] Lawrence Harrison and Peter Berger, *Developing Cultures: Case Studies* (New York: Routledge, 2006), xv.

2006

The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself [193]

This is the final book that Harrison published through the CMRP. It offers the clearest *empirical* case study on how culture makes a difference. The case revolves around the Island of Hispaniola (the Dominican Republic and Haiti). Harrison offers the Island of Hispaniola as a concrete example that *culture* is a major factor in deciding the success or failure of a nation. In his book, *The Central Liberal Truth,* Harrison dedicates the first chapter to proving that culture matters. The chapter is titled, *"The Riddle of Hispaniola."* The "riddle" of this island is unadorned: there are few differences between the Dominican Republic and Haiti, yet the economic progress between the two nations is staggering.

To begin with, both Haiti and the Dominican Republic share the same geographic (longitudinal and latitudinal) location. This means that both nations share the same natural resource endowment. Additionally, both nations have similar histories, which were plagued by slavery and commercial exploitation by eager sugar consumers from around the world. However, when the two nations are compared as far as overall *progress*—life expectancy, GDP per capita, safety, literacy and trust levels, and poverty indexes—the differences are shocking. On the west side of the island is Haiti, which offers its citizens a life expectancy of 61 years. The level of adult literacy is around 62

---

[193] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi.

per cent. The GDP per capita is roughly $1,115 USD per year. Dominicans, conversely, have a much different experience on the east side. Life expectancy in the Dominican Republic is 72 years (nearly a decade longer). They have a literacy level of 89 per cent (27 per cent higher than Haiti), and, the GDP per capita is roughly $6,706 USD (six times higher than what Haitians expect to receive). Thus the "riddle": what is the cause of such dramatic differences between Haiti and the Dominican Republic?

Geography is not a valid argument in this context because the two nations share the exact same longitude and latitude. Unequal natural resources distribution is also not valid in this context because both nations share the same natural resource endowment. Historical explanations, such as slavery or commercial exploitations of sugar, also fall flat as suitable arguments in this context, especially considering the fact that Haiti, which was under French dominion, overran and governed Isla Hispaniola. Western imperialism cannot bridge the gap because both nations were imperialized for at least a decade, respectively, which the Dominican Republic has apparently overcome. Thus, if geography, natural resources, history (slavery and commercial exploitation), and Western imperialism cannot answer the riddle, what can? For Harrison, the most powerful and convincing answer is culture.

Harrison is right: culture, values, and attitudes explain the difference. The "culture matters" thesis is the only compelling argument in the context of Hispaniola because it is the only major difference between the two nations, especially the values, attitudes, and culture emerging from the different religions of each nation. On the west, Haiti is replete with Voodoo. On the east is the Dominican Republic, which is

predominantly Catholic. Thus, it is crucial to note that, while the Dominican Republic is six times wealthier than Haiti, it is a Catholic country and ranks 150th in the Human Development Index, well below the top ranking, Protestant and Confucius countries. Therefore, in the hierarchy of religion/ethical codes and wealth creation, while Catholicism is better at creating national wealth and national development than Voodoo, Weber's model still remains valid. According to Harrison, whenever a nation is built upon a code of ethics where accountability is null and void (as is the case with Voodoo in Haiti) that nation will struggle to produce a democratic government. In turn, when the government of a nation lacks accountability, said nation tends to foster a progress-resistant culture.

Conclusion

Question: Why is Latin America chronically underdeveloped while so many other nations—who were once just as poor, or poorer—progress?

Answer: Culture, religion, and government matter.[194]

Lawrence Harrison is the "culture matters" champion of the 21st century. He has, despite heavy controversy and unfounded accusations, been at the forefront of the "culture matters" thesis since the 1980s. He has built on the theories offered by Weber, De Tocqueville, and Foster by empirically demonstrating how *culture* continues to influence the economic progress of nations. He has successfully combined de Tocquevelle's political-culture thesis, Weber's Protestant Ethic thesis, and Foster's "universal peasant culture" thesis into one collective whole. He has effectively converted

---

[194] Lawrence Harrison. (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011.

the "culture matters" thesis into a critical discourse on development in the 21st century. Like Weber and De Tocqueville, Harrison's exposure to the governments of other nations has led him to conclude that culture matters. Like Foster, Harrison is convinced that there is a type of worldview that impedes the economic progress of nations. And, like Weber, De Tocqueville, and Foster, Lawrence Harrison cares less about political correctness and more about effectuating change.

Culture, values, attitudes, religion, and government make the difference in the economic stability and growth of a nation. The way people act affects their economic stability. What people believe, at the individual and macro-level of society, about destiny, and agency over that destiny, affects their economic stability. The levels of trust that individuals in a society maintain within their families, communities, and nations impact their economic stability. There is no escaping it: culture matters.

CHAPTER IV

ERADICATING POVERTY: A CULTURAL MODEL

I have always considered Oscar Lewis an intellectual godfather.[195]

Introduction

This chapter is divided into four sections. Section I offers a comparative analysis of the methodologies employed and the conclusions offered by Oscar Lewis and Lawrence Harrison. Section II focuses on the primary discrepancies found between Lewis' "culture of poverty" model and Harrison's "progress-resistant" culture model. Section III introduces the concept of necessity entrepreneurship and suggests that cultural factors are the major causes for failure of micro-enterprises; special attention is given to the differences in theories between external factors (laws, policies, government) and internal factors (culture, values, attitudes). Section IV offers a categorization of Necessity Entrepreneurs, as discussed in the previous section. This chapter is intended to provide a new model of thought on how to eradicate poverty more successfully in the 21st century.

Oscar Lewis and Lawrence Harrison: A Comparative Analysis

Differences: Methodologies

While both Lewis and Harrison have concluded that *culture* makes the difference in the economic development of individuals and nations, the major difference between

---

[195] Lawrence Harrison (Director, Cultural Change Institute, Tufts University's Fletcher School, Massachusetts), interview by Jeremi Brewer, April 15, 2011.

the two scholars is found in their methodologies. For example, Lewis collected data

through in-depth, private interviews, which he later transcribed and published as

ethnographies. Harrison, conversely, gathered his data through massive World Values

Surveys. Following is an overview of the methodologies employed by each scholar.

Oscar Lewis and Ethnographies

Oscar Lewis, PhD in anthropology from Columbia University and creator of the

"culture of poverty" theory, revolutionized the data collection model used by his

colleagues during the 1950s and 1960s in the fields of anthropology, sociology, and

psychology by using ethnographies to document the lives of his subjects. His approach

was primarily bottom-up, focusing chiefly on individual people and individual families

who were living in poverty in Mexico and Puerto Rico. In his book, *The Children of

Sánchez: Autobiography of a Mexican Family,* Lewis explains that his purpose in

researching the poor through in-depth interviews was to revise the data collection

practices of his time, as well as to offer a new perspective of Mexicans living in poverty:

> There are very few studies in depth of the psychology of the poor in the less
>
> well-developed countries or even in our own country [the United States]. The
>
> people who live at the level of poverty described in this volume, although they
>
> are by no means of the lowest level, have not been studied intensivel….[196] I
>
> propose to offer the reader a vision of family life from *within* and what it means
>
> to grow up in a single room home….[197]

---

[196] Oscar Lewis, *The Children of Sanchez: Autobiography of a Mexican Family* (New York: Penguin Books), xii.
[197] Ibid., p. xi.

Lewis' ethnographies were a powerful innovation for his time and served as a necessary conduit for understanding the poor people he studied. His ethnographies gave the reader a firsthand account of what the poor thought, how they felt, what they believed, and, more specifically, what they did each day. Through his ethnographies, his subjects were represented, given a voice. Those who read Lewis' works were able to empathize, in many cases for the first time, with the poor.

Lawrence Harrison: World Values Surveys

Lawrence Harrison implemented a much broader methodology for data collection. Though he, like Lewis, also lived among the poor in Latin America, instead of relying on private interviews and personal observations of the poor, Harrison conducted World Values Surveys.[198] These World Values Surveys included 81 countries and covered approximately 85 to 90 percent of the world's population. Through these World Values Surveys, Harrison effectively documented the beliefs, attitudes, values, and worldviews of both developed and underdeveloped nations. This data, in turn, endowed Harrison with a much greater understanding of how national development correlates to the attitudes, beliefs, and values—the *culture*—of its respective citizens and government officials.

Parallels: Typologies, Motivation, and Purpose

More parallels than differences can be drawn between Lewis and Harrison. For example, both scholars approached poverty through the lens of culture. Both focused their research agendas on trying to find ways to eliminate poverty around the world.

---

[198] In conjunction with University of Michigan political science professor Robert Inglehart.

Each has an affinity for Latin America, having spent decades of his life undertaking research. Finally, both were convinced that there are certain cultures that are better than other cultures at producing economic prosperity.

Lewis and Harrison both aimed to create a typology, or classification, of the values, attitudes, habits, and customs of the economically poor. They believed that their findings would subsequently serve two primary purposes. First, they believed their typologies could be utilized by other researchers as guides for understanding the psyches of the poor. Second, they believed that their typologies would influence the development policies created and implemented by governments throughout the world. The following is a comparative analysis of the typologies created by both scholars.

The two tables below represent the theses of Lewis and Harrison. Table 1 illustrates Harrison's 25-factor typology of "Progress-Prone" and "Progress-Resistant" cultures.[199] In his typology, Harrison stipulated 25 "factors" as viewed through two different worldviews, or cultures. Along with each factor, a short explanation of how the two different cultures perceive each factor is given. Table 2 is an original, and completely *theoretical*, typology of Lewis's "culture of poverty" thesis. I have created it by analyzing the different worldviews represented in Lewis's ethnographies. For convenience, and to demonstrate the correlation between the two theses, Lewis's "culture of poverty" thesis has been conflated with Harrison's typology of "Progress-Resistant" cultures.

---

[199] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi.

TABLE 1. Harrison's 25-factor typology of "Progress-Prone" and "Progress-Resistant" cultures

Factor	Progress-Prone Culture	Progress-Resistant Culture
Worldview		
1. Religion	Nurtures rationality, achievement; promotes material pursuits; focus on this world; pragmatism	Nurtures irrationality; inhibits material pursuit; focus on other world, utopianism
2. Destiny	I can influence my destiny for the better	Fatalism, resignation, sorcery
3. Time orientation	Future focus promotes planning, punctuality, deferred gratification	Present or past focus discourages planning, punctuality, saving
4. Wealth	Product of human activity is wealth expandable (positive sum)	What exists (zero sum) is wealth; not expandable
5. Knowledge	Practical, verifiable; facts matter	Abstract, theoretical, cosmological, not verifiable
Values/Virtues		
6. Ethical code	Rigorous within realistic norms; feeds trust	Elastic, wide gap twixt utopian norms and behavior = mistrust
7. Lesser virtues	A job well done, tidiness, courtesy, punctuality matter	Lesser virtues unimportant
8. Education	Indispensable; promotes autonomy, heterodoxy, dissent, creativity	Less priority; promotes dependency, orthodoxy
9. Work and achievement	Live to work: work leads to wealth	Work to live: work doesn't lead to wealth; work is for poor; threat to equality because those who save get rich, provoking envy
10. Frugality and prosperity	The mother of investment	
11. Entrepreneurship derives connections	Investment and creativity	Rent-seeking: income from government
12. Risk propensity	Moderate	Low
13. Competition	Leads to excellence	Is a sign of aggression, and a threat to equality—and privilege
14. Innovation	Open; rapid adaptation to innovation	Suspicious; slow adaptation to innovation
15. Advancement	Based on merit, connections	Based on family and/or patron connections
Social Behavior		
16. Rule of law & corruption	Reasonably law-abiding; Corruption is prosecuted	Money, connections matter; corruption is tolerated
17. Radius of trust identification & trust	Stronger identification with broader society	Stronger identification with the narrow community
18. Family	The idea of "family" extends; fortress to broader society	The family is a fortress against the broader society
19. Association (social capital)	Trust, breeds cooperation, affiliation, participation, anomie	Mistrust breeds extreme individualism

TABLE 1 Continued

Factor	Progress-Prone Culture	Progress-Resistant Culture
20. The individual/the group	Emphasizes the individual but not excessively	Emphasizes the collectivity
21. Authority	Dispersed: checks and balances, unfettered, often consensus	Centralized: arbitrary
22. Role of elites	Responsibility to society	Power and rent seeking; exploitative
23. Church-state relationship	Secularized; wall between church and state	Religion plays major role in civic sphere
24. Gender relationships	If gender equality not a reality, at least not inconsistent with value system	Women subordinate to men in most dimensions of life
25. Fertility	Number of children should depend on the family's capacity to raise and educate them	Children are gifts of God; they are an economic asset

A Note on Harrison's 25-Factor Typology

In response to the 25-factor typology presented by Harrison, Mariano Grondona, Argentine scholar and journalist, explains "these factors constitute a typology in which cultures that are favorable to economic development are contrasted with cultures that resist it." Both Grondona and Harrison conclude that:

> …[while] it is possible to construct two ideal value systems: one including only values that favor economic development and the other including only values that resist it, neither of these value systems exist in reality, and no nation falls completely within either of those two value systems. However, some countries approach the extreme favorable to economic development, whereas others approach the opposite extreme.[200]

---

[200] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), 35.

Though no nation is completely circumscribed by either culture presented in Harrison's 25-factor typology, certain cultures are undoubtedly better at creating national prosperity than others.

Oscar Lewis' 25-Factor "Culture of Poverty" Typology

Oscar Lewis never represented his findings with graphs or tables. He did, however, annotate his observations of the poor and group them according to trait-specific characteristics of his informants. Lewis' trait-specific categorization is comprised of 70 distinctive common denominators that he found among the poor in Mexico, India, Puerto Rico, Cuba, and the United States. His trait-specific categorization fully describes how the poor act on a daily basis; what they think about their government officials and neighbors; and what they believe about destiny, agency, and religion. It also describes how the poor use entrepreneurship to make money, how they spend their money, and why they do what they do.

In modern terminology, what Lewis created with his annotations was a typology of the salient characteristics he observed among individuals living in the "culture of poverty." Said typology is represented in Table 2 (below). In this table, Lewis' "culture of poverty" typology is compared with Harrison's "Progress-Resistant Culture" typology, where the factors portrayed are identical to the factors used in Table 1. Under the "Culture of Poverty" column, however, the descriptions employed are extracted directly from the informants portrayed in Lewis' books.[201] Under the column titled

---

[201] Oscar Lewis, *The Children of Sanchez: Autobiography of a Mexican Family* (New York: Basic Books, 1964); *Five Families: Mexican Case Studies in the Culture of Poverty* (New York: Basic Books, 1959); *La Vida: A Puerto Rican Family in the Culture of Poverty—San Juan and New York* (New York: Random House, 1966), xviii.

"Progress-Resistant Culture" are the answers that Harrison provided regarding the
general perspectives maintained by the governments of chronically underdeveloped
nations, such as Mexico.

TABLE 2. A comparison: "Culture of Poverty" & "Progress-Resistant Culture" typologies

Factor	Culture of Poverty (Lewis)	Progress-Resistant Culture (Harrison)
Worldview		
1. Religion	100% of Lewis' informants are Catholics; focus on heaven; God = control of all	Nurtures irrationality; inhibits material pursuit; focus on afterlife; utopianism
2. Destiny	Mysterious hand moves all things; we have no control; that which must happen, will happen	Fatalism, resignation, sorcery
3. Time orientation	Past = important; punctuality = unimportant; gratification not deferred	Present or past focus discourages planning, punctuality, saving
4. Wealth	Wealth = evil; Wealth = pride; Wealth = corruption	What exists (zero sum) is wealth; not expandable
5. Knowledge	Facts not available; can't trust what government says, locally oriented and focused	Abstract, theoretical, cosmological, not verifiable
Values/Virtues		
6. Ethical code	No clear line of right/wrong; Idealistic; Suspicion of others	Elastic, wide gap twixt utopian norms and behavior = mistrust
7. Lesser virtues	Public courtesy = important; Cleanliness = unimportant	Lesser virtues unimportant (cleanliness = unimportant)
8. Education	Important; hard to access; requires money/resources; desirable	Less priority; promotes dependency, orthodoxy
Economic Behavior		
9. Work and achievement	Work is scarce; no jobs available; capitalism is evil; illegal immigration is preferred to legal immigration	Work to live: work doesn't lead to wealth; work is for the poor
10. Frugality and prosperity	Saving brings on illness; no control over tomorrow, spend today; saving impossible, expenses too high	A threat to equality because those who save will get rich, provoking envy

TABLE 2 Continued

Factor	Culture of Poverty (Lewis)	Progress-Resistant Culture (Harrison)
11. Entrepreneurship derives connections	There are no jobs; no other options to make money than starting own business; will most likely fail, but will have enough for food	Rent-seeking: income from government; legal structure does not support start-ups
12. Risk propensity	No other choice; take risks or die; gambling is good option	Low
13. Competition	Leads to destruction of others; to be avoided; creates enemies	Is a sign of aggression, and a threat to equality—and privilege
14. Innovation	Mistrust of new ideas and new government policies	Suspicious; slow adaptation to innovation
15. Advancement	Only with *palancas* (connections); family name important	Based on family and/or patron connections
Social Behavior		
16. Rule of law & corruption	Mistrust; use systems locally; corruption is expected/the norm	Money, connections matter; corruption is tolerated
17. Radius of trust Identification & trust	Immediate family = trust, but not with money; neighbors used but not trusted; narrow community; rich can't be trusted	Stronger identification with the narrow community
18. Family	Family = blood relatives; high divorce rates; matrifocal families headed by women; neighbors expected to help; infidelity expected/accepted by women	The family is a fortress against the broader society
19. Association (social capital)	Most people can't be trusted; family first; help others in need	Mistrust breeds extreme individualism
20. The individual/the group	Collectivity emphasized; help all in need; reduce suffering of others; sacrifice personal progress to help those in need	Emphasizes the collectivity
21. Authority	Centralized, *machismo*, patriarchal	Centralized: arbitrary
22. Role of elites	Elites = unrighteous, prideful; not to be trusted; exploit the poor, have an obligation to help poor	Power and rent seeking; exploitative
23. Church-state relationship	Religion must play a role in every decision; God is always watching; "*Dios ante todo*" (God before all)	Religion plays major role in civic sphere
24. Gender relationships	*Machismo*; male-dominant, men govern homes	Women subordinate to men in most dimensions of life
25. Fertility	Children are inheritance of God	Children are gifts of God

A Note on Lewis' Typology

Table 2 provides a comparative analysis of Lewis' and Harrison's typologies and demonstrates the striking parallels that exist between Harrison's macro-level typology of "progress-resistant cultures" and Lewis' micro-level typology of the "culture of poverty."[202] For example, of the four categories represented in Harrison's typology (Worldview, Values/Virtues, Economic Behavior, and Social Behavior), two of those, Worldview and Social Behavior, are nearly identical to similar components of Lewis' typologies. As for the other two categories, Values/Virtues and Economic Behavior, there are only three discrepancies found between the two typologies. Those discrepancies are found with factors 8, 11, and 12 and will be discussed in the following paragraphs.

Factor Discrepancy Evaluation

Education

Table 3 indicates that Lewis' "culture of poverty" informants differ significantly from Harrison's "progress-resistant" informants regarding their perspective on education.

TABLE 3. Differences in perspective on education

Factor	"Culture of Poverty"	"Progress-Resistant Cultures"
Education	Important; hard to access; requires money/resources; desirable	Less priority; promotes dependency, orthodoxy

---

[202] Table 2 exhibits a *theoretical* typology of Lewis' "culture of poverty" thesis. It is *theoretical* because Oscar Lewis never created any tables or categorizations in his research. I have merely tabulated his findings in order to facilitate comparison with Harrison's ideas.

According to Harrison's data, a nation's progress is hindered when education is not placed as a high priority, an attitude which promotes dependency. For Lewis' chronically poor Mexican informants, however, education is apparently viewed differently. For them, education is regarded as an important value and something to be desired. Some even recognize that receiving an education is a key stepping-stone "to move up in this world."[203] This discrepancy can be accounted for by the emphasis which the broader society puts on education—with the wealthier being formally educated, and the poor being, stereotypically, uneducated.

Andrés Oppenheimer

Argentine journalist and television talk-show host Andrés Oppenheimer answers this question in his book, ¡*Basta de historias! La obsesión latinoamericana con el pasado y las 12 claves del futuro* (*Enough History! Latin America's Obsession With the Past and 12 Keys Toward the Future*). In this book, Oppenheimer dissects underperforming educational systems implemented and maintained throughout Latin America and compares them with successful educational reforms that have been carried out in other regions of the world. Regarding the specific reality of the educational system used in Mexico, Oppenheimer writes of how the problems are found at both the individual and the macro-level of society:

Mexico is washed out and hopeless.[204] 40 percent of their young men and women do not graduate from high school[205] and only 24 or 25 percent of Mexico's youth

---

[203] Oscar Lewis, *The Children of Sánchez: Autobiography of a Mexican Family* (New York: Basic Books, 1964), 492.

[204] Andrés Oppenheimer, ¡*Basta de historias! La obsesión latinoamericana con el pasado y las 12 claves del futuro* (Random House: Mexico City, 2010), 321 (translation mine).

attend college, in comparison to 93 percent of South Koreans and 47 percent of Chilean youth, as the World Bank indicates. In this nation, individuals obtain an average of 6.8 years of education.[206]

Oppenheimer continues his discussion of the unsatisfactory educational system in Mexico with the following data:

> The magistrate of Mexico is controlled by an unprecedented teacher's union with 1.7 million affiliates, el *Sindicato Nacional de Trabajadores de la Educación* [National Teacher's Union], which, according to the "*Informe de la Competitividad de México 2009"* (Report of Mexico's Competitiveness 2009) blocks any intent to seriously modernize the archaic educational system that Mexico uses.[207]

One of the "archaic" components that Oppenheimer emphasizes in an effort to explain why Mexico has had such a poor tradition of education is the selling, or bequeathing, of teaching *plazas* (positions) from parents to children:

> After many arduous negotiations, the agreement was signed. Many of us saw this as a definitive moment in Mexico's history. A few months later, for the first time in Mexico's history, Mexico's government caused the National Teacher's Union to enforce a teacher licensing exam to 81,000 individuals awaiting the *plaza* of their relative or seller. 70 percent of those 81,000 individuals failed the exam.[208]

---

[205] Ibid., p. 335 (translation mine).
[206] Ibid., p. 340 (translation mine).
[207] Ibid., p. 321 (translation mine).
[208] Ibid., p. 325 (translation mine).

With tens of thousands of Mexicans dropping out of high school each year, as Oppenheimer notes, "*México está fregado*" [Mexico is washed out and a mess].

Yet, perhaps Oppenheimer's evaluation is too pessimistic. In his book he does write of the initiatives that President Felipe Calderón has implemented to help remedy the educational problems faced by Mexico:

> President Felipe Calderón, conscious of the educational problem in Mexico, has tried since the beginning of his presidency, beginning in 2006, to take the bull by the horns and negotiate with the *Sindicato Nacional de Trabajadores de la Educación* [National Teacher's Union] to eradicate the practice of selling and inheriting teacher's *plazas* [positions]. Calderón proposed to offer financial incentives to teachers so that they were not only compensated for their seniority, but also for their professional merit.

With Felipe Calderón, a graduate of the Kennedy School of Government at Harvard, there is a glimmer of hope for the educational future of Mexico—though it will take cultural reform and decades to implement.

Referring to the 40 percent high school-dropout rate, as well as the dismal 24 or 25 percent university attendance among Mexican youth, Oppenheimer offers a critical explanation for the reason behind such horrible numbers through an interview with Miguel Székely, Mexico's Assistant Secretary of Education:

> We conducted two questionnaires to better understand the phenomenon of high school dropouts, and both detected that students were dropping out because students did not like school, it was not interesting to them, and they saw no use in

going to school. This was surprising to us because we thought that the first

explanation of high school dropouts would be due to financial reasons.[209]

Mexican youth are not dropping out of school because they do not have the money. They

are not dropping out of school because they have limited access to education. They are

not dropping out of school because they don't understand the subject matter. Instead, 40

percent of high school students in Mexico are dropping out of school because, overall,

they are provided with instruction from under-qualified, uneducated, and incompetent

educators. The students get bored and have no motivation to continue. And, to add to

this macro-level problem, the values that these youth are receiving from parents at home

do not foster degree completion.

Oppenheimer paints a picture of the depressing reality of education in Mexico.

His observations and personal inquietudes are indeed passionate, but they are supported

by facts. Like Harrison, Oppenheimer explains that Mexico will remain chronically

underdeveloped unless the citizens and the government make the necessary *cultural*

changes from an archaic "orthodoxy" to a culture where innovation, change, and a

futuristic mentality are nurtured. *Culture matters*.

Ernesto Caravantes

Ernesto Caravantes, a Mexican-American author whose research agenda focuses

on the role of education among Hispanics (specifically Mexicans) and Hispanic

Americans living in the United States, knows that the cultural paradigms maintained by

Mexicans regarding education are impeding the growth of Mexico, as well as the success

---

[209] Ibid., p. 335 (translation mine).

of Mexican immigrants in the United States. He uses his highly controversial thesis, "Selective Cultural Adoption," to shed considerable light on the dichotomy found between Lewis' and Harrison's typologies. He argues specifically that Hispanic immigrants pick and choose which cultural habits and customs to adopt and which to avoid. Education, according to Caravantes, is one of the cultural habits that Hispanic immigrants, by and large, fail to cultivate.

In his book, *Clipping Their Own Wings: The Incompatibility Between Latino Culture and American Education*, Caravantes concludes that, much like the youth living in Mexico, approximately 50 percent of Hispanics living in the United States (who are predominately of Mexican origin) are dropping out of high school:

> Investing in the future is an Anglo-Saxon cultural value, while living for the moment is a Latin American value. With regards to education, for Hispanics and Hispanic Americans, other things, such as working on a family farm, being with family, spending time with family, [and] keeping family members close by is more important to them and. . . higher up on their hierarchy of values, their hierarchy of priorities.[210]

Expounding further on his observations about the relative priority Mexican-Americans place upon the cultural value of education, in a private interview broadcast by Rocky Mountain News Opinion, Caravantes explained:

> Until Mexicans put education at the very top of the list of their priorities they will continue to suffer. Mexicans are not making education *the* priority that they need

---

[210] Ernesto Caravantes, *Clipping Their Own Wings: The Incompatibility Between Latino Culture and American Education* (Maryland: Hamilton Books, 2007), 21.

to make it. The numbers speak for themselves. Therefore, when Mexicans say

that they value it, they might, but that caring is not translating into results.

Therefore, when I talk about a hierarchy of values, I focus on what they consider

to be the most and least important. To date education is clearly not at the top of

their list of priorities . . . only 1% of Hispanics living the United States can be

found earning a postgraduate degree.[211]

Caravantes concurs with Oppenheimer: the *cultural* values maintained and

generationally inculcated, especially by first generation Mexican immigrants, impede

their progress and competitiveness in both Mexico and America. Thus, while education

appears to be an important part of Mexican culture, it has yet to become an important

practiced value therein.

Clarification

In light of the data provided by Oppenheimer and Caravantes, and in an effort to

reconcile the typologies offered by Lewis and Harrison, I conducted a private interview

with Lawrence Harrison to clarify the factor of education in his "Progress-Resistant

Cultures" paradigm. Following is the dialogue that transpired:

Brewer: Dr. Harrison, on the typology of education, the "Progress-Resistant

Cultures" demonstrate that there is "Less priority; promotes dependency;

orthodoxy." I am interested to know if that value is based on what the people say

or what the people do?

---

[211] Ernesto Caravantes, interview by Rocky Mountain News Board, December, 1, 2008.

> **Harrison:** What they *do*[.] Many Latinos will tell you that education is a high priority—*but words are cheap*. [212]

Harrison is right: talk is cheap. While Mexicans claim that education is important to them, it has yet to become a practiced value.[213] His response clears up any possible confusion that may have existed: it is what Mexicans *do* and not what they *say* that demonstrates what they *value*. Harrison, Oppenheimer, and Caravantes each explain that, while Lewis' typology *appear*s to be different regarding education, in actuality, the end result is exactly the same: impoverished Mexicans, as well as the values that first generation Mexican immigrants inculcate on their children in America, do not place a high enough cultural value on education. Thus, while Lewis's informants may have shown a desire to have an education, they did not follow through or make their desires a reality.

Entrepreneurship and Risk Propensity

As is the case with Factor 8 (Education), there is a discrepancy between Lewis's informants and Harrison's informants regarding entrepreneurship and risk propensity, as seen in Table 4.

---

[212] Lawrence Harrison (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011 (emphasis orginal).

[213] In the United States, as Caravantes mentions, 50% of Hispanic immigrants, of whom the majority are Mexicans, do not graduate from high school.

TABLE 4. Difference between entrepreneurship and risk propensity

Factor	"Culture of Poverty"	"Progress-Resistant Cultures"
Entrepreneurship derives connections	There are no jobs; no other options to make money than starting own business; will most likely fail, but will have enough for food	Rent-seeking: income from government; legal structure does not support start-ups
Risk propensity	No other choice; take risks or die; gambling is good option	Low

However, unlike with Factor 8, these discrepancies are real. Following is an overview of how Factors 11 (Entrepreneurship) and 12 (Risk Propensity) differ between Lewis's and Harrison's typologies.

Entrepreneurship

Table 4 shows that there is no correlation or similarity between the worldview maintained by Lewis's informants and the worldview maintained by Harrison's informants regarding entrepreneurship. Lewis's "culture of poverty" informants express that, though they do not believe their venture will be successful, they launch their own small enterprises in order to survive. For them, entrepreneurship has become a necessity. For Harrison's "progress-resistant" governments/cultures, conversely, entrepreneurship is not viewed as a necessity. Instead, it is viewed as something negative and burdensome; therefore, the legal policies created and implemented by the government of "progress-resistant" nations do not nurture, foster, or incentivize entrepreneurship.

Risk Propensity

Concerning risk propensity, Lewis' and Harrison's informants display contrary worldviews. Lewis' informants show a propensity toward risk and Harrison's informants

show a low propensity for risk. This discrepancy can be explained by understanding the realities faced by Lewis' informants. For example, Lewis' informants felt obligated to have an income-generating activity (IGA) in order to survive. Because there were no jobs, or the jobs available to them paid very little, they were forced to create their own survival mechanisms. Their actions, therefore, translate into what appears to be a high propensity for risk, since they are always involved in entrepreneurial activities. Lewis' informants contrast significantly to Harrison's "progress-resistant" governments who view entrepreneurship as a threat to the overall progress of their societies. Such a mentality explains why, in underdeveloped nations like Mexico, government ownership of corporations (known as monopolies) tends to pervade.

Unlike the factor regarding education, where the end result was the same for both Harrison's and Lewis' informants, when it comes to entrepreneurship and risk propensity, Lewis' and Harrison's informants describe two separate halves of the same equation. For example, Lewis uses the lives of Mexicans to illustrate that entrepreneurship is not a vehicle used by choice; instead, it is a vehicle employed out of necessity. This explains why nearly every single informant he interviewed was involved in entrepreneurial activities. In turn, entrepreneurship out of necessity augments the level of risk propensity; his informants were willing to do or sell anything to feed themselves and their families. Harrison's typology, conversely, explains that governments of underdeveloped countries do not support or nurture entrepreneurship. Thus, their propensity toward risk is inevitably low.

Because such governments refuse to create policies and enforce laws that nurture entrepreneurship, individuals are left to find their own solutions. In the words of Oscar Lewis, they are forced to create their own coping mechanisms in order to survive:

> The culture of poverty has a structure, a rationale, and defense mechanisms without which the poor could hardly carry on. In short, it is a way of life, remarkably stable and persistent, passed down from generation to generation along family lines. The culture of poverty has its own modalities and distinctive social and psychological consequences for its members. It is a dynamic factor, which affects participation in the larger national culture and becomes a subculture.[214]

In the case of underdeveloped nations, and the hundreds of millions of people living in poverty, this coping mechanism is best represented by the term "necessity entrepreneurship," which is the topic of Section III.

Necessity Entrepreneurship

The Global Entrepreneurship Monitor (GEM) coined the terms "necessity entrepreneurship" and "necessity entrepreneur," in 2001.[215] Building on the idea of necessity entrepreneurs, Reynolds and Sternberg took the concept of necessity entrepreneurship a step further when they explained that there exist two types of entrepreneurs around the world:

---

[214] Oscar Lewis, *The Children of Sánchez: Autobiography of a Mexican Family* (New York: Basic Books, 1964), xxiv.

[215] Joern Block and Marcus Wagner, "Necessity and Opportunity Entrepreneurs in Germany: Characteristics and Earnings Differentials," *Schmalenbach Business Review* (SBR) 62, no. 2, (Apr, 2010,): 154-174, at 155.

In an effort to clarify the difference between the two types of entrepreneurs doing business, GEM categorized opportunity entrepreneurs and necessity entrepreneurs into two groups based on the motivation of the start-up. Opportunity entrepreneurs are viewed as entrepreneurs who start a business in order to pursue an opportunity, while necessity entrepreneurship is more need-based.[216]

By clarifying that *motivation* is what separates necessity entrepreneurs from opportunity entrepreneurs, Reynolds and Sternber add a significant perspective on how entrepreneurship differs between developed and underdeveloped nations. However, while both teams of researchers focused their attention on the role of necessity entrepreneurship in developed countries, neither applied the concept of necessity entrepreneurship to underdeveloped ones.

Building on the research of Reynolds et al. and Sternberg et al., Block and Wagner further explain why governments, policy makers, and development experts must comprehend the difference between necessity entrepreneurs and opportunity entrepreneurs. In their own words, they state:

Understanding the distinction between necessity and opportunity entrepreneurship is important for two reasons: First, understanding why individuals engage in entrepreneurship explains the steadiness of education and economics at the macro structure. Second, it directly impacts policy initiatives. In many industrialized countries, economic policy differs greatly between these two

---

[216] Ibid., p. 161.

types of entrepreneurs. For example, in Germany, the state uses funds to promote

entrepreneurship as a way out of unemployment and thereby (almost exclusively)

supports necessity entrepreneurs.[217]

Block and Wagner add important substance to the lean body of literature on necessity

entrepreneurship. They clarify why individuals engage in entrepreneurship, and how that

relates to the macro-level structure of their nation. Block and Wagner also demonstrate

that by understanding necessity entrepreneurship, policy makers, development experts,

and government officials will be better informed on how to create incentives for formal

entrepreneurship.

Yet, even with these great insights and advancements, Block and Wagner

investigate the role of necessity entrepreneurship in the context of developed nations.

Thus, this investigation falls short of explaining the phenomenon of necessity

entrepreneurship in underdeveloped countries. As Scott Hipsher[218] explains: "While

formal business education and the media almost exclusively concentrate on the formal

sector of the global economy, the reality is that most of the world's workers are

informally employed."[219]

The questions, therefore, are *why* is most of the world's workforce informally

employed and *who* is writing about them?

---

[217] Ibid., p. 165.

[218] Scott Hipsher is associated with the Akio Morita School of Business (Tokyo) Online and has managed a non-governmental organization (NGO) that provided assistance to refugees from Burma/Myanmar.

[219] Scott Hipsher, "Theoretical View on Microenterprise Entrepreneurial Motivators" in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz (Massachusetts: William Pratt House, 2010), 53.

Supply and Demand: Basic Economics

The concept of necessity entrepreneurship is best understood by conjoining Lewis' and Harrison's typologies. First, Lewis' informants explain that they were *forced* into entrepreneurship because they had no other viable options for income and because they had no better opportunity than to take to the streets and peddle their products and services; there were not enough jobs available to them, and even when there were jobs out there, the jobs paid so little that it made no financial sense to take them. This is the first half of the equation.

The second half of the equation is found in Harrison's typology, for the amount of support provided to entrepreneurship at the socio-political level is virtually non-existent. Harrison explains it this way: the tendencies found among the governments of underdeveloped nations show that they view entrepreneurship as a hazardous, even destructive concept—hence they are "progress-resistant cultures." Their legal structures and policies are not formed with the intent to foster entrepreneurship in their nations; consequently, a lack of interest in innovation and job-creating wreaks havoc on the overall economic structure.

The equation is uncomplicated: when the government of a nation does not invest in education, then it produces an underqualified and underprepared social capital relative to the investment it has made. This problem is further compounded by a lack of investment in innovation, industry, and job creation. The result, therefore, is chronic economic underdevelopment and an overwhelming number of necessity entrepreneurs. Such is the case in nearly every underdeveloped nation.

David Besanko and Ronald Braeutigam

Borrowing the basic economic precept that commerce depends on supply and demand, business management professor David Besanko and economics professor Ronald Braeutigam offer a convincing formula that can be used to explain why necessity entrepreneurs abound in underdeveloped nations:

The four basic rules to economics are:

1. If demand increases and supply remains unchanged, then it leads to higher equilibrium price and quantity.

2. If demand decreases and supply remains unchanged, then it leads to lower equilibrium price and quantity.

3. If supply increases and demand remains unchanged, then it leads to lower equilibrium price and higher quantity.

4. If supply decreases and demand remains unchanged, then it leads to higher price and lower quantity.[220]

As Besanko and Braeutigam point out, when the macro-economic infrastructure of a nation does not create (or nurture the creation of) a sufficient number of jobs, the citizens of that nation are forced to rely on their own ingenuity and talents to make a living. In short, they become necessity entrepreneurs. As Hipsher reports, "the primary motivator to become entrepreneurs was *survival and not the dream of wealth*, since finding paid employment was challenging."[221] Thus, hundreds of millions of necessity

---

[220] David Besanko and Ronald Braeutigam, *Microeconomics* (Von Hoffman: Missouri, 2007), 33.

[221] Scott Hipsher, "Theoretical View on Microenterprise Entrepreneurial Motivators" in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz (Massachusetts: William Pratt House, 2010), 51 (my emphasis).

entrepreneurs create micro-enterprises (small businesses), instead of employment, so that they can survive.

Colin C. Williams

In his seminal book *The Hidden Enterprise: Entrepreneurship in the Underground Economy,* Colin Williams, professor of public policy in the School of Management at the University of Sheffield, provides an extensive overview of the various terms that academics have used regarding necessity entrepreneurs in underdeveloped nations. To help exemplify the myriad of words used to describe this "underground" economy, Williams employs the following table as a demonstration of the vast, yet "hidden," economic engine created by necessity entrepreneurs:

TABLE 5. Adjectives and nouns used to denote underground enterprise[222]

	Words Denoting Underground Enterprise			
Adjectives	Black	Cash-in-hand	Clandestine	Concealed
	Dual	Everyday	Ghetto	Grey
	Hidden	Invisible	Irregular	Marginal
	Moonlight	Non-observed	Non-official	Occult
	Other	Parallel	Peripheral	Unregulated
	Precarious	Second	Shadow	Submerged
	Subterranean	Twilight	Underground	Unexposed
	Unobserved	Untaxed	Underwater	
Nouns	Activity	Business	Economic activity	Economy
	Employment	Enterprise	Firms	Industry
	Sector	Work		

---

[222] Extension of Williams (2004a, Table 1.1)

Williams' table is instructive of the bevy of terms that have been used throughout the literature on poverty studies. Most importantly, however, Williams' table shows that the term *necessity entrepreneur* has yet to be implemented by academics focusing on economics, poverty, or development policy.

In addition to combining the most popular terms used by academics, Williams explains that he has written in an effort to fill the void found in the literature on the "hidden enterprise culture around the world" by offering an in-depth analysis of what has, and has not, been discussed/written regarding the hundreds of millions of individuals who are pushed into entrepreneurship. His thesis is straightforward: governments and citizens worldwide are aware that there exists a vast, but "hidden enterprise culture," which has yet to be fully understood.[223] Furthermore, his purpose has been to demonstrate how "those studying entrepreneurship and those studying the underground economy have widely omitted to explore how they are interrelated."[224]

Apart from writing this book to fill the void found in the literature on the "hidden enterprise," Williams explains that another major motivation for his research was to differentiate his subjects, who make up and participate in the massive underground economy around the world, from the traditional opportunity entrepreneurs who have been extensively researched:

Until now, the entrepreneur has been predominately represented by academic textbooks, the media, and government as some sort of superhero figure and ideal-

---

[223] Colin Williams, *The Hidden Enterprise Culture: Entrepreneurship in the Underground Economy* (Massachusetts: Edward Elgar, 2006), 4.
[224] Ibid., p. 7.

type that lesser mortals can only dream of emulating, while enterprise culture has

been depicted as a risk-taking society that always plays by the rules. Here,

however, *I will expose how such an uncontaminated*, wholesome, and legitimate

representation of entrepreneurship and enterprise culture is wholly out of keeping

with the lived experience, as the practices of the Jasons of this world so clearly

display.[225]

Williams is trying to differentiate opportunity entrepreneurship from necessity

entrepreneurship, and he accomplishes this by paralleling "the Jasons" of this world (an

individual in his book who was forced into entrepreneurship) as a representation of the

hundreds of millions of individuals who are forced to peddle products in the streets in

order to feed their families. Without a doubt, the term necessity entrepreneurs would

more adequately describe what Williams is trying to explain.

For further clarification, Williams explicitly defines who the individuals involved

in the "underground economy" are and what they tend to do in their businesses. His

purpose was to debunk the commonly held beliefs that necessity entrepreneurs

participate in illegal and immoral transactions. Below is Williams' distinction:

For those who might assume that drug dealers, those selling stolen goods, and so

forth are being discussed, this definition explicitly denotes that the only

criminality about underground work is the fact that the production and sale of the

goods and services are not registered for tax, social security, and/or labour law

purposes. Underground workers are here defined as those engaged in the

---

[225] Ibid., p. 4.

production and sale of goods and services that are unregistered by, or hidden

from, the state for tax, social security, and/or labour law purposes but which are

legal in all other respects. The underground economy, that is, covers only work

where the means are illegitimate, not the ends (goods and services) themselves.

As such, underground workers are engaged in either: the evasion of direct (that is

income tax) and/or indirect (for example VAT, excise duties) taxes; benefit fraud

where the officially registered unemployed work while claiming benefits; or the

avoidance of labour legislation, including employers' insurance contributions,

minimum wage agreements or certain safety and other standards in the

workplace.[226]

Williams' distinction of the legal means implemented by necessity entrepreneurs, as well

as his definition of the "hidden" entrepreneur, clarifies who the subjects of his research

are and what they do to survive.

Hernando de Soto

Hernando de Soto, one of the most popular Latin American economists of the

21st century and a staunch activist against the "culture matters" thesis, supports

Williams' claim that the majority of necessity entrepreneurs are not involved (producing

or selling) illegal products and services. Rather, their businesses do not abide by

government regulations. De Soto refers to these businesses as "extra-legal" activities

performed by individuals in underdeveloped nations who, because of the imbalanced

---

[226] Ibid., p. 5.

supply and demand of employment, find their own solutions to survive. The concept of "extra-legal" activities approaches the sentiment of necessity entrepreneurship.

For De Soto, individuals born and living in underdeveloped nations, especially in Latin America, are forced to participate in "extra-legal" business practices because they have no other viable alternatives for survival; there are not enough jobs provided by the economy, and the jobs that are available are so low-paying that it makes no sense for the citizens of that nation to work for another person when they can sell their own products and services in the streets and make more money. Additionally, De Soto places the majority of the blame on the worldview of the governments running underdeveloped nations.

Like Harrison, De Soto holds the socio-political structure of a country responsible for development. For example, De Soto decries the worldview of the various governments of Hispanic America, and especially the government of his native country, Peru, for creating and implementing dysfunctional, obtuse, and backward legal structures that do not foster or nurture formal entrepreneurship. De Soto postulates that Hispanic America remains chronically underdeveloped (poor), not because there is a lack of active entrepreneurs or natural resources; rather, Hispanic America is chronically underdeveloped because the "extra-legal" (necessity) entrepreneurs do not follow government regulations and formally register their businesses. However, De Soto is quick to defend the abundant "extra-legal" activity in underdeveloped nations by blaming the cumbersome, arbitrary, and absurd laws and regulations created and enforced by the governments of underdeveloped nations.

In an effort to justify his thesis, and to illustrate just how arbitrary and absurd the legal structures of "progress-resistant" governments can be, De Soto uses a personal object lesson to reiterate why the "extra-legal" entrepreneurs in underdeveloped nations have absolutely no motivation, reason, or incentive to formally register their businesses with their governments. In his book, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, De Soto experiences first-hand the absurdities faced by "extra-legal" entrepreneurs in various nations by starting his own business:

> My team and I opened a small garment workshop [in Peru] as an experiment in meeting the requirements for a new, and entirely legal, business. Although the shop was organized to operate with only one worker, it took 289 days and legal costs 31 times the minimum monthly wage to register the business. To obtain authority to build a house on state-owned land took 6 years and 11 months, and 207 administrative steps in 52 governmental offices. Obtaining a legal title to the land took 728 steps. Someone in the Philippines who wants to formalize informal urban property must follow 168 steps over a period of 13-25 years. Someone in Egypt who wants to obtain access to desert land for construction purposes must follow 77 steps with 31 different governmental entities over a period of 6 to 14 years. In Haiti, it takes 111 steps and 4,112 days to obtain a five-year lease contract.[227]

Illogical and extensively cumbersome legal bureaucracy is De Soto's explanation for how government impedes the progress of entrepreneurs in underdeveloped nations

---

[227] Hernando De Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 19-20.

around the world. His example further supports Harrison's socio-political typology of how governments fail to foster entrepreneurship and clearly demonstrates that many of the poorest nations in the world have government structures that make formal entrepreneurship unachievable. De Soto argues that, in order for formal entrepreneurship to take root in underdeveloped nations, the governments of those nations must overhaul their micro-enterprise (small business) regulations, as well as help individuals obtain rights to their land and property. For De Soto, *government matters*.

De Soto must be commended for writing in defense of the "extra-legal" entrepreneurs. His work provides a first-hand perspective on the challenges and difficulties that hundreds of millions of necessity entrepreneurs living in underdeveloped nations face each and every day. His personal example also testifies to the chasm between governments and citizens in underdeveloped nations.

Chi Huang

Social entrepreneur and graduate of Harvard's School of Medicine, Chi Huang understands necessity entrepreneurs. In his book *When Invisible Children Sing*, Huang sheds substantial light on the day-to-day realities faced by poor Bolivian youth who are forced to survive in the streets:

> Look at them. Poverty can cause mothers to abandon their own children, fathers to beat their sons and daughters. Poverty can lead to alcoholism. Some of these children have been molested by their own blood and kin. They are running away from the worst things imaginable.[228]

---

[228] Chi Huang, *When Invisible Children Sing* (Carol Stream: Tyndale House, 2006), 110.

For Huang's informants, poverty is a vicious, but terribly real, cycle. Many children, as young as five years old, are forced to choose between living at home, where they will experience physical or sexual abuse, and living in the street.

Though he never defines his informants as necessity entrepreneurs, Huang describes how various *external factors* force his informants to move to the streets and, consequently, how they are left with no alternative other than entrepreneurship. The following excerpts are a detailed exhibition of the realities lived by necessity entrepreneurs in Bolivia:

Informant: "I need to earn money!"

Huang: "How do you earn money?"

Informant: "I sell stuff!"

Huang: "What kind of stuff?"

Informant: "Just stuff. Chino. Just give me five Bolivianos!"

Huang: As you can see, we are located in the downtown area, not far from the old cathedral of San Francisco and the grand city square known as Plaza San Francisco, where the *campesina* women set up shop and the street children sell drinks and shine shoes.[229]

---

[229] Ibid., p. 8.

Huang: I walk down the cobblestone steps of the hospital. On the hospital veranda women sell candy, soft drinks, toys, and trinkets.[230]

Huang: Hundreds of wooden stands [on this street] sell thousands of imitation goods. Foreigners are rarely seen around these crowded alleyways.[231]

Huang: "Where is Pedro now?"

Informant: "Oh he sells gum in the streets by the hospital and then goes to an adolescent boy's home at nights."[232]

Huang: Most of the street children have finished working for the day—peddling gum or drinks, stealing, washing cars or windows, or singing on the bus.[233]

Informant: Up Tile Street is where prostitutes sell their bodies….

Huang: I tell her how she could earn more money selling gum or soda in the street instead of her body—and yes, the juxtaposition of these three "items" now seems normal to me.[234]

Informant: "Ten Bolivianos for the blessing. This is what we charge."

Huang: "Since when do we sell God?"

Informant: "The priest needs to feed himself, you know. He is supported by offerings."[235]

---

[230] Ibid., p. 89.
[231] Ibid., p. 80.
[232] Ibid., p. 201.
[233] Ibid., p. 214.
[234] Ibid., p. 59.

Gum, drinks, cards, illegal trinkets, toys, priesthood blessings, and sex are the "stuff" that the street children represented in Huang's ethnography are forced to sell. They have no other options. They are, without hesitation, necessity entrepreneurs.

The most disturbing reality about this cycle is not that individuals are forced into the streets. Instead, what is more concerning is that living in the streets becomes the norm. In the words of Oscar Lewis, it becomes their lifestyle, their *culture*. In his own words, referring to a multi-generational street family, Huang writes:

> Wait. Wait. It finally hit me. This little girl is a third-generation street child. Her mother and her grandmother live on the street with her. There are no runaways here. No parent here has abandoned a child. No child has run away from physical or sexual abuse.[236]

Huang's description of this street family explains the reality of thousands of individuals living in underdeveloped nations. Additionally, his experience validates and supports Lewis' "culture of poverty" thesis, considerably. Poverty, in many nations, and in many cases, has become a culture.

Joseph Muñoz

Joseph Muñoz, professor of international business at Milikin University and founder of Muñoz & Associates, a firm that facilitates business development, marketing, and finance in emerging markets, investigates the inner workings of micro-enterprises in developed and underdeveloped nations. In his book *Contemporary Microenterprise:*

---

[235] Ibid., p. 188.
[236] Ibid., p. 252.

Concepts and Cases, Muñoz focuses on the micro-enterprises created by necessity entrepreneurs:

> The tough global environment requires small and medium-sized enterprises, private corporations, and even governments to re-examine existing models and seek out viable operational forms. Countries that experienced financial crises have seen a multitude of hungry and unemployed entrepreneurs coming up with inventive business models to feed themselves and their families. The models created were lean, market-responsive, required minimal capital, and were profitable. With tough economic times, countries around the world are seeing the emergence of micro-enterprises.[237]

Though he doesn't refer to these micro-enterprisers as necessity entrepreneurs, he does explain that the fundamental motivation for starting their small businesses was necessity. Therefore, the term "necessity entrepreneur" aptly describes these individuals.

Muñoz is right: hungry and unemployed entrepreneurs are coming up with inventive business models to feed themselves and their families. Consequently, individuals either are unable to find employment, or their employment doesn't pay them enough money to cover necessary expenses. This is necessity entrepreneurship at its very core. His book adds a significant voice to the field of poverty studies by compiling various definitions and categorizations for the different types of micro-enterprises launched by necessity entrepreneurs.

---

[237] Joseph Mark S. Muñoz, *Contemporary Microenterprise: Concepts and Cases* (Massachusetts: William Pratt House, 2010), 3.

The following is a succinct categorization of the various characterizations employed by leading authorities on micro-enterprises, as compiled by Muñoz in his book:

Micro-Entrepreneurs

- Micro-entrepreneurs (persons engaged in the practice) find it challenging to seek employment through regular channels, and tend to create their own jobs by starting a small business enterprise. This may be a full-time or part-time arrangement.

- In emerging nations, this sector is largely composed of women with families, the physically challenged, and residents in rural communities.

- Most individuals with an entrepreneurial drive and motivation can operate a micro-enterprise.

- Male entrepreneurs tend to act immediately upon stimulus (need) and use multiple information sources; female entrepreneurs wait for about one or two years [to act] and rely more on informal channels such as family, friends, and acquaintances.

Micro-Enterprises

- The combined terms "micro" and "enterprise" suggest that micro-enterprises are fairly small business operations. Many of them have gross sales of under $25,000 a year.

- Micro-enterprises are viewed as ventures that are owner-managed, having few employees and limited capital.

- Micro-enterprises typically have fewer than ten employees, and more commonly fewer than five.

- The majority of micro-enterprises are operated from home.[238]

These categorizations provide the field of poverty studies with the necessary vernacular terminology to describe the conditions of the different micro-enterprises that have been created, for the most part, by necessity entrepreneurs.

Most of the micro-enterprises created by necessity entrepreneurs fail because their owners/operators are underprepared, under-qualified, and ignorant. These necessity entrepreneurs lack the necessary skill set and know-how to launch, grow, and harvest a business. And, finally, though Muñoz maintains that "most individuals with an entrepreneurial drive and motivation can operate a microenterprise," he fails to recognize that the greater part of these micro-enterprises tend to employ fewer than three people, pay taxes, or grow their businesses into larger enterprises.[239] Thus, while they may appear to operate a business, the vast majority are living day-to-day, trying to survive.

Fred Newa

In response to Muñoz' position, Fred Newa, professor in strategic management and international business at the United States International University in Kenya, explains to what extent the micro-enterprises created by necessity entrepreneurs affect the economies of underdeveloped nations/regions. In writing about Africa, and specifically Kenya, Newa cites the following data:

---

[238] Ibid., p. 4.
[239] Ibid., p. 5.

Micro and small enterprises/enterprisers (MSEs) have been cited as a major

contributor to poverty reduction in developing countries.[240] According to the

World Bank, between one-third and three-quarters of total employment in most

developing countries is in the informal sector [which] is relevant in Africa [as]

United Nations data indicated that informal employment in the region accounted

for 25 percent of the total African labor force and 65 percent of the urban labor

force. [Regarding Kenya,] MSEs constitute 96 percent of all businesses in the

country—approximately 1.6 million enterprises—and contribute to 20 percent of

Kenya's GDP.[241]

Micro-enterprises, which are the innovations and creations of individuals pushed into

entrepreneurship, are a critical component of underdeveloped economies. Mai Thi Thanh

Thai and Ho Thuy Ngoc, when explaining the role of micro-enterprises in Vietnam

(another chronically underdeveloped nation), said: "Microenterprises [are] the backbone

of the country's socio-economic system."[242]

Michael Troilo

Michael Troilo, professor of international business at Tulsa, conducted a case

study to demonstrate that progress-resistant governments are found not only in Latin

America, but also in nations like Vietnam. In his case study, Troilo compares and

contrasts the legal procedures of the United States with the legal procedures of Vietnam

---

[240] Fred Newa, "Microfinance and the Growth of Micro and Small Enterprises (MSEs) in Sub-Saharan Africa: The Case of Faulu Kenya," in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz (Massachusetts: William Pratt House, 2010), 89.

[241] Ibid., p. 93.

[242] Mai Thi Thanh Thai and Ho Thuy Ngoc, "Microentrepreneurship in a Transitional Economy: Evidence from Vietnam" in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz (Massachusetts: William Pratt House, 2010), 47.

through the experiences of two entrepreneurs: France Au and Duc Pham. Both of these

men are of Vietnamese descent: France Au, who was born and raised in Kansas, moved

to Vietnam with the hopes of launching a small movie café; and Duc Pham, who was

born and raised in Vietnam, moved to Tulsa, Oklahoma and launched a small real estate

firm.

Through his case study, Troilo elucidates the major differences experienced by

France Au in Vietnam and Duc Pham—who was not a U.S. citizen—in the United

States. Neither Duc nor France Au was forced into entrepreneurship. Instead, each

desired to take the risk and launch his respective business. In the end, Duc was able to

open his real estate firm by securing a business loan in Tulsa and purchasing different

properties with his line of credit. All of the necessary paperwork took Duc less than five

days to obtain, sign, and secure. France Au, conversely, was forced to shut down his

business after only a few months of breaking even. He attributes the failure of his café to

the following conditions:

1. **Lack of government clarity:** It took France Au six months to get the
   necessary paperwork; the regulations enforced by the government were not
   clearly stipulated at the time of opening his business.

2. **Government Dishonesty:** France Au was unable to keep his suppliers
   honest; they lacked consistency and quality of product, and they charged for
   product he never received. France Au also found out that a competitor paid
   the police; several government agencies arrived without notice to inspect his

location, and he was required to pay the same fine three separate times to

three separate agencies.

3. **Thievery:** France Au was robbed by his employees, his neighbors, and the

government; he was forced to pay bribes to get paperwork through the

government offices; he was required to pay the police to keep himself and his

business protected.

France Au learned the hard way: the Vietnamese government—at both the micro- and

macro- level—rejects clarity and transparency, and fosters thievery. Even with great

credit in the United States, France Au was unable to secure a loan for his business. He

had to fund his business himself.

In contrast to France Au's situation, Duc experienced none of these issues; when

Duc opened his business, after securing a loan from a local bank in Oklahoma and

registering his corporation with the local government office, he was given step-by-step

instructions on how to proceed. His suppliers were willing to provide him with the

necessary products for his business, just as they did with his competitors. These case

studies show the difference in third-world and first-world governments and their support,

or lack thereof, of micro-enterprises.

Muhammud Yunus

Nobel Peace Prize winner Muhammad Yunnus has led the fight against poverty

for several decades. Through his efforts, Yunus has provided hundreds of millions of

dollars through micro-credit loans to millions of people living in poverty around the

world. In his book *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*, Yunus writes the following:

> In many Third World Countries, the overwhelming majority of people make a living through self-employment. Not knowing where to fit these individuals into their analytical framework, economists lump them in a catchall category called the "informal sector." But the informal sector really represents the people's own effort to create their own jobs. I prefer to call it the "people's economy." In the absence of economists' support, organizations like Grameen[243] must step into the breach.[244]

The "breach" that Yunus speaks of refers to the fact that the poor in underdeveloped nations are unable to secure loans, much like Troilo's case study demonstrated. For Yunus, helping the poor gain access to financial capital was of upmost importance. Money, however, constitutes an external factor.

Stephen W. Gibson

Stephen Gibson is Co-Founder of the Academy for Creating Enterprise (ACE), a non-profit organization dedicated to eradicating poverty through micro-enterprise education in underdeveloped nations.[245] In his book, *Micro-Franchising: Creating Wealth at the Bottom of the Pyramid*, Gibson clearly defines why necessity entrepreneurs exist, especially in underdeveloped nations:

---

[243] Grameen Bank was founded by Yunus. It started in Bangladesh and it is an organization dedicated to lending small amounts of capital to the poor without requiring training or collateral.

[244] Mohammed Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (New York: Perseus, 2007), 184.

[245] Chapter V of this dissertation is dedicated entirely to the Academy for Creating Enterprise (ACE).

Most micro-entrepreneurs start buying and selling small items because no jobs

are available for them or because they lack the ability to recognize or take

advantage of real opportunities when they do exist… Whatever the reason, many

poor, uneducated people become necessity entrepreneurs simply because they

have no other choice.[246]

Gibson continues with his observation of necessity entrepreneurs as he writes about

Ricardo, a young Filipino man who, upon being fired from his job, was pushed into

starting his own small business and left with no other option than to try and compete

with the rest of the necessity entrepreneurs in his area:

In reality, Ricardo doesn't have much time to think about how to improve his

business because he has to work so hard to just stay afloat. Living as they do,

necessity entrepreneurs seldom have enough time, knowledge, or capital to think

about growing their micro-enterprises. They simply live from day to day, hoping

to fight off any forces that could rob them and their families of a small meal at

the end of the day. And, because running a sidewalk business is so stressful, most

necessity entrepreneurs see their situation as hopeless—and, therefore,

temporary. Early on, they hold high hopes of escaping their business and way of

life by getting a job, winning a lottery, moving to the big city, marrying into

money, emigrating to the West, or raising well-educated children who will

support them as they age.[247]

---

[246] Stephen Gibson. (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.
[247] Ibid.

Gibson does not blame external factors for the vast failure recorded among the micro-enterprises created by necessity entrepreneurs. In fact, Gibson's insights bring the harsh realities faced by necessity entrepreneurs to the forefront as he demonstrates that the majority of necessity entrepreneurs are failing in their micro-enterprises because they lack the hope, experience, and knowledge necessary to grow.

<div align="center">

Categorization of Necessity Entrepreneurs

</div>

No formal classification, hierarchy, or categorization has been created to describe or define the different levels of necessity entrepreneurs that proliferate in underdeveloped nations around the world.[248] In the spirit of innovation, and with a desire to initiate and facilitate a cohesive discourse on necessity entrepreneurship and necessity entrepreneurs in the academic field, this dissertation proposes the following levels of necessity entrepreneurs: (1) Low-level, (2) Mid-level, and (3) Upper-level.

Low Levels

When Lewis described the lives of his informants, he wrote of how they devised their own ways to survive each day by selling homemade trinkets or crafts in the streets. They had no official office or shop. Seldom had they received a formal education beyond a few years in primary school. They had no business administration training. They did, however, have to survive. They were forced to engineer their own survival.

---

[248] Fred Newa, "Microfinance and the Growth of Micro and Small Enterprises (MSEs) in Sub-Saharan Africa: The Case of Faulu Kenya," in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz (Massachusetts: William Pratt House, 2010), 88.

They are the citizens who were forced to construct a survival strategy, or coping mechanism.[249]

Some examples of low-level necessity entrepreneurs found in Lewis' research are the children of the families who, with clown-painted faces and balloons stuffed in their pockets, juggle balls to entertain individuals sitting in their cars waiting at the stop lights in Mexico City. They are the old men and women who are found pushing rusty wheelbarrows down the streets, collecting scraps of metal for recycling. They are the adolescents cooking tacos at home and selling them house to house or on the street corner, just to survive.

Rarely do low-level necessity entrepreneurs have more than a few years of primary education. They never have employees. They never formally register their businesses. If they don't work today, then they don't eat today. In colloquial terms, the low-level entrepreneurs are referred to as "street vendors," "peddlers," "hustlers," or "beggars."

Mid Levels

Mid-level necessity entrepreneurs have varying levels of education--anywhere from a few years of primary school to a college degree; but they tend to have less education than upper-level necessity entrepreneurs. They live in nations where job opportunities are scarce. When there are jobs, the pay is so low that they have no ambition to stay. Prior to launching their ventures, mid-level necessity entrepreneurs may have a short strategy session of how they want their business to be. They may have

---

[249] Eleanor Leacock, *The Culture of Poverty: A Critique* (New York: Simon and Schuster, 1971), 10-12.

a small locale or office, which tends to be in their private domicile or residence. They tend not to register their enterprise formally with the government. They normally have only family members as employees, if any at all. The majority of mid-level necessity entrepreneurs are self-employed and have debts with friends and family members who lent them money to launch their venture.

Upper Levels

Upper-level necessity entrepreneurs are plentiful in underdeveloped nations. They tend to have higher levels of education, usually beyond a high school level. They formally register their businesses with the government. They usually have an accountant and pay taxes. They tend to have more than three employees, not limited to family members. They have an office or locale, whether at their home or a rented/owned space near their place of residence. They tend to have a larger initial capital investment, which is usually granted to them from a micro-credit or banking institution. Thus, the majority of upper-level necessity entrepreneurs carry heavy burdens of debt.

Necessity entrepreneurs abound in underdeveloped nations. Nevertheless, despite their level of necessity, they are forced to use their own intelligence and combat their conditions through enterprise innovation. In order to survive, and to make sure they feed their families, they are forced to buy, make, or trade something of value. Necessity entrepreneurs should not be confused with criminals or individuals engaged in illegal activities. They do, however, tend to lack the necessary skills and economic know-how—even though they are involved in business activities every day.

Necessity entrepreneurs tend to form part of the informal economy—the world's largest economic sector. Nevertheless, they are truncated, or stuck. And, contrary to popular belief, what they lack is knowledge of strategies for business growth, *not* the resources to progress. Finally, in spite of having capital and credit available to them, and notwithstanding their legal business-owning status, they lack the cultural habits to grow profitable businesses.

Conclusion

External Factors: Only Half of the Equation

Are necessity entrepreneurs creating successful micro-enterprises? If so, what does it mean to be successful? If not, *what is the problem*? And, who defines success? Is there a universal standard or equation to measure the efficacy of micro-enterprises around the world? Are necessity entrepreneurs constructing family assets that can be passed down to future generations to be used as a source of income? Are they generating employment for other individuals in their communities? If so, what is the ratio? Can their businesses be harvested (sold) for a profit? Can the micro-enterprises of Latin America be compared to the micro-enterprises of Africa, Asia, the United States, or Europe? Should they be? Neck and Nelson explain that "over 50 different definitions in 75 countries" have "adopted diverse classifications, depending on its purpose and stage of development of micro-businesses."[250] This shows the overwhelming challenges that arise when trying to compare and contrast necessity entrepreneurs around the globe.

---

[250] Neck and Nelson, "Small Enterprises Development: Policies and Programs" in *Contemporary Microenterprise: Concepts and Cases,* ed. Joseph Mark S. Muñoz, (Massachusetts: William Pratt House, 2010), 101.

All of these questions are important to answer. According to the scholars mentioned in this chapter, the majority of micro-enterprises in underdeveloped nations are not successful because of external factors. And, in good faith, each scholar gives his or her own solution to the problem of failure among them. For example, De Soto would have the progress-resistant governments of the world overhauled. He proposes that their legal structures be changed and improved, and compensation paid to the poor. Oppenheimer and Caravantes suggest that the solution lies in improving education. Gibson also argues for education, but for the micro-enterprisers, specifically regarding starting, running, and growing a business. Yunus advocates for providing the poor with micro-loans. Lewis and Harrison recommend that cultures and values must first be changed if they are ever going to progress. Several blame the lack of government support for the failures.

Turning to the case studies presented, Troilo's case study on the two Vietnamese men implies that the reasons Duc failed were entirely due to the government's lack of transparency, cooperation, and honesty. Williams, basing his argument mostly on tax laws and business registration policies, explains that these external factors must be addressed and changed. The argument of external factors is supported by Yunus, who believes that lack of capital is the reason that hundreds of millions of individuals live in poverty. Newa, Thai Ho, and Thuh Ncog, while acknowledging the massive contribution that necessity entrepreneurs make in the overall economic stability of underdeveloped nations, also agree and place the majority of blame on external factors.

What about Internal Factors?

The problem is that the external factors thesis answers only half of the equation. It does not, however, explain why the formally (legally) registered micro-businesses created by necessity entrepreneurs are also failing all around the world. While external factors do indeed force individuals into business, there are tens of millions of necessity entrepreneurs who have overcome the cumbersome bureaucratic barriers, registered their micro-enterprise, and paid taxes, but who are still falling short of success. The reality is that the "external factors" thesis only addresses half of the equation; the other half of the equation is answered by the "culture matters" thesis.

Much has been written about changing the external factors that limit, impede, and cause the necessity entrepreneurs in underdeveloped nations to fail in their micro-enterprises. Very little, however, has been researched or understood about *what* the hundreds of millions of necessity entrepreneurs around the world are actually doing *inside* their businesses that causes them to continue as *micro*-enterprises. That is to say, very little is known about the businesses practices—*the business culture*—that necessity entrepreneurs implement. Could it be that, in addition to the challenging external factors mentioned, the necessity entrepreneurs of underdeveloped nations with micro-enterprises are failing because of their innate progress-resistant culture? Is it possible that necessity entrepreneurs continue to fail because their core value system—or culture—discourages competition, ambition, growth, integrity, honesty, a future orientation of time, goal setting, contractual agreements, or record keeping, all of which are necessary practices to

succeed in business? Could it be that these internal factors are what cause hundreds of millions of legally recognized necessity entrepreneurs to fail in their micro-enterprises?

These are the questions that very few scholars have taken into consideration when researching the micro-enterprises created by necessity entrepreneurs. And, these are the specific questions that have inspired the research of this dissertation. The time has come to stop looking solely at external factors and start looking within the businesses created by necessity entrepreneurs, for there are millions of individuals who do not have formally registered businesses, but who are selling legal products and rendering legal services. *Internal factors* are crucial to focus on in order to explain why the micro-enterprises created by necessity entrepreneurs continue to fail. *Internal factors* are what affect the ways in which necessity entrepreneurs do business: the way they think about business, how they view competition, and the way they gauge (or don't) ambition and growth. When investigating the culture of the individual running a business, we must analyze how necessity entrepreneurs participate in business practices and interact with each other.

CHAPTER IV

THE ACADEMY FOR CREATING ENTERPRISE:

A CULTURAL SOLUTION TO POVERTY

Give a man a fish and he will eat for a day.

Teach that man how to fish and he will eat the rest of his days.

—Chinese Proverb

Give a man a fish and he will eat for a day.

Teach that man how to fish and he will eat the rest of his days.

Train that man how to sell the fish, and he and his family will

live in prosperity, employ their neighbors, and build their nation.[251]

Introduction

This chapter is divided into four sections. Section I employs an anecdote on how culture affects the progress of individuals around the world. Section II provides an introduction to social entrepreneurship, as well as an overview of the history and operational structure of the Academy for Creating Enterprise (ACE). Section III outlines ACE's geographic location, physical facility structure, student body, enrollment requirements, and day-to-day operations; religion matters, as they relate to the functionality of ACE, are also addressed in this section. Section IV discusses the

---

[251] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University-Provo), Interview by Jeremi Brewer, February 15, 2011.

curriculum employed by ACE, focusing specifically on the "25 Rules of Thumb." The co-founders of ACE, Stephen and Bette Gibson, are cited directly in each of the three sections. This is intentionally done, as it provides a clear and firsthand explanation to the questions of why and how ACE operates in the manner it does. Additionally, by citing the co-founders, this chapter offers a concrete documentation of the history, purpose, vision, and mission that Stephen and Bette Gibson had in creating and launching the Academy for Creating Enterprise. Section V provides anecdotal histories of each of the 25 Rules of Thumb taught at ACE.

<p align="center">**Poverty from Culture**</p>

The following anecdote sets the stage for this chapter. It is a personal story shared by poverty activist, author, and micro-franchising pioneer, Jason Fairbourne. This story illustrates how *culture* can drastically impede the progress of individuals in developing nations:

> While living in a rural village in Kenya I [began] to understand what poverty truly is. I was returning to my *boma* (home) when a neighbor approached me with a lost, troubled look in her eyes. She rushed me to her *boma* where I was handed a small child who lay limp, bending backward over my arms. The child was shaking violently, her eyes were rolled back in the head, and a white substance permeated the mouth. My medical knowledge was limited, however, to my credit, I had seen many cases of malaria while in Kenya and spotted it immediately. My first question was how long had the child been in her current state. The answer was a shocking 18 hours. Stunned, I asked the woman what she

had done over the last 18 hours to assist her child; I was hoping she would say she visited the clinic, a 45-minute walk down the street. Unfortunately, she replied that her husband had been searching for the bush doctor to cast the demons out and [he] had not returned. I did not want to go against the wishes of her husband, but I knew the child was in the late stages of malaria, so I asked the woman if she would like to visit a medical clinic. She responded yes and I put the woman and child on my motorcycle and we were at the clinic in less than five minutes. The clinic was closed, but we found the doctor who lived adjacent to the clinic. She diagnosed the child with malaria and further warned the child would not live long without immediate [medical] treatment. For a ten-cent (subsidized) treatment the child was walking three days later.[252]

This Kenyan mother, who relied on witch doctors and demon chasers, nearly allowed her to daughter to die because of her cultural beliefs. Fortunately, the death of an innocent child was successfully avoided because someone with a different culture, worldview, and knowledge intervened and sought modern medication—for a mere ten cents. Certainly, this child suffered unnecessarily.

This story elucidates the very same challenges and obstacles that are implemented in the micro-enterprises created by necessity entrepreneurs. Furthermore, this story demonstrates how the cultural norms, traditions, and paradigms present in the minds and hearts of hundreds of millions of individuals around the world can impede their progress, especially in their decisions. For example, it was because of this Kenyan

---

[252] Jason Fairbourne, *Micro-Franchising: Creating Wealth at the Bottom of the Pyramid* (Northampton: Edward Elgar, 2007), 1.

mother's culture, not lack of money, that the Kenyan child nearly died. It was because of culture, not the lack of access to medicine—which was only a 45-minute walk away—that this little one suffered in agony for 18 hours while her parents searched for witch doctors and demon chasers. Unfortunately, this is not an uncommon occurrence in progress-resistant cultures in nations around the world.

Fairbourne's anecdote clearly illustrates how the deeply rooted cultural traditions individuals have influence their toughest decisions. For example, when a mother draws hope from witch doctors and shanty men, instead of proven medicine, and she is willing to allow her daughter to suffer in agony for 18 hours, there is, indeed, a problem. Furthermore, when these types of cultural practices govern the psyche of individuals in their business transactions—as the short stories of the 25 Rules of Thumb in this chapter have demonstrated—the manner in which hundreds of millions of necessity entrepreneurs operate their micro-enterprises around the world impedes their economic progress. Thus, when necessity entrepreneurs are hopeless or fatalistic, or when they lack the necessary knowledge to succeed in business, they rely on cultural values that may have been the only resource available to their ancestors centuries before.

Times have changed. Globalization is shrinking the world and there is no viable reason why poverty should pervade around the world at the staggering rate it does. Necessity entrepreneurs no longer need to hold their "infants" (businesses) in their arms for 18 hours a day in the hopes that a demon-chaser will arrive and rescue them. Instead, the hundreds of millions of necessity entrepreneurs around the world must acquire the "medicine" (skill set and know-how) that they have available to them.

The aim of this chapter is to display how the hundreds of millions of necessity entrepreneurs around the world who share a progress-resistant culture--or a culture of poverty--can, and must, acquire new cultural business principles in order to successfully improve their micro-enterprises. For the purposes of this chapter, attention will be paid solely to the solution of social entrepreneurs Stephen and Bette Gibson, co-founders of the Academy for Creating Enterprise (ACE).

Social Entrepreneurship: The Academy for Creating Enterprise

The Co-Founders

Stephen and Bette Gibson understand social entrepreneurship. More importantly, they understand how social entrepreneurship can improve the lives of necessity entrepreneurs in underdeveloped nations. In 1998, using their personal financial resources, the Gibsons formally registered and founded the Called2Serve Foundation, which uses the trade name of the Academy for Creating Enterprise (ACE). ACE is a not-for-profit, non-governmental organization dedicated to educating and training necessity entrepreneurs living in underdeveloped nations. Neither Stephen nor Bette has formal training in policy reform, national development, or economics. They have, however, launched several successful family businesses over the past 40 years.

Social Entrepreneurship

ACE is a social entrepreneurship venture with the mission to eradicate poverty through education. David Bornstein, author of *Social Entrepreneurship: What Everyone Needs to Know*, defines social entrepreneurship succinctly:

> Social entrepreneurship is a process by which citizens build or transform
> institutions to advance solutions to social problems, such as poverty, illness,
> illiteracy, environmental destruction, human rights abuses, and corruption in
> order to make life better for many.[253]

To eradicate poverty is the endeavor that ACE Co-founders Stephen and Bette Gibson have had in mind since they began operations in 1999. Together, the Gibsons are committed to investing their dollars with the knowledge that they personally will receive no monetary return on their investment. This, however, is not important to them:

> We don't need to make more money to help take care of our family. We have
> enough for what we need and want. What we need to do is teach others how to
> administrate their microenterprises successfully so that they can provide the
> necessities of life for their family members. That is the Academy's mission. We
> are not involved in social entrepreneurship to make money.[254]

ACE is intended to provide a social return on their investment (SROI). The Gibsons feel that their investment is worthwhile when they see individuals who previously lived in poverty succeed in their small businesses and are able to provide clean water, nutritious food, quality health care, and superior education for their families.

Enterprise Mentors International (EMI)

While teaching business and entrepreneurship to young college students at Brigham Young University, Stephen Gibson was formally introduced to social

---

[253] David Bornstein, *What Everyone Needs to Know* (New York: Oxford University Press, 2010), 1.

[254] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

entrepreneurship when he met Menlo Smith, founder of Enterprise Mentors International (EMI). EMI is a non-governmental organization whose mission is to relieve poverty around the world by offering micro-credit loans. Intrigued by the concept of helping individuals suffering in poverty to improve their lives through micro-enterprises, Gibson began working more closely with EMI, accompanying Menlo Smith on several trips to the Philippines. Eventually, Gibson was asked to be EMI's Area Chairman of the Philippines. Of his experience as the Area Chairman, Gibson notes:

> As the Area Chairman, I was able to familiarize myself with the Filipino people through my frequent visits to their nation. While there, I observed that many micro-enterprisers had been forced, by necessity, to start their own businesses. I observed that, despite having a college education, too many Filipinos were unemployed because there were no jobs available to them. I also learned that many Filipinos felt that they had to work on cruise ships, or overseas, in order to make a living for their families. This meant that mothers and fathers would be away from their families for several months out of the year. While in the Philippines, I was also able to meet with small business owners, as well as individuals who wanted to open a business. Those that didn't have a business were seeking a loan to be able to start their business. They believed that money was the solution to their problems and that by securing a loan, they would be able to start a successful business. In the beginning, I believed that, too. However, it wasn't until I started visiting the individuals that already had businesses that I noticed that even if I gave them more money, they still would not know how to

grow their business. The majority had unprofitable businesses. The more I worked with the Filipino people, the more interested I became in their business habits. I saw how smart and innovative they were, but more importantly, I noticed how several of their cultural habits and traditions negatively impacted the growth of their businesses. These experiences motivated me to find an educational system to help them raise themselves out of poverty. For me, money was not the solution to the problem—education was.[255]

Working with Menlo Smith and EMI proved to be an important passage for Gibson because it was through that experience that he ultimately concluded that *culture*, not money, is one of the largest factors for why the small businesses operated by necessity entrepreneurs fail.

Gibson's experience with EMI also led him to conclude that culture could be overcome most effectively by educating necessity entrepreneurs through a culture-centered business management and entrepreneurship curriculum. This conclusion is what inspired the Stephen and Bette Gibson to create the ACE. Following is a comprehensive overview of the social entrepreneurship venture to which Stephen and Bette Gibson have dedicated more than a decade in Cebu, the Philippines.

History

After selling Barclays Oxygen, their family business in Colorado, Stephen and Bette Gibson relocated to Provo, Utah, where Bette was hired to teach Early Childhood Development in the College of Education at BYU. Shortly thereafter, Stephen was

---

[255] Ibid.

invited to join the faculty of the Marriott School of Business to teach entrepreneurship. The Gibsons believed that, "because of their success in business," they had a "moral obligation to give back to the community."[256] Of their experience working at BYU, Stephen and Bette Gibson state the following:

> Bette: For me to go to work at BYU, one of the best universities in the nation, was truly a dream come true. I love to teach. I love to write curriculum. I enjoy being with young students and helping them find new techniques and strategies for improving education.[257]

> Stephen: I have always enjoyed working with young talent. It keeps me on my toes and it keeps me connected. I personally love to help young students navigate their lives, catch the entrepreneurial vision, and reach their dreams. There is a word on my license plate that describes what I love to do. That word is "mentor" and I feel that this word explains my motivation in going to teach at BYU as an entrepreneur-in-residence.[258]

Both Stephen and Bette Gibson moved to Provo, Utah and accepted jobs at BYU because they believed in helping the youth of the world see a brighter future. They also believed that education was the best way for them to make an impact on the lives of the youth with whom they were working.

---

[256] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[257] Bette Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[258] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

Legal Structure

ACE was officially registered as The Called2Serve Foundation on October 15, 1999 in Utah County, Utah as a 501(c)(3).[259] As the name of the foundation indicates, the Gibsons felt that it was their moral obligation, or "call" to go and "serve" individuals who live in poverty. Since it is a 501(c)(3), the activities realized by the Academy are tax-exempt under section 501(c)(3) of the Internal Revenue Code, and any funds given to the Called2Serve Foundation /ACE are recognized as donations given to a *charitable organization*. The 501(c)(3) status also makes the Academy eligible to receive tax-deductible contributions from donors in accordance with Code section 170.

Philosophy

In his own words, Stephen Gibson expresses why he and Bette decided to move to Cebu, the Philippines:

When I first started working with necessity entrepreneurs in the Philippines, I participated in micro-credit loans. In the beginning, I believed that a lack of capital was one of the major obstacles faced by necessity entrepreneurs. However, I quickly learned that the culture of poverty, coupled with a major lack of business education, more fully explains why necessity entrepreneurs in the Philippines fail to operate profitable businesses. They are not dumb, nor are they lazy. In fact, many have college degrees, but they simply don't have the

---

[259] While the official registration of the Academy is The Called2Serve Foundation, it is more commonly referred to as the Academy, or ACE.

resources and tools to achieve business success. And, by resources and tools I am

not referring to money, I am referring to knowledge and culture.[260]

Continuing his explanation of the specific challenges that he has observed among

necessity entrepreneurs, Stephen states:

> Over the years, I have observed necessity entrepreneurs in underdeveloped
>
> nations and I have noticed that the majority, not all, but the majority of necessity
>
> entrepreneurs in underdeveloped nations tend to transfer their macro-culture
>
> habits and traditions into their business transactions. For example, they are afraid
>
> to have written agreements or charge their customers for their products and
>
> services. When I saw these habits and attitudes, I realized that culture had more
>
> to do with their failure than anything else. The problem is a business culture of
>
> poverty. The solution is education.[261]

Gibson notes that the vast majority of necessity entrepreneurs in underdeveloped nations

fail because they subscribe to a business culture of poverty—a culture that stems from a

lack of formal business training—and not because they have little access to capital.

The culture maintained by necessity entrepreneurs in underdeveloped nations is

what impedes the growth, profits, and overall progress of their businesses. In the words

of Lewis and Harrison, these necessity entrepreneurs transfer their "culture of

---

[260] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.
[261] Ibid.

poverty"[262] and "progress resistant culture"[263] into their business, and their businesses
fail. They live a business culture of poverty.

Funding

Using their own resources, the Gibsons secured a private home on the island of
Cebu, the Philippines that could house 40 students. Believing that the majority of
necessity entrepreneurs living in the Philippines subscribed to a business culture of
poverty, and believing that education is the solution to the problems faced by necessity
entrepreneurs living in the Philippines, the Gibsons felt strongly that, in order for these
necessity entrepreneurs to change their habits and traditions, they would most benefit
from an isolated, intensive, educational experience. As Bette Gibson explained:

> The Academy in the Philippines requires of every student to pay tuition. It costs
> them $50 USD. Students have to cover their own expenses to and from the
> Academy campus. This means that they have to move from their respective
> islands to an area that, in many cases, they have never been. They have to leave
> their families for eight weeks and live far apart from them without much
> communication. Many of our poorest students worry about whether or not their
> children and spouses are eating every day. Students enter the Academy
> discouraged and broken, but they leave much more confident and better prepared
> to run their small businesses. I can say that they change, for the better, because
> they attend the Academy. They come to the Academy practicing business

---

[262] Oscar Lewis, *Five Families: Mexican Case Studies in the Culture of Poverty* (New York:
Basic Books, 1959), xvi.

[263] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save
It From Itself* (New York: Oxford University Press, 2006).

principles that make no money, and they leave the Academy with the discipline

and knowledge to practice better business principles. Sometimes, they have to be

willing to make huge cultural paradigm shifts, but when they do, it pays off. I

have seen it make the difference between poverty and prosperity time and time

again. I have seen it change thousands of lives for the better.[264]

Bette Gibson knows that culture matters. She has seen how certain cultural practices

impede the prosperity of a business; but more importantly, she has seen how different

cultural practices enhance the efficiency and profitability of thousands of small

businesses. The Gibsons are not afraid to say that some cultures are better than others at

creating economic prosperity; they would prefer to have hurt feelings for a short time

than to have starving children, generationally.

ACE is primarily led under the direction of co-founders Stephen and Bette

Gibson. Over the years, they have meticulously constructed the governing body of ACE,

which is comprised of a chairman, CEO, executive director, and an advisory board. As

of 2011, the Chairman of the Board is Stephen Gibson. From 2002-2010, the CEO of

ACE was G. Andrew Barfuss, a successful entrepreneur from Utah.[265]

The primary function of the Executive Director is to report to the Co-founders,

CEO, and advisory board the overall, global well-being of the Foundation. The Director

is charged with conducting board meetings, fundraising, curriculum development, and

---

[264] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[265] In 2010, G. Andrew Barfuss stepped down from his CEO position because he was called to serve as a bishop in the LDS Church, which requires 20-30 hours of lay ministry each week. As of January 2011, the CEO is Stephen Gibson.

global expansions. The executive director reports to the co-founders, CEO, and the advisory board; however, the executive director is not a board member.

The advisory board is comprised of individuals who are chosen according to their experience in education, their understanding of culture, and their conviction that poverty can be eradicated through micro-enterprise training. Board members are asked to serve for a period of two years for each term; the Chairman, CEO, and co-founders can extend these terms at the end of each two-year period.

The advisory board is charged with the responsibility to provide counsel to the co-founders. They are expected to advise the co-founders and executive director with insights of how to best move the mission of the Foundation forward. Each member of the advisory board is tasked with fundraising and public relations assignments. Members of the advisory board give of their time, freely. They are volunteers who share the same vision to use micro-enterprise education to help necessity entrepreneurs overcome poverty through business.

Following is a comprehensive overview of ACE's overall governing body. Each active member is identified, along with his or her title and a synopsis of their professional, personal, and academic accomplishments. Additionally, the amount of time that they have served as members on the board is noted next to their name. This is included here to demonstrate how each governing member is uniquely qualified to serve for ACE.

Staff

Co-Founder Stephen Gibson (1999–Present)

B.S. Communications (BYU); has created more than a dozen entrepreneurial businesses, including Barclays Oxygen Homecare, which was named as one of the 500 Fastest Growing Companies in the U.S. by *Inc.* Magazine (1994); co-founded the Utah Angels, an investor group, which has provided well over $20 million in financing to Utah entrepreneurs; author of more than 150 articles on entrepreneurial topics for *Deseret News*, Salt Lake City's leading daily newspaper; received the Small Business Administration Award from Utah Media of the Year; has trained 3,000 returned missionaries in the 8-week residential training facility; served an LDS mission in Scotland (1961-1963).

Co-Founder Bette Gibson (1999–Present)

B.S. Education (Brigham Young University); M.A. Early Childhood Education (University of Colorado—Denver); curriculum development instructor (BYU-Provo); instructor of education at Arapahoe Community College; worked in day care industry in Colorado; co-author of *Where There Are No Jobs: The 25 Rules of Thumb*.

Chief Executive Officer G. Andrew "Andy" Barfuss (2002–2010)

B.S. Entrepreneurial Finance Management, Real Estate (University of Utah); served LDS mission in Japan (1978-1980); served a three-year Welfare Services mission for the LDS Church; president of Ridgewood Management, Inc.; president of Creek Road Place, a raw land and commercial real estate development company; has owned various companies operating in residential and commercial real estate development,

publishing, telecommunications, retail, manufacturing, and corporate finance industries; resigned as the CEO of the Academy for Creating Enterprise (2010); teaches entrepreneurship at BYU-Provo. Below, in Figure 1, Mr. Barfuss can be found sitting with the co-founders, staff, and students enrolled in the Academy.

Stephen Gibson (center bottom); Bette Gibson (center bottom left); Andy Barfuss (left of Bette Gibson)

Figure 1. The Academy for Creating Enterprise staff.

Executive Director Jeremi Brewer (2011–Present)[266]

B.A. TESOL (BYU-Hawaii); Ph.D. (ABD) Hispanic Studies (Texas A&M University); served LDS Mission in Mexico City and Guerrero, Mexico (2003-2005);

---

[266] On December 2, 2011, I was voted in as the Executive Director of ACE. This motion was carried out at the recommendation of the Co-Founders, Stephen and Bette Gibson.

country director (Mexico) for ACE (October 2010 – December 2011); has owned and operated several small businesses; author of *Creating Family Prosperity*; business consulting for micro-enterprises in Philippines, Brazil, Mexico, and the United States; president of Brewer Investments—a real estate firm; owner and operator of small service businesses; Peery Fellow for the Ballard Center of Economic Self Reliance.

Advisory Board

Ronald Lindorf (2004–Present)

B.A. Communications (BYU); M.A. Mass Communications (BYU); founded, built and sold Western Watts—the largest market research data collection company in the US; teaches entrepreneurship at BYU-Provo.

Grant Barton (2010–Present)

B.A. Business Management (University of Utah); M.A. Educational Psychology (University of Utah); Ph.D. Educational Communications (University of Pittsburgh); assistant director and professor of Instructional Psychology (BYU- Provo); Manager of Curriculum Planning and Development for The Church of Jesus Christ of Latter-day Saints (global operations); director of training, Provo Missionary Training Center; Director of Instructional Media (Community College of Allegheny County, Pittsburgh); served as a mission president for the LDS Church (Texas); served an LDS mission in Swiss Austria; served LDS Welfare Mission (Africa); director of Buenos Aires Employment Resource Center for the LDS Church.

Jeff Burningham (2010–Present)

B.S. Communications (BYU); served LDS mission in North Carolina (1996-1998); founder of Mindwire, a technology company, which he later sold to a NASDAQ-listed company; served as an Executive Vice President for Mindwire; Young Entrepreneur of the Year in the state of Utah (2008); Founded and sold two other successful companies before focusing on the real estate industry.

Ned Hill (2006–Present)

B.S. Chemistry (University of Utah); M.S. Chemistry (Cornell); Ph.D. Finance (Cornell); member of National Advisory Council and professor of Business Management (BYU-Provo); former Dean of the Marriott School of Management (BYU); Mission president for LDS Church in Romania.

Richard Hinckley (2005–Present)

B.S. Economics (University of Utah); M.B.A. (Stanford); management consultant at Deloitte and Touche in Los Angeles, California, then Touche, Ross, Bailey and Smart; equity partner in several small businesses; general authority for The Church of Jesus Christ of Latter-day Saints and Executive Director over world-wide LDS missionary service operations; served LDS mission in Germany; LDS mission president of the Utah Salt Lake City Mission (2001-2004); Chairman of the Board of the Salt Lake chapter of the American Red Cross; past Director of the University of Utah Alumni Association.

David LeSueur (2009–Present)

B.S. Finance & Ag-economics (BYU); M.B.A. (BYU); LDS mission (1968-1970) Great Britain; Mission president (2005-2008) the Philippines; Health Care industry staff manager, Regional Vice President, Executive Vice President, Board of Directors; Took $800 million dollar company public (1985); Founded LeSueur Investments (1987)—a hay farming and brokering company; Real estate developer; Operates a chain of livestock feed and supply stores throughout the Southwest region of the United States.

Andy Holmes   (2010–Present)

Ph.D. Finance (University of Houston); Commercial banking and entrepreneur; Professor of Finance at BYU-Provo.

Stephen Mann (2010–Present)

B.A. in Communications (BYU-Provo); M.A. Organizational Behavior (BYU); Post-graduate courses in Organizational Behavior (Columbia University); served as Freshman Assemblyman, Sophomore Class President and President of the Cougar Club; served on White House Advance Staff (1976) during President Gerald Ford election campaign; served LDS mission (1968-1970) West Germany; 1991-1996 developed and operated youth leadership training programs (Idaho); served as a mission president (2007- 2010) South Africa Durban Mission for the LDS Church; partner in Zenger-Miller—a leading management and supervisory training firm acquired (1989) by Times Mirror; co-founder of Pretzel-Time Inc.—the company was acquired by Mrs. Fields (1999); co-founded Deseret International Foundation with William Jackson (Deseret

focuses on simple life changing operations on children around the world—a model that focus on strengthening and supporting local medical establishments. Deseret currently completes some 40,000 operations a year); co-founded Enterprise Mentors International with Menlo Smith and Warner Woodworth (EMI focus on micro-business consulting and micro-lending in the Philippines and through Central and South America); 1999-2001 Moved to Zimbabwe and under the Deseret name developed and implemented HIV/AIDS prevention programs that are still being taught in Zimbabwe schools and businesses. While living in Zimbabwe, also helped develop and implement HIV/AIDS prevention programs for the LDS Church, which were used throughout the East Africa Area.

George Stewart (2010–Present)

B.A. Political Science (Arizona State); president (1970-1978) of Dealer Services Division of Automatic Data Processing in Portland—a company that reached $40 million in gross revenues and employed 1,200 individuals under his tenure; president 1978-1985) of EFI Electronics Corporation—ranking of the "Best Small Companies" nder his tenure; vice president (1991) of Sales and Training at Franklin Quest (now ranklin Covey); mayor of Provo, Utah (1997-2001); served an LDS Mission (2001-2003) on the Navajo Reservation (Arizona); served as LDS mission president (2005-2008) in Argentina; served an LDS humanitarian mission in Mexico City, Mexico (2008-2010).

H. Lewis Swain (2006–Present)

B.S. Business (BYU); Served an LDS mission in Eastern United States (1969-1970); senior partner of Boyer Company, one of the largest nationwide real estate development enterprise in the United States.

Joshua Young (2010–Present)

B.S. Business Administration (Westminster); served LDS mission in Philippines (2002-2004); vice president of YESCO, the largest custom sign and lighting manufacturer in the United States; operational manager for ACE (2009-2010).

Each board member is uniquely qualified to assess the needs of ACE, as well as assist in the management and development of its mission to eradicate poverty by equipping necessity entrepreneurs with the essential skills and knowledge to succeed in creating profitable micro-enterprises. None of the board members receive monetary compensation for their participation. Instead, many of them are active donors to the Called2Serve Foundation.

The Academy for Creating Enterprise: Cebu, the Philippines

Location

The ACE campus is located at 11 Aquamarine Street, Saint Michael Village, Banilad, Cebu City, Island of Cebu, in the Philippines (see Figure 2). The maps below indicate that the Island of Cebu sits in the central Visayas region of the country. The school is situated on a 1.3-acre lot in the eastern-most part of the island. There are more than 7,000 islands that comprise the Philippines. Students enrolling in ACE come from each of the different islands as well as from different socio-economic backgrounds.

Figure 2. Location of The Academy for Creating Enterprise: Cebu, the Philippines.

Physical Facilities

The school used by ACE is a large renovated home with capacity to house up to 40 individuals (see Figure 3). There are a total of 11 bedrooms—referred to as "dormitories." Seven of the bedrooms are used to house the male students and the remaining four bedrooms are used to house the female students.

Figure 3. The building used by ACE.

The dormitories at ACE are large rooms furnished with single-sized beds. Students are expected to clean their living quarters every morning, as well as the rest of the campus. Often times, the beds at ACE are far better than the beds used by students in their homes. The dormitories at ACE are not co-ed and can be seen in Figure 4, below.

Figure 4. Three ACE female students pause to show their living quarters.

ACE's primary classroom uses tables and chairs for desks (see Figure 5). Students sit next to each other and are expected to work together on in-class assignments. There is little technology used in the classroom other than a laptop computer and projector for PowerPoint presentations. The classroom is 35 feet wide by 70 feet long.

Figure 5. Students at ACE sit in class while being taught a Rule of Thumb.

ACE also provides students with a library (see Figure 6) where they can check out books on business. The library is a comfortable place where students can sit and discuss their business, needs, and overall impressions of the class.

Figure 6. ACE students take a break in the library in between seminars.

Religion Matters

Stephen and Bette Gibson are members of The Church of Jesus Christ of Latter-day Saints (LDS), more commonly known as Mormons. Mormonism has a long history of charity and global humanitarian participation. In his book *Jews, Confucians, and Protestants: Cultural Capital and the End of Multiculturalism*, Lawrence Harrison (a Jew) notes that Mormons are leading figures of business and icons of wealth accumulation as well as education in the United States, and it is their *culture* that promotes civic participation.[267] The Gibsons are a vivid example of what Harrison means when he writes of how religion and culture affect the decisions individuals make.

Another important reason that religion must be mentioned is that 100 percent of the students taught at ACE are members of the LDS Church and are also returned missionaries (RMs). To obtain RM status, individuals spend 18 to 24 months of their

---

[267] Lawrence Harrison, *Jews, Confucians, and Protestants: Cultural Capital, and the End of Multiculturalism* (forthcoming). I was given a copy of the manuscript by Lawrence and asked to review it; I was also assigned to write a 15-page section of his chapter dedicated to Mormons, culture, and business.

lives as lay ministers and representatives of the LDS Church abroad.[268] When asked

why they focus solely on members of the LDS Church, and more specifically why they

focus on RMs, Stephen Gibson answers:

> We don't have unlimited resources and we can't help everyone living in poverty.
>
> We want our funds to be spent on candidates that will launch businesses,
>
> successfully. We also want to make sure that we train individuals that are willing
>
> to change their culture. We focus on RMs because they have a proven track
>
> record of *doing.* As missionaries, these young men and women will have lived
>
> through very tough experiences. For example, they will have learned to set goals
>
> each day and week. They will have learned to overcome rejection on a daily basis
>
> and to continue searching for ways to serve their community. As missionaries,
>
> these young men and women learn to believe in their country, representing their
>
> nations wherever they may be, and they will have learned the value of discipline.
>
> They also will have learned what it means to work, to sacrifice, and to keep
>
> going every day. These are all cultural habits that coincide perfectly with the
>
> habits needed when launching a business. Yet, despite being RMs, they are
>
> surrounded by a culture of poverty, which is very hard to overcome, alone. They
>
> are surrounded by a culture that focuses on the past; they think little about the
>
> future; they are very poor, many times eating one meal a day; they have little

---

[268] Women who are 21 years or older, and single, are invited to serve a mission for the LDS church for a period of 18 months. Men, ages 19 to 26, are expected to serve a mission for the LDS church for a period of 24 months. It is expected that missionaries pay for their own missions.

hope for escaping poverty. For many of them, missionary life was the best life they ever had. The Academy gives them that hope back again.[269]

For the Gibsons, religion makes a difference. Apart from their moral obligation to give back to the world, the Gibsons feel a compelling obligation to build the members of their faith. Because ACE revolves around a culture shift, they are inclined to believe that LDS RMs are better prepared to succeed in micro-enterprises due to their track record acquired through missionary training. The Gibsons understand that, if these necessity micro-enterprisers are willing to make the necessary cultural changes, which they acquired and refined while serving missions, then teaching business know-how becomes the main focus of the Academy.

Enrollment

Individuals interested in attending ACE must comply with the following three requirements to be considered as candidates: (1) Be a member of the Church of Jesus Christ of Latter-day Saint (LDS),[270] (2) Be a returned missionary of LDS church, and (3) Hold a current temple recommend.[271] Both men and women are encouraged to apply and attend ACE; there is no specified age limit. Each cohort, or "batch," of students is comprised of approximately 30 students, with a 66 percent men to 33 percent women ratio. While on campus, students are assigned separate wings of the dormitory living quarters. Both married and single individuals are accepted as students. Preference,

---

[269] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[270] The abbreviation LDS will be used in lieu of the full name of the Church of Jesus Christ of Latter-day Saints.

[271] A temple recommend is renewed every two years by the presiding bishop of the individual's local Church leader and requires that the individual adhere to the principles of the LDS Church.

however, is given to men who are married with children. The average age of students who attend ACE is 30 years old for men and 28 years old for women. Students attend classes, study, exercise, and live on campus.

Student Tuition Fee

In order to attend ACE, each student is required to cover his or her own traveling costs, both to and from the school. In addition to paying their travel costs, students are required to pay a $50 USD tuition fee, equating to approximately 18 percent of their monthly income.[272] This $50 USD cost provides each student with a bed, three meals a day, books, and education for eight weeks. The cost of tuition is subsidized (nearly 95 percent) by The Called2Serve Foundation.

When asked why the students are required to cover their own traveling costs, as well as the $50 USD tuition, Bette Gibson responds, "We have found that when our students pay a portion of their educational experience, they are more dedicated to the program."[273] Answering the same question, Stephen Gibson adds:

I must note here that no student has ever been denied acceptance into the Academy because they do not have the funds to attend. While we will not cover their cost of travel, we do offer work-study programs for those students that truly are unable to cover the cost of tuition. We know that not every prospective student has the financial capacity to cover travel and tuition, and this is why we don't mind helping them pay what they can't afford. We are, however, very

---

[272] According to the International Monetary Fund, the average per capita monthly income of the Philippines is approximately $150-200 USD per month.

[273] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

explicit with our students that the Academy is not a "give-me-free" institution.

When they make the sacrifice to come by covering their expenses, the students

are much more motivated.[274]

The Gibsons require that their students make a financial sacrifice to attend ACE because

they believe it helps the students arrive more dedicated and more emotionally prepared

to learn, apply, and achieve their goals.

Directorship and Teachers

James Fantone is the Country Director of ACE in the Philippines. He is the

President and Chief Trainer of NXT Level Training and Consulting. He holds a degree

in Business Management from Rizal Technological University—Manila. He is an equity

partner in several small businesses throughout the Philippines. As the Country Director

of ACE, Mr. Fantone employs approximately 15 Filipinos.

There are two stipulated requirements for any individual interested in working

for ACE: (1) Every staff and faculty member must be a graduate and (2) Every staff and

faculty member must be Filipino. "The staff must be graduates because it allows them to

relate better with the current students," says Bette, "and it improves the overall

educational experience for the current students to relate with their teachers." Regarding

the second requirement, Stephen Gibson notes, "The current Director of ACE is a

Filipino and this is very important to us because he speaks their language, he knows their

culture, and he can show the students that change is possible."[275]

---

[274] Ibid.

[275] Bette Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

Instruction and Methodology

ACE students encounter their first culture shock once they attend their training

seminars. Contrary to the cultural norm of education in Asia, where students sit in

silence and copiously note every word their professor speaks, ACE employs the

"discovery learning," or "guided learning," methodology—the same methodology that

Professor Clayton Christensen uses with his students at Harvard's Business School. In

his book *Disrupting the Classroom*, Christensen explains, "With this methodology the

responsibility of teaching is shifted from the teacher to the students [as] the teacher

becomes a facilitator of knowledge and the students 'discover' the principles and lessons

through guided questions."[276] This is the same role that the teachers at ACE play when

teaching in the classroom; they are not lecturers, they are facilitators.

 Bette Gibson explains why ACE uses the "discovery learning" principle:

The premise of the "discovery learning" methodology is to transfer knowledge

from teacher-to-student by using the ideas and words of the students. The teacher

asks lots of questions. The teacher facilitates discussion. The students are the

ones involved in the discussions, sharing their ideas, creating theories, and

challenging one another. We love to use debates in the classroom because it us

such a foreign concept to our students. They are not used to discussing or

debating ideas with their peers. They are trained in school from the time they are

very young to sit down, take notes, and not ask questions. In the Academy, they

are expected to do just the opposite. We want them to share their opinions. We

---

[276] Clayton Christensen, Michael Horn, and Curtis Johnson, *Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns* (New York: McGraw Hill, 2008), 13.

want them to share their ideas. They are supposed to speak up and share their

insights. This makes for a much better learning environment. The learning is

personalized and the learning is individual. In our opinion, when the teaching

only comes from one source, too much is lost.[277]

For Bette, the "discovery learning" methodology is a *cultural* technique implemented to

enhance the learning experience that the students have at ACE. Adding to Bette's words,

Stephen mentions the following about the use of the "discovery methodology":

One of the principal ways that we put into practice the discovery methodology is

through case studies. By case studies, I mean simple, but entirely true, stories of

what micro-enterprisers are doing *inside* their businesses. Our case studies take

up a bulk of the curriculum that the students receive while enrolled at ACE.

These case studies allow for great discussion among students, especially because

the answers are not cut-and-dry. The case studies require reflection,

introspection, analysis, and collaboration. The students solve the case studies in

small groups and then as a cohort. Because there are many ways that each case

study can be solved, and because they are not fill-in-the-blank tests, ACE

students are forced to focus on what is happening in the business and find

solutions to the problems. By doing this they acquire the skill-set to go back

home and not make the same mistakes. Lastly, if the most prestigious business

---

[277] Bette Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

schools in the world use case studies coupled with the discovery methodology,

why wouldn't ACE?[278]

The case studies used by ACE demonstrate to the students the *cultural* aspects

that the owner and operator of the small business had to implement in order to succeed.

The embedded assumption in ACE's *Where There Are No Jobs* curriculum[279] is that

most Filipino necessity entrepreneurs remain impoverished because they subscribe to the

"culture of poverty"—a culture that the students who attend ACE readily accept as a

fitting description of their own belief system. Most importantly, it is a culture that they

are willing to overcome by adopting the "progress-prone" cultural values taught at ACE

that will positively impact their enterprises. [280]

Launch & Learn

As the name indicates, students enrolled at ACE start ("Launch") an income

generating activity (IGA), which allows them to apply ("Learn") the various business

principles that they acquire during their classes. According to Stephen, "Launch & Learn

is the most critical component of the educational experience that each student has" and

"that is why every ACE student is required to participate in this portion of the

program."[281] "Launch & Learn is our way of ensuring that ACE does not just teach

theory to the students," says Bette Gibson, "it ensures that students immediately apply

---

[278] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[279] *Where There Are No Jobs* is comprised of five volumes that cover basic business principles.

[280] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006).

[281] Stephen Gibson and Bette Gibson (co-founders, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

what they learn in the classroom."[282] Expounding on the purpose and mission of Launch & Learn, Stephen Gibson mentions further:

> Launch & Learn works. There is only one sure way to learn how to do business and that is by doing business. It pushes the students to overcome fear and allows them to make mistakes in a safe environment. Even if they fail miserably on one day, they are able to come back to the campus knowing that they will have food to eat. They can literally sit down to dinner, talk with their teammates, discuss their experiences with their classmates, overcome their failures, and go out ready to do business the next day. It is the basis of what makes ACE so powerful. In the morning they have the theory and in the afternoon and evening they go out and apply it. Launch & Learn works.[283]

The balance between theory and application provides each student with the necessary time to learn what should be done in business and then the opportunity to immediately go out and apply that knowledge.

Course Offerings

Eight-Week Residential Model. ACE's residential course has a duration of eight weeks. When asked why the curriculum is taught for eight weeks, Bette Gibson responds:

> Our course is eight weeks long because it takes students time to overcome those cultural habits and negative mindsets. Many of our students arrive to the campus exhausted with their lives. Many of them are so poor that they eat once a day,

---

[282] Ibid.
[283] Ibid.

every day. We are of the opinion, and our experience has shown us time and time

again, that when the students step away from their day-to-day lives filled with

pressure, stress, concern, and constant worry, they are much better students. They

can focus 100% on the task at hand. They don't have to go back and forth,

spending money to travel to the campus each day.[284]

Adding to the words of his wife, Stephen mentions the following:

I would also say that our students need a radical change in perspective. They are

forced into entrepreneurship even though in many cases they are highly educated.

Our students come from a culture of poverty. This means that they lack hope,

they are present minded, and they need help. You cannot expect to improve a

business culture if you do not change your individual culture. You must first

have the hope, see the vision, believe the vision and then go make it happen.

Many times our students arrive to the campus lost, confused, exhausted. They

arrive and are sick and tired of being sick and tired. As a batch, or cohort, the

students gel together and they make a cohesive group. This is where the magic

happens: first in the classroom and then outside the walls of the Academy in their

IGAs. They literally transcend cultural norms, together. Eight weeks, studying in

the classroom and working in their IGAs, allows them to put into practice the

culture of success and to make those cultural changes more permanent in their

lives.[285]

---

[284] Ibid.

[285] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

Cultural change is the primary objective of ACE. Cultural relativism, therefore, is of very little concern to the Gibsons because they have seen that what they teach works and it changes for the better the life of each student that attends.[286]

One-Week Executive Batch. Understanding that not every micro-enterpriser has the ability to walk away from his or her small business and family for eight weeks, the Gibsons created a one-week, intensive program called "Executive Batches." The primary purpose of the Executive Batches is to reach out to the men and women who currently operate micro-enterprises but need a quick training of basic business principles on how to improve their purchasing power, bookkeeping practices, negotiation skills, and human resource knowledge. The major differentiator between the eight-week, residential program and the one-week Executive Batch program is the fact that the one-week students own and operate a business prior to entering ACE.

On-Site Training Program (OTP). In an effort to teach and train even more individuals, the Gibsons also created the On-Site Training Program (OTP). As its name suggests, the advantage of OTP is that the necessity entrepreneurs who do not have the financial capacity or the time to attend a one week training program can attend classes in their respective cities. Students enrolled in the OTP classes are expected, but not required, to have experience in small businesses. Students enrolled in the OTP classes pay a minimal enrollment fee, which is used to cover the materials used. OTP classes are held two days a month for three months.

---

[286] In 13 years, ACE has not had a single student drop out of the eight-week course.

Literature (Volumes and Workbooks)

Stephen and Bette Gibson did not purchase micro-education books or packets from any other organization prior to arriving to the Philippines because, as Stephen says, "We couldn't find materials that dealt with the cultural practices that our students committed and would need to change in order to acquire the culture of success."[287] The solution engineered by the Gibsons to overcome this obstacle was to create their own literature. They achieved this by teaching simple business principles and observing what their students did during the "Launch & Learn" program. When the students would report on their progress and experiences, Stephen, much like a consultant of any business would do, inquired about everything. In his own words, Stephen recalls: "I would ask the students about everything. I wanted to get into their brains and understand their minds. I knew that by so doing, I would understand their actions more fully." This process of question and answer went on for many months and with dozens of micro-enterprisers. "It was through this experience,"[288] says Stephen, "that I began to realize the way culture influenced almost every business decision that they made. I realized that they would have to change culturally before they could grow a business."[289] As Stephen investigated the psyche of the students through their actions, Bette transcribed the conversations that took place.[290] Concerning this business assessment process, Bette mentions:

> It was during this creation period that we understood the difference between a
> necessity entrepreneur and an opportunity entrepreneur. We were teaching

---

[287] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

[288] Ibid.

[289] Ibid.

[290] Ibid.

necessity entrepreneurs how to become opportunity entrepreneurs and the first step was to overcome cultural barriers of inferiority, hopelessness, fear, and many other impeding factors. I remember writing down what the students would answer to Stephen and I couldn't believe what I heard. Things like, "Well, I am supposed to be poor and there is not hope for me" or "It is better for me to be poor so that I don't become wicked." When I heard those words I knew that we had to first change the way these students thought about money and themselves before they could hope for a better future. They focused too much on the past and you can't do that if you are an entrepreneur.[291]

Bette and Stephen came to the conclusion, after hundreds of hours of observation and personal contact with their Filipino students, that their curriculum first had to address cultural barriers so that their students would be prepared for the cultural norms they would need to adopt.

This realization proved to be one of the most important elements in the engineering of ACE's curriculum and teaching model. The more the students and Stephen talked about what they were experiencing in their small businesses, the clearer it became that together, the Gibsons needed to create their own "principles" of business based on both culture paradigms and basic business concepts. Additionally, Stephen and Bette realized that, in order for their students to experience lasting change, ACE's curriculum and teaching model would have to be intensive, repetitive, and extensive.

---

[291] Ibid.

Values and Principles

In addition to lessons focused on culture and business, Bette Gibson made sure that ACE's curriculum included lessons based on values and virtues that must be followed in business:

I knew that we had to teach principles based on values like honesty, integrity, and punctuality. I noticed that many times when I told the students that we would have a class discussion at 5:00 pm our students would sarcastically say, 'Filipino time or American time?' What they were really saying was, "If it is Filipino time then we will be there around 5:30, but if it is American time then we will be there at 4:50 pm." This one, simple observation helped me see a part of the culture of poverty that I hadn't noticed before. I realized that punctuality was not an important value and I wanted them to understand that punctuality was important in business and in life. So, I used different children's books to teach values of trust, honesty, integrity, punctuality, and many other values that I noticed were not practiced among the poor. And finally, it was a perfect venue to teach them "It is the culture of success time," which helped us stay away from inferring that American culture is better.[292]

Bette's personal observations led her to infer that the values and attitudes maintained by the poor, such as the role of punctuality in their lives, are not the same values and virtues that she and Stephen maintain. This personal experience, and her position as curriculum developer, provided her with the optimal venue to highlight the

---

[292] Ibid.

importance of punctuality, honesty, and integrity and how they apply in business. In the words of Lawrence Harrison, "culture matters."[293]

Handbooks

ACE produced five volumes of curriculum called "handbooks," all of which share the same title: *Where There Are No Jobs*. These handbooks are comprised of self-explanatory lessons that can be replicated anywhere that the culture of poverty pervades. The hope of ACE is that these handbooks will reach individuals around the world that are motivated to take part in poverty eradication through micro-enterprise education. Following is a brief overview of each handbook.

Volume 1: ***Where There Are No Jobs: The 25 Rules of Thumb***. Authored by Stephen Gibson and edited by Tina Huntsman. This volume explains some of the most essential business principles that, when implemented, will help business owners establish a solid foundation for their businesses and help business teachers establish a solid foundation for their classes. Twenty-five Rules of Thumb are discussed in detail so that micro-entrepreneurs can gain an appreciation for the importance of implementing correct practices in their businesses.

Volume 2: ***Where There Are No Jobs: 26 Complete Micro-Enterprise Lessons.*** Authored by Stephen Gibson, Bette Gibson, and Andrew Barfuss and edited by Tina Huntsman. This volume contains lesson plans designed to explore in more depth some of the Rules of Thumb. The lesson plan topics range from record keeping to increasing sales, and from basic marketing to opportunity identification. From these lessons,

---

[293] Samuel Huntington and Lawrence Harrison, *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison (New York: Basic Books, 2000), xvi.

business owners can learn how to start and grow their small businesses by applying each rule of thumb.

Volume 3: *Where There Are No Jobs: 16 Complete Micro-Enterprise Case Studies*. Authored by Stephen and Bette Gibson and Troy Holmberg. This volume is a collection of 18 micro-enterprise case studies. It is designed for the facilitator, mentor, coach, teacher, and discussion leader to use in teaching analytical skills to micro-enterprise students and owners.

Volume 4: *Where There Are No Jobs: The Micro-Franchise Handbook*. Authored by Stephen Gibson and Jason Fairbourne. This volume is a collection of case studies that describe the micro-franchising efforts of 39 businesses that operate in different parts of the world. Each case study describes what the micro-franchise does, how it operates, and what makes it successful. ACE believes that micro-franchising represents a logical step in hastening people's move from the ranks of poverty through micro-enterprise, and into capital accumulation and asset building.

Volume 5: *Where There Are No Jobs: Creating Family Prosperity*. Authored by Stephen and Bette Gibson with Jeremi and Rebecca Brewer. This volume is a collection of 12 simplified lessons that focus on cultural norms, which impede the progress of business. They are based on popular questions that necessity entrepreneurs often ask when administering their micro-enterprises. This volume is currently used in 23 countries around the world and has been translated into four languages (Spanish, English, Portuguese, and French).

Cultural Relativism and ACE Literature

The Academy for Creating Enterprise has intentionally avoided concerning itself with cultural relativism. Since 1999, ACE has trained more than 3,000 necessity entrepreneurs how to use their micro-enterprises to escape poverty. Through a culture-specific curriculum, ACE has created upwards of 10,000 jobs in the Philippines. More importantly, ACE has accomplished this *without* offering any loans to its students and by charging its students a small fee.

The purpose of The Academy for Creating Enterprise is to help necessity entrepreneurs provide a better life for their families by teaching them how to create a successful income generating activity (IGA). Stephen Gibson put it this way:

> What we want more than anything is for these necessity entrepreneurs in the Philippines to learn how to provide clean water, nutritious food, quality health care, and good education for their children. We want families to stay together and not have mothers and fathers working overseas six months out of the year. We figure that, since they are already forced into entrepreneurship, we can teach them how to run more profitable businesses. We want to help them make the transition from *necessity entrepreneurship* to *opportunity entrepreneurship* by teaching the "culture of success." The fact is that some cultures are more productive at creating economic prosperity than others. I am not afraid to say that because I have seen it in many areas around the world.[294]

---

[294] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011.

While they cannot control the external factors that push necessity entrepreneurs into micro-enterprises, the Gibsons are convinced that they can educate necessity entrepreneurs with a culture-specific curriculum based on the "culture of success," which allows students to learn how to raise themselves out of poverty and improve the profitability of their businesses.

The cultural paradigms that the Gibsons seek to change are challenged through the 25 Rules of Thumb which they, along with their students, have created. An overview of each Rule of Thumb is provided in Section IV of this chapter.

The Culture of Success

In 1998, once the Gibsons were ready to help teach the Filipino micro-enterprisers, they found it necessary to create their own culture-specific curriculum. Their plan was to create an intensive training program with a curriculum designed around the "culture of success," and train necessity entrepreneurs and micro-enterprisers how to create and grow profitable businesses. Regarding this "intensive training," both Stephen and Bette Gibson mention the following:

> Any time a social or cultural habit, tradition, or value is going to be changed, those individuals seeking to change require time, training, and an environment to make the change. Additionally, if that change is going to be permanent, then, individuals are more likely to succeed if they have a support network. This is why weight-loss programs like Weight Watchers and rehabilitation programs like Alcoholics Anonymous meet every week. Changing culture is changing habits, attitudes, and patterns of action. This takes time and it requires persistent support.

When we say that we teach a "culture of success" what we mean is we teach our students that there is a business culture that is virtually universal among successful enterprises, with values that emphasize punctuality, honesty, integrity, commitment, discipline, having written agreements, training employees, and separating family life from business life, among other things. Perhaps the most important part of teaching a "culture of success" is that the "culture" is not American, European, Japanese, or Chinese, nor does it derive from any specific nation. Instead, it revolves around the principles of business success. This is what necessity entrepreneurs need to know how to do if they are going to succeed in their micro-enterprises.[295]

Learning from their experiences as university professors, the Gibsons knew that *if* they were going to make a lasting change in the Philippines, they would have to teach their students to change some of their cultural habits.

The 25 Rules of Thumb

The curriculum created by Stephen and Bette derives from thousands of hours of classroom discussions between Stephen and the students. Bette's major contribution was transcribing his lessons and then converting them into the books and short stories (case studies). Referring to the creation of ACE's curriculum, Bette explains:

When we first moved to the Philippines, we didn't have an established curriculum, per-se. Steve knew *what* to teach the students because he had started and sold many businesses over the years and he had several years' experience

---

[295] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June, 2011.

working in the Philippines with EMI. He also knew *how* to conduct a classroom

because he had taught for many years. Additionally, he knew *why* to teach the

students what he taught, but he didn't have practice putting it on paper so that

other people could replicate his lessons. The students would come back from

applying the different principles that they had learned in their IGAs and Stephen

would help them "discover" what it was that was working and what was not

working. That is where my background in education came into play the most: I

sat through thousands of hours of lessons and created the lessons that Stephen

taught in the classroom. I knew that if we could be successful in creating a

curriculum that worked in the Philippines that we could eventually teach these

same lessons in every nation where the culture of poverty exists and replicate the

Academy there.[296]

Commenting on his perspective of the curriculum development, Stephen shares

the following:

I knew that the culture of poverty existed in the Philippines because I saw it

every day I was there. I knew that our students would have to overcome the traps

(habits and customs) associated with the culture of poverty in order to have

profitable businesses. Each day, I would teach a lesson and then the students and

I would come up with a "Rule of Thumb" that we could write in one or two

sentences. I wanted to come up with simple, straightforward business principles

that the students could remember while working in their businesses. More

---

[296] Bette Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.

importantly, I wanted these "Rules of Thumb" to help students remember how to overcome the culture of poverty habits and replace them with the habits found in the culture of business success. Thus, the 25 Rules of Thumb were created by the students through the discover and define process. That is why they are so powerful.[297]

Stephen's decades of experience in entrepreneurship, coupled with Bette's background in education, made for the ideal curriculum development team. Stephen taught the lessons by guiding the students through personal analysis of their Launch & Learn activity while Bette transcribed the lessons.

The 25 Rules of Thumb are one of the founding pillars upon which ACE's curriculum is based. Table 6 gives an overview of the 25 Rules of Thumb that ACE uses to teach students in the classroom as they experiment with small businesses during the "Launch & Learn" program over the eight-week course. Following Table 6, the history of the creation of the 25 Rules of Thumb will be shared.

---

[297] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.

TABLE 6. Twenty-five Rules of Thumb

Rule	Explanation
1. Sell What the Market Will Buy	Solving a critical, recurring problem is the best way to create a business.
2. Practice Separate Entities	Keep personal and business money separate.
3. Start Small, Think Big	Learn basics when small and less costly. Then grow.
4. Be Nice Later	Don't give your product or business capital away to friends and relatives.
5. Keep Good Records	Success comes from beating yesterday's sales and profit records.
6. Pay Yourself A Salary	This eliminates taking cash out of the business for living expenses.
7. Buy Low, Sell High	The bigger the difference, the greater the potential profit.
8. Don't Eat Your Inventory	Consuming inventory or seed capital will kill your business fast.
9. Use Multiple Suppliers	Negotiating with several suppliers for the best price is critical to success.
10. Buy on Credit, Sell for Cash	Selling product before payment is due increases cash flow.
11. Purchase in Bulk	Suppliers usually sell products cheaper if purchased in volume.
12. Use Suggestive Selling	Suggest to each customer other items they might like or need.
13. Increase Sales, Decrease Costs	As the gap grows bigger, net profits also grow bigger.
14. Turn Your Inventory Often	Profit is made every time inventory is priced right and sold.
15. Value Your Customers	Keeping them coming back and buying more is a key to success.
16. Differentiate Your Business	Give customers a reason to return; better, cheaper, faster.
17. Hire Slow, Fire Fast	Screen potential employees carefully. Terminate bad hires quickly.
18. Inspect More, Expect Less	Consistent performance comes from inspecting not expecting.
19. Have Written Agreements with Partners, Suppliers, Landlords and Employees	The dullest pencil is better than the sharpest mind.
20. Work on Your Business 10 Hours a Day, Five and a Half Days a Week	Anything less is a hobby.
21. Practice Kaizen	Kaizen means continual improvement. This is vital to income growth.
22. Make a Profit Every Day	If a work day goes by without profit, it's a loss.
23. Work on Your Business, Not Just in Your Business	Stand back and watch, then fix.
24. Write Daily/Weekly Business Goals	Stretching for more will move business forward faster.
25. Focus, Focus, Focus	A concentrated effort in one venture pays huge returns.

The Creation of the 25 Rules of Thumb

The 25 Rules of Thumb are not placed in a hierarchical order of importance. Nor are they taught chronologically to the students. Instead, the 25 Rules of Thumb are taught to the students as they "discover" them through the "Launch & Learn" program of the curriculum. "As the students 'discover' these different business rules," says Stephen, "they are much more likely to remember them because the rules are attached to a personalized learning experience."[298] In addition to the discovery of the Rules of Thumb, Stephen Gibson mentions that the "power of the 25 Rules of Thumb is that many of them challenge the common cultural practices that I found present in the micro-enterprises created by Filipino necessity entrepreneurs." When asked to discuss how the 25 Rules of Thumb were created, Stephen responds:

> During my first year in the Philippines conducting business lessons with our students, I would ask them a lot of questions and require them to defend their actions. I did this because, having had successful businesses myself, I noticed that our students were transferring widespread cultural practices from their homes into their businesses and all too often those cultural practices were not helping the IGAs of our students to grow; in most cases they caused their businesses to fail. Seeing this, I was motivated to inquire about why they priced their products the way they did; I wanted to know why they ate their products without paying for them; I questioned their sales techniques; I challenged their lack of record keeping habits. Then, I would ask them to come up with a rule that

---

[298] Ibid.

would help them to remember what they *should* do in sales, pricing, record keeping, and goal setting. This is why the 25 Rules of Thumb are so powerful. First, the rules were created by the students, not me. Second, almost every single Rule of Thumb confronts a cultural habit found in the Philippines and it comes from the students.[299]

By observing the habits, traditions, and cultural norms employed by his Filipino students, Stephen Gibson knew that they were not conducting IGAs or micro-enterprises in a fashion that would lead to success. However, instead of directly telling the students that they were making mistakes, he allowed them to make the mistakes and then he would question them about why they did what they did. Eventually, the students began to learn from their mistakes and implement new strategies.

Laws and Obedience: Dispelling Paradigms

One of the greatest challenges that the Gibsons faced while teaching in the Philippines was overcoming the paradigm that money is evil. Stephen describes this attitude:

I would estimate that seventy five percent of uneducated Filipinos, especially those living in extreme poverty in the rural and urban areas, as many of our students do, believe that people got rich by taking advantage of the poor. They believe that there is something good and righteous about being poor. That they will inherit the earth and be blessed in the life hereafter for their living in humble circumstances in this life. They also believe they can't much do anything about

---

[299] Ibid.

their circumstances. Moreover, they believe that money is of the devil, and

therefore, money is to be shunned.[300]

Stephen's observations echo the trends Oscar Lewis witnessed as he worked with the

poor in the rural areas of Mexico and the slums of Mexico City. His words also parallel

those of Lawrence Harrison on the role of fatalism and destiny in the lives of "progress-

resistant" cultures.

Disaggregating the 25 Rules of Thumb

Over more than a decade of experience and observation, Stephen and Bette

Gibson evolved a theory that the power of the 25 Rules of Thumb lies in two principle

facts: (1) many of the Rules of Thumb challenge the cultural paradigms about money

that the students have when they arrive at ACE and (2) other Rules of Thumb teach how

to avoid the common pitfalls of business that the majority of managers and entrepreneurs

commit when conducting business.

For convenience, table 7 differentiates between the two types of Rules of Thumb:

which Rules of Thumb Stephen and Bette have identified as "culturally charged," or the

ones that specifically challenge the cultural practices employed by Filipino micro-

enterprisers, and the Rules of Thumb that are "common business errors" that must be

fixed in order to have a profitable enterprise.

---

[300] Ibid.

TABLE 7. The "Culturally-Charged" Rules of Thumb vs. Rules of Thumb that are common business errors

	Rules of Thumb	
Culturally-Charged	Practice Separate Entities	Practice Kaizen
	Be Nice Later	Write Daily & Weekly Business Goals
	Keep Good Records	Inspect More, Assume Less
	Pay Yourself A Salary	Use Multiple Suppliers
	Buy on Credit, Sell for Cash	Differentiate Your Business
	Hire Slow, Fire Fast	Have Written Agreements
	Don't Eat Your Inventory	
	Work in Your Business 10 Hours a Day, Five Days a Week and ½ Day on Saturday	
Common Business Errors	Sell What the Market Will Buy	Start Small, Think Big
	Buy Low, Sell High	Purchase in Bulk
	Use Suggestive Selling	Increase Sales, Decrease Costs
	Turn Your Inventory Often	Value Your Customers
	Make a Profit Every Day	Focus, Focus, Focus.
	Work on Your Business, Not Just in Your Business	

In talking about the 25 Rules of Thumb, Bette Gibson comments, "Another important fact of the 25 Rules of Thumb is that they teach how laws govern money. Our students must realize that by doing 'x' then 'y' is the result."[301]

Case Studies and Anecdotal History

The specific anecdotal histories that follow illustrate how each of the 25 Rules of Thumb was created. They are shared in this section, as they demonstrate the specific cultural traditions that must be overcome by necessity entrepreneurs. They are presented here as published in the first volume of the series *Where There Are No Jobs: The 25 Rules of Thumb*.[302] Each Rule of Thumb is shared in detail to more fully illuminate the manner in which the 25 Rules of Thumb came into existence while Stephen and Bette

---

[301] Bette Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.
[302] They are included in this section with the written consent of co-founders Stephen and Bette Gibson.

Gibson lived in the Philippines and worked alongside their students enrolled at ACE. Each anecdote serves as an insight into the various "cultural" and "common" mistakes made by necessity entrepreneurs who launch their micro-enterprises. After each anecdote, there is a précis, entitled "The Principle," wherein Stephen Gibson shares his synthesis of the anecdote.

1. Sell What the Market Will Buy

Ever since his childhood, Andy has enjoyed making empanadas (sweet pastries). In fact, he loves preparing and eating empanadas so much that, as a young man, he decided to make empanadas in bulk and sell them to students at a nearby school. Andy was certain that the students would love the snacks and purchase them regularly. He made 50 empanadas on the first day; he was shocked when, at the end of the day, he had sold only ten pastries. The next day, he sold only eight. And on day three, he sold only four. Frustrated, he went walking through the neighborhood, observing the actions of the people on the streets. He noticed that a nearby vendor was selling fish and squid snacks and was attracting dozens of students. He saw another vendor selling dozens of fruit drinks and pre-packaged candy. And he saw a third vendor doing quite well with bottled water and fresh sandwiches. Andy decided that he was selling the wrong product—that he was trying to force his own preferences on the people he wanted to be his customers. He imitated the seafood products, added a tapioca drink to his offerings, and situated his cart near the exit gate of the school. With the great location and the better product-customer match, Andy's business has been successful ever since.

The Principle: Andy's mistake is one that many excited prospective business owners make—they produce and try to sell a product they are excited about, but they don't bother finding out if other people are excited about the same product. The result of this approach is usually a short-lived business and a lot of frustration on the part of the business owner. The remedy is quite simple: sell what the market will buy—or, more specifically, what the people in your target market will buy.

2. Practice Separate Entities

Alvin worked hard at his fish-selling business. Every day, he used his 80 pesos of working capital to purchase 50 kilos of fish at the market. He then spent the day selling the fish to families in his neighborhood. The average daily profit (the difference between what he spent on the fish and what he earned by selling it) of 75 pesos was enough to buy food for his family of five. On really good sales days, when the profit was more than expected, Alvin would take the extra money home for his personal use. One day, the unexpected happened—Alvin's wife got sick. The doctor said her condition could be treated only with fairly costly pills. Alvin used all of the business' working capital (money needed to start a business and buy inventory for the business to sell) to pay for the doctor's visit and his wife's much-needed medicine. With no money left to buy inventory, Alvin could no longer buy fish to sell. He was out of business. Alvin's choice was clearly an easy one to make. Few people would fault him for choosing to care for his wife rather than save his business. But the lesson to be learned from Alvin's experience is that this kind of problem can be avoided. If Alvin had followed the counsel to practice separate entities—to keep business money separate from personal money—he

could have started saving long ago in order to be financially prepared for ongoing

business expenses as well as for emergency personal needs.

The Principle: When people decide to start a business, many struggle with

knowing how to take care of the money generated by their business transactions. Most

view both their personal money and the business' money as being in the same pot. The

ability to separate business money from personal money is necessary for the growth of

the business. Business money and personal money need to be treated differently, not

only in the physical location of the money, but also in the mind of the micro-enterprise

owner. The more separation exists between the two kinds of money, the better off the

business will be.

3. Start Small, Think Big

Computer-savvy Juan had always wanted to open a technology-related business.

But he had never had enough money to start a small business. He saw an opportunity to

earn money by selling real estate properties when his uncle, who owned a lot of land,

asked Juan to help sell one of his properties. Juan thought of using the Internet as a

medium for selling the lot, so he talked with all of his friends and family members to see

if anyone had a web site and would be willing to post Juan's advertisement on a

commission basis. The advertisement was successful—it attracted a lot of attention, and

Juan sold the land within a few weeks. Juan earned 50,000 pesos for his work, and he

used the money to buy some smaller pieces of land and create his own web site. By

starting with that small piece of land, reinvesting his revenues into the business, and

growing his business one sale at a time, Juan's once-small business is now a multi-million-peso Internet company that buys and sells properties all over the world.

The Principle: When people start businesses, they usually do so with dreams about the income the business will provide—hopes of owning their own home, working on their own schedule, and being able to provide for all of their family's needs (and many of their wants). Many new business owners see established businesses that have operated for years, and think that the success is due to the business' size. Wanting to follow in the steps of the large corporations, these owners are tempted to open up large-scale, expensive businesses, yet find that by doing so, they require a lot of initial investment and often don't have the clientele to recover from their start-up costs.

4. Be Nice Later

Raquel, a first-time business owner, ventured into a ready-to-wear garment business and planned to start small by selling clothing to her friends, relatives, and officemates. She took her savings of 1,000 pesos and bought an initial inventory of shirts, shorts, pants, and socks. Raquel was excited to see how well the items were received by her friends and family members. They liked the items very much and were eager to talk about Raquel's products with their friends and neighbors. The word-of-mouth advertising paid off quickly. Soon, the store began filling up with townspeople who walked by the shop and even people from nearby neighborhoods who had heard about her products. Raquel was feeling very good about the way in which the business was progressing. However, Raquel's excitement soon turned to confusion and frustration as she observed that not everything in her business was going perfectly. Her

friends began asking for special favors. They wanted to get special discounts on their purchases, to borrow money from her cash box, and even to take free merchandise from the store. Raquel, wanting to please her friends and share her success with them, gave in to their requests. She'd give them the discounts, loans, and free clothing items that they requested— without any expectation that she would someday be repaid for her favors. Although she felt uncomfortable about sharing the assets of the business, she wasn't really worried until one Monday morning when she went to buy the products she anticipated selling that week. When she went to pay for her usual order, she discovered that she had given away so much inventory and capital that she didn't have enough money to buy the products she needed to sell that week. Her business was in danger of failure.

At that point, Raquel realized that her generosity and kindness was the cause of her business problems. She would either have to take out a loan or stop giving away business resources to her friends. She decided immediately to collect on the money she had given to her friends and to make a new policy regarding purchases from the store. In just a few days, Raquel collected about 2,800 pesos and was able to buy enough inventory to make a profit during the next week. By deciding to "be nice later," Raquel was able to turn her business around. She earns a profit almost every day and reinvests that profit into the business. With the capital, she is able to reinvest in the business, buy more inventory to sell, and save up for a future expansion. She recognizes that by investing in her business now and being nice later, she can eventually give more than

just cash and products to her friends—she can give them jobs that can help meet their long-term needs.

The Principle: Because we all value personal relationships, we generally like the idea of being nice to others. We like saying "yes" to requests, doing favors for people, and lending a helping hand. But in business, we need to learn to be nice without being taken advantage of. Being too nice—and especially being too nice in the beginning stages of business development—can put a business in real jeopardy. Many cultures develop standards and norms that suggest that saying "no" is inappropriate when someone needs something that another person has. In many third-world countries, this standard is very prevalent. For example, if someone sees something he likes in another person's house, that person might compliment the homeowner on the item. The compliment usually makes the homeowner feel obligated to offer the item to the other person. The same pattern is often found in business: business owners feel pressure to be "kind," and they end up giving away needed business resources. Again, being kind is good; but it is not a profitable business strategy during the opening stages of business.

5. *Keep Good Records*

When Herbert opened up his first Dream Burger store, he had high hopes for what he could accomplish. His goal was to fill his menu with so many different types of burgers that every customer would be able to find the perfect burger to satisfy his or her hunger. Opening his first hamburger stand near a hospital with high foot traffic, Herbert was able to sell all of his burger patties and buns on the first day. He was overjoyed. But at the end of his first day of operations, Herbert was so tired that he forgot to record any

important information: he made no record of his beginning inventory (the number of buns or meat patties he started with) or his initial capital (the cash he put into the business). He didn't even record the total sales for the day. He forgot to keep records on the second day . . . on the third day . . . throughout the whole first week. He quickly got into the habit of not keeping records—a habit that spelled trouble for his business. After a full month in business, Herbert realized that he had purchased and sold a lot of buns and meat patties, but he didn't know where his money and earnings had gone. He couldn't tell if his operations for the month had yielded any profits; he didn't know how many supplies he needed each week; and he had no idea how much inventory he should keep on a daily basis. Herbert finally committed himself to keep good records of all of his business transactions. He started by counting the products that he had on hand. Next, he started tracking how many burgers he sold each day, and he crosschecked his records with the cash he had in the cash register. He now knows exactly how much inventory he should keep on hand, how much revenue he can generate each day, and how much he spends each week. Herbert's record-keeping habits have transformed his business. DreamBurger has grown steadily. Herbert now has five DreamBurger stands operating in three parts of the city.

The Principle: Although many people do not enjoy keeping records, those who apply this principle in their daily lives and in their businesses quickly discover that keeping records can be a very rewarding and helpful activity. Record keeping is not an end in itself; it is a means to an end. And that "end" is improving the operation and profitability of a business. Good records can help you understand what is happening in

your business—not just today or this week, but over a few weeks or even years. Records provide answers to questions that every business operator—including you—needs to know.

6. Pay Yourself a Salary

About a year ago, Antonio opened a small pharmacy in his hometown and hired two employees to help him operate the pharmacy. Antonio knew he would need to pay his employees on a regular basis, but he wanted to cut operating expenses, so he decided not to pay himself a salary. His plan worked for about a week, but he soon found that he didn't have enough money to pay for all of his family's daily needs (such as food, clothing, and school expenses). So he periodically borrowed small amounts from the business' cash register to cover those bills. When his youngest child suddenly acquired measles and was hospitalized for several days, Antonio had neither cash nor savings to draw upon, so he ended up using the pharmacy's daily cash sales for five days until his child got released from the hospital. At the end of that week, when one of Antonio's employees went to make her usual purchase of medicines and other pharmaceutical supplies, she found no money in the cash register. Antonio had depleted all of the business' capital, and he had no way to get any more money. As a result, he wasn't able to stock his shelves with the various medicines that his regular customers needed. Those customers were forced to start buying their products from another nearby pharmacy. Antonio's failure to pay himself a regular salary and discipline himself to keep the rest of the capital in the business resulted in lost sales and lost customers.

The Principle: Most micro-entrepreneurs start their businesses when they are in transition—often when they have lost a job and are looking for another. They usually plan to operate the business only until they find a regular job with an established employer. With this shortsighted mentality, they fail to approach their business like a real business that needs to be profitable in the long run. For example, the business owner might start out with 500 pesos, make 200 pesos in a single day, and take all 200 pesos home that night. The next day might be really slow. The owner might make only 50 pesos and take that money home. Taking all profits home each night prevents the owner from ever building any substantial foundation for the business and guarantees that the business will forever be small. Taking a fixed amount as a weekly salary would be much better. By establishing and adhering to a reasonable weekly salary, business owners can ensure that an excess amount of capital remains in the business as a security fund. Instead of adopting a shortsighted philosophy about business, it is important to recognize that if a business is to succeed, it must be able to grow. In order to grow, a business must have an ongoing source of capital—capital that should come from reinvested business profits. In order to apply the principle of paying yourself a livable salary, one must talk with their spouse or family and decide how much money they really need each week.

7. Buy Low, Sell High

Benny was raised in Manila, but his parents are originally from Zambales, a small farming town where sweet mangos grow in abundance. When Benny decided to start a business selling mangoes, he went back to Zambales to look for a mango supplier. The travel from Manila to Zambales is quite long, and Benny was exhausted

when he reached the town. Without comparing prices from different suppliers, he immediately ordered 1,000 mangos to be shipped to Manila. When the shipment of fruit arrived at his shop, Benny marked up the price and began trying to sell the mangos. But he wasn't having much success. Benny visited nearby competitors to see if they were able to sell their mangos. The first thing he noticed when he walked by the fruit stands is that their prices were much lower than his. Many vendors were selling their mangos for even less than Benny had paid for his. He could not afford to drop his price and still achieve even the smallest margin. Because he had failed to buy low, he could not sell high.

The Principle: Two transactions are involved in every business sale: (1) the purchasing of the product by the business owner and (2) the selling of the product to the customer. "Buy low; sell high" addresses both sides of the sales cycle. When you purchase raw materials for good rates and then price the products well, the resulting cost savings and additional income can be maintained through the sales cycle, flowing directly to the bottom line. When trying to buy low, you must not sacrifice quality in the pursuit of the lowest-priced goods. Remember two other rules of thumb that suggest the importance of buying on credit (when possible) and purchasing in bulk (when appropriate). Using these principles in purchasing can help you build profits by acquiring goods at a low price.

8. Don't Eat Your Inventory

Medel is the proud owner of a small hardware store. He sells hammers, screwdrivers, wood saws, drywall, nails and screws, measuring tape, plumbing tools,

levels, and other small construction items. When he helps customers with purchases,

Medel often talks with the customers about the projects they are working on. He enjoys

hearing all about their plans to repair something at home or at their place of

employment. Because he hears these stories every day, Medel has become excited about

doing some home-repair projects of his own. His first project is to fix a leak in the

family's bathroom. In preparation for making these repairs, Medel has begun stocking

up on tools and materials he will need. For example, he has taken home several tools, a

dozen small pieces of drywall, and boxes of various sizes of nails. One day, Medel

noticed that even though he had sold a normal amount of inventory during the previous

week, he didn't have enough money at the store to make his usual weekly purchases. He

looked through his records and was alarmed to find that a substantial amount of

inventory was unaccounted for. He was convinced that a thief must have broken into his

store and stolen his products. He worried about the store's security all day long—until

he got home that night and saw the pile of supplies sitting in the corner of his bathroom.

Medel then understood that he was the so-called "thief" and that by borrowing items

from the store for personal use, he had hurt his business' ability to supply goods to all of

its customers.

The Principle: Medel's story is a perfect example of the cash drain that comes to

businesses when business owners (or even friends and family of the business owners)

use business goods for personal reasons. This problem, nicknamed "eating your

inventory," occurs with both non-edible and edible goods. Imagine a situation in which

the owner of an ink-refilling business fills up his own ink cartridges without paying for

the ink. Or imagine the owner of a small eatery giving away sandwiches to his friends on a regular basis. The problem is the same, no matter what the business makes or sells: consuming inventory— rather than selling it—takes inventory and money out of the business and will kill the business quickly. As a business owner, your intent when you buy products is to sell them at a higher price and make a profit. Any deviation from this very basic business principle can lead to disaster.

9. Use Multiple Suppliers

Gwen has successfully run a small fruit stand in downtown Cebu for about ten years. She displays her pineapple, apples, bananas, and berries in attractive, clean baskets. Her customers are very loyal to her; some visit her stand daily to purchase fruit for their families. In a similar attitude of loyalty, Gwen has purchased her inventory from the same supplier since her first day of operation. But at the start of this year's summer season, Gwen's wholesale supplier suddenly decided to raise his prices. The supplier had visited all the fruit shops in the market and recorded the prices that the fruit stand owners charged for the produce. Since he was selling the fruit to the stand owners for much less than the retail price, he decided to raise his prices up to the amount the customers were paying the stand owners. This left the retailers—including Gwen—in a tough position. They had to either increase their prices to continue to make a profit on each sale or shut down their businesses. Gwen really enjoyed her business, so she chose to increase her prices. One day later, she told her friend, "My regular customers are refusing to buy my produce. I'm not making any money. I guess I'll have to close my stand and do something else." Gwen insisted that because her supplier had

"taken care of me for so many years," she felt like she had to be loyal to him. Her unfounded sense of loyalty and her failure early on in the business to find multiple suppliers eventually cost her the business.

The Principle: Most problems between business owners and suppliers can be avoided if business owners will practice the habit of using multiple suppliers. Some business owners have only one supplier because they don't want to search for other suppliers. But the reality is that in most local areas, several businesses act as wholesalers for identical products that microenterprise owners need in their business. Having multiple suppliers enables business operators to bargain for low prices, take advantage of sales, and get the things they need when they need them. It could also enable business owners to get credit from more than one supplier. Jaime had an experience many years ago that taught him the importance of having multiple suppliers and using his power as the buyer to demand good service. Jaime used to purchase a large amount of medical equipment from one supplier. The supplier treated Jaime fairly; however, his customer service was poor when Jaime had a mechanical problem. Jaime had a feeling that the poor service was the result of the supplier's belief that he had all of Jaime's business. So one day, Jaime called four other suppliers and asked each supplier to meet him at his store the following Friday morning for a one-on-one meeting. Jaime posted the names and appointment times of the competitors on the blackboard behind him in such a way that each salesperson could see the competitors' names behind Jaime as they spoke at the desk. He then made sure that his main supplier came in that afternoon to check on a problem he was having.

When Jaime's main supplier came in that afternoon and saw that Jaime had spoken with his competitors, the supplier quickly understood the message that Jaime expected him to continually "earn" Jaime's business.

10. Buy on Credit, Sell for Cash

Jonith, a bright young man, had a hard time deciding what business to start after he graduated from a microenterprise academy. As he was walking around his hometown one day, he strolled by his high school and stopped on a street corner to wait for some cars to pass by. He noticed several students asking a delivery service employee if the store in which she worked (which was located just across the street from their school) offered photocopying services. The employee told the students that the store didn't have any photocopiers and that, as far as she knew, no such services were available nearby. Jonith knew that he had found his business idea. He asked the owner of the store if he could rent a small, currently unused space inside the store. The owner granted him permission, and they drew up a rental agreement. The only problem was that Jonith didn't have any money for rent. He asked the landlady if he could pay her at the end of the month. The landlady agreed, so Jonith asked his friend Maria, who was a sales manager for an office supply company, if he could get one photocopying machine and pay for it at the end of the month.

Maria, wanting to sell a machine, relayed the request to her boss, and Jonith left the store with a receipt for the photocopier, which was delivered to his small business space the following day. Jonith didn't have any paper to use for making copies, but he figured that if he could borrow just a few pieces, he could serve a few customers and

make enough money to buy more paper. He asked the landlady to give him 25 pieces of paper on credit; she gave him a full ream. He then started promoting his services to students at the school near the store. Jonith attracted so much business that very first day that he earned enough money to pay the landlady for the ream of paper she had loaned him. Jonith continued to buy his supplies on credit, and by the end of the month, he had raised enough money to pay the rent and purchase the machine, pay himself a pretty good salary, and begin a savings account to pay for a second photocopier.

The Principle: Buying on credit enables business owners to use other people's money (e.g., suppliers' money) to purchase items without paying for them immediately. Selling for cash helps business owners maintain a stable and reliable cash flow. In theory—and often in practice—when you buy an item on credit, you will not actually have to pay for the item until after you have sold it (depending on how quickly you can sell the item). If this happens, you have essentially used a creditor's money to buy a product and have used a customer's money to pay for it. This practice helps create a healthy cash flow because it keeps money in the business for longer periods of time and ensures that the business has cash to pay for the product once the bill becomes due. This increase in cash flow can sometimes enable you to keep some extra cash on hand. And having extra cash can help you take advantage of special promotions or bulk purchase discounts.

11. Purchase in Bulk

When Raul's sausage-making store opened for business in his small neighborhood, he struggled to price his products well. He had purchasing contracts with

multiple suppliers, but the suppliers were all charging overly high prices for the meats he bought, for preservatives to keep the meat from going bad, and for packaging wrap. Although Raul's prices weren't the cheapest in the area, he had excellent customer service, so his customers kept coming back. After being in business for about eight months, Raul decided that he was no longer willing to pay such high prices for his raw materials. He hired an employee to watch the store for a few hours each day, and Raul set out to find suppliers who could give him a lower price on the things he needed most. As he talked with various meat suppliers, Raul identified an interesting trend. Many told him that if he would buy 80 kilos of the meat at a time (as opposed to the 35 kilos he usually bought each day), they would sell the meat to him at a significant discount— almost 25 percent lower than what he was currently paying for the meat. Raul was immediately excited about the lower bulk rate, but he was concerned that he might not be able to sell all of the meat before it went bad. But then he remembered that his friend, who also sold food products that had to be kept cold, had recently moved to another area of town and had left his refrigerator behind. Raul figured that if he borrowed the refrigerator to store the meat he couldn't use immediately, he would have to pay a little more for his electricity but could still save significantly—and pass those savings on to his customers. Raul entered into several agreements to purchase his supplies in bulk and has been very pleased with how that decision is affecting his business. He is able to buy his meats at a much more affordable price, his profit margin has improved, and he is able to pass some of his savings on to his devoted customers. His low price is attracting

new customers as well. Indeed, purchasing in bulk turned out to be a very good thing for Raul.

The Principle: All businesses that sell products (as opposed to those that sell services) have one thing in common: they have to possess items before they can sell them. Businesses might acquire their items by purchasing them with the intent to resell them, or they must make the items using raw materials, which must be purchased as well. Either way, the businesses have to acquire products in order to make money. Inventories don't just appear out of thin air. Fruit smoothie stands can't sell their delicious drinks without a blend of raw fruit; clothing retailers can't sell shirts unless they either buy the shirts from a wholesaler or buy material from a cloth maker and convert the material into fashionable shirts. You can usually cut costs and boost profits by buying your needed items in bulk rather than in the smaller quantities that you might be accustomed to purchasing. Suppliers want to sell their products just as much as retailers do, so suppliers are usually willing to give discounts to retailers who buy their supplies in bulk. In a bulk-buying arrangement, the supplier benefits by selling more items in a shorter amount of time, and the purchaser benefits by paying a lower price per unit.

12. Use Suggestive Selling

Holly has owned and operated a beauty parlor for years. Her hard work has resulted in a group of faithful customers who visit her shop every time they need a haircut or another beauty treatment. Holly has always enjoyed the work that she does, but when her oldest son was about to graduate from high school, she knew she had to

somehow make more money. She wanted to pay for his technical training as a mechanic, but her current income wasn't enough to cover his school expenses. She needed to somehow increase the beauty parlor's revenues. Holly knew that revenues increase when sales increase, so she tried to find ways to generate more sales each day. She couldn't realistically attract enough new customers to significantly raise her revenues, so she started offering new services to her existing clients. In addition to giving manicure clients a great hand treatment, she began suggesting that they also buy a pedicure treatment. In addition to cutting clients' hair, she began suggesting services such as a deep shampoo, hair coloring, and relaxing scalp treatments. By using suggestive selling methods, Holly was able to increase her revenues significantly (and with very little extra work) and was easily able to pay for her son's school.

The Principle: The idea behind suggestive selling is that instead of trying to increase sales by finding new customers, you try to sell more to the customers you already have. Even if you don't think of yourself as a great salesperson, you can begin practicing suggestive selling.

13. Increase Sales, Decrease Costs

June has been managing her uncle's pharmacy for a few months. When she took over the management of the pharmacy, she immediately studied how the business had been doing and how much profit it was making every month. After evaluating six months of income statements and balance sheets, she noticed that the store's expenses were very high and that more than half of its monthly revenues went toward paying the rent. June immediately talked with her uncle about relocating the pharmacy to a less expensive

location. After much discussion on the matter, June's uncle assigned her to search for a new location that was not too far from the original site of the store (he didn't want customers to have to go out of their way to visit the new store). A week later, June found a new location that was only two blocks from the pharmacy, was on the corner of a street leading to the entrance of a hospital and a busy shopping area, and whose rent was nearly 20 percent lower than their current rent. The uncle was pleased with the information that June told him about the new location, and he soon agreed to transfer the pharmacy there. After three months of operation at the new location, the store's sales had increased by a full 30 percent, and June had been able to cut back not only on rent expenses but also on other unnecessary expenses.

The Principle: Two items affect a business' profits: its revenues (sales) and its expenses (costs). The formal expression of profit is as follows: Profit = revenues − expenses. You can generate more profit by either increasing revenues or decreasing expenses—or by doing both. The common thought (both in business and in life) is that you should decrease your expenses to fit your income. However, the opposite might be a formula for a more fulfilling and flexible life: you should work to earn the income you need to cover the cost of what you really want or need to do in life. With that perspective in mind, you can see how decreasing costs is important, but the focus of business owners should really be on increasing sales.

14. Turn Your Inventory Often

Years after retiring from taxi driving, Wade Cook began teaching seminars on how to make money. He often spiced up his presentations with stories from his taxi-

driving days. He used one of his favorite stories to respond to people who asked how he managed to earn a good living driving people around the city all day long. He always answered quickly and with conviction. "The money is in the flag drop." The response often caught people off guard. "What do you mean?" they would ask. "The money is in the flag drop," he would repeat. "On the meter of my taxi was a small red flag that was visible from both inside and outside of the taxi. When I was looking for a customer, the flag would be up, letting people know that I was available. When a new passenger got in, I'd drop the flag down, starting the meter. The more times I dropped that flag each day, the more money I made."

The Principle: Wade Cook's story serves as a parable to illustrate a very important business principle that is applicable to every business in every industry. The concept is very simple: the more often you sell and restock your inventory, the more profit you generate. Wade Cook's inventory was his taxi's empty back seat; he turned that inventory every time he dropped off a customer and picked up a new customer. And as he suggested, the more often he turned his inventory each day, the bigger his profit became.

15. Value Your Customers

Philip has been running a bottled water-distributing business for about six years. He buys very large amounts of filtered water from distributors; repackages it into convenient, portable containers; and then sells the water to nearby businesses and residents. Philip has about 60 customers who buy from his store on a weekly basis. He has weekly average revenue of 9,120 pesos, so he knows that each of his customers

brings about 152 pesos of business to him each week. Philip is constantly trying to attract new customers to his business and quickly realizes how hard that process can be; thus, he focuses his time and energy on keeping his current customers and encouraging them to bring even more revenue to the business either by purchasing more water from him each time they make an order or by purchasing their normal amount of water more frequently. Philip also tries to cater to his customers' every need while they are in his store. He greets them in a friendly way, tries to remember their names, carries their water purchases to their bicycles or cars, and even offers to deliver the water to the home or business of his best customers. He encourages his two employees to do the same. By showing his customers that they are important to him, Philip is able to take good care of his business' most valuable asset: its customers.

The Principle: When we think about valuing customers, we usually think in terms of how we should treat the customers and what we can do to show them that we appreciate their business. But in reality, you can show that you value your customers in two ways: (1) give them good customer service and (2) think about the financial value of each customer and then try to increase that value.

16. Differentiate Your Business

Naomi is a sharp young woman who likes to talk with waiters and waitresses at restaurants. One day, she enjoyed a particularly good meal at a small diner 20 kilometers from her hometown. She asked the waiter where the restaurant got such great vegetables for its salads. The waiter said that the vegetables came from a supplier who

got them from a wholesaler in another nearby town. Naomi was intrigued by the answer and wondered if she might be able to start a similar business in her own town.

About four months after establishing her own produce business, Naomi began catering her services and products to restaurants. Victor, a restaurant owner, was a particularly faithful customer for Naomi. One day, Victor told Naomi that unless she would lower her prices, he would have to get his fruits and vegetables from another supplier. Naomi really couldn't afford to lower her price, but she really didn't want to lose Victor's business. So she looked for a way to give Victor more value for the same price. Naomi knew that Victor would find value in Naomi's product only if she were doing something that her competitors weren't doing. She studied the other competitors' selection of produce and found that her produce was of a higher quality. She talked with Victor about the quality difference and tried to convince him that the better fruits and vegetables were worth a little more money.

Victor wasn't convinced by Naomi's explanation, and he began buying exclusively from another supplier. Just a few weeks later, Victor called Naomi and asked her to supply his business again. She readily agreed, and she asked Victor what had changed his mind. He explained that he had discovered for himself the difference between her quality produce and the other supplier's sub-par product. He also explained that he had been frustrated by the other supplier's late deliveries and rude employees. Victor was now convinced that Naomi's business was better not only because her produce was fresher but also because she always delivered on time and was willing to go the extra mile to help out her customers. With this feedback, Naomi knew that she had

successfully differentiated her business—that she was offering something that others couldn't or didn't offer. As a result, she was actually able to slightly increase her price and justify it by showing customers that the price was worth what they would receive in high-quality produce and good customer service.

The Principle: In most third-world countries, a customer can walk down any large street in any town and find dozens of small businesses that look exactly the same and offer the exact same products. The copycat businesses usually start emerging when one person has a new idea (e.g., selling fruit, sewing rags into skirts, repairing bicycles) and starts a business based on that idea. Pretty soon, others see the business and decide to duplicate it. And before long, all of the neighbors are selling the exact same thing in the exact same way. This phenomenon is especially true with simple businesses that are easy to understand and duplicate, and it often leads to price wars, in which businesses compete for customers based solely on who can offer the lowest price. When these price wars happen, the supply of a product quickly becomes larger than the customers' total demand for the product, and all of the businesses end up doing poorly or losing money as a result. In order to prevent price wars and attract customers away from other businesses, you must be able to offer something unique to customers—something that differentiates your business or products from the other businesses and products in the area. You can differentiate your products in a variety of ways.

17. Hire Slow, Fire Fast

After a few weeks of job searching in a large city, Jerry was able to interview with Andre, the owner of Construction Guys, a small construction company. As the

interview ended, Andre was impressed with Jerry's people skills and thought that Jerry would work well with the company's other employees and its clients. So Andre hired Jerry to work with suppliers, customers, and advertisers to promote the image of the company and help people become acquainted with what the business could do for them.

A few weeks after Jerry began working, Andre observed that Jerry was always busy making telephone calls. At first, he was impressed by what appeared to be Jerry's strong work ethic and desire to promote the business as often as he could. However, after listening more closely to the phone conversations, Andre found that most of the calls were personal in nature—Jerry would spend long periods of time chatting with his friends. A week later, one of Andre's clients reported that Jerry had also started representing other companies that competed against Construction Guys. Andre struggled to understand Jerry's inappropriate behavior, and he tried to decide what to do about it. Andre knew that Jerry had recently moved to the big city, was struggling to make ends meet, and had no relatives or friends nearby. So he didn't want to fire him. However, after a few weeks of thinking about how much Jerry's behavior was hurting the company, Andre decided that he needed to fire Jerry. Although Andre had a very hard time firing Jerry, he knew he had made the right decision. He regretted a few things, however. He realized that he had not taken enough time to fully evaluate Jerry's qualifications for the job; he had not properly trained Jerry or monitored his work immediately upon hiring him; and he had also delayed firing Jerry because he was too emotionally involved in the situation.

Andre learned his lesson the tough way. But when he set out to hire Jerry's replacement, he carefully evaluated five applicants for the job. And when he hired Alberto, Jerry's replacement, he worked side by side with him until he was sure that Alberto fully understood his job duties and daily performance expectations. Andre also promised himself that if any significant problems arose with Alberto, Andre would fire him quickly.

The Principle: Employees are a very important part of a growing business. As the business owner, you create the vision for the company, raise the necessary money to run the business, set the business practices, and oversee the operations of the business. But the employees are often responsible for the small, day-to-day tasks involved in running the business. They must interact with customers, deal with small problems that arise, and do many other things to keep the business running smoothly. If they perform their jobs well, they can help the business reach its goals. But in any of those responsibilities, the employees can also cause tremendous problems for you. So choosing good employees is extremely important to the long-term success of any business.

18. Inspect More, Assume Less

For about three years now, Gladys has been engaged in exporting cocoa plants to European countries and importing unique European products (from countries such as Holland, Germany, and Italy) to sell in the Philippines. Her business is getting quite large; so a few months ago Gladys started hiring employees to work in various aspects of the business. Her bookkeeper, Lynn, was hired to keep records of the company's financial transactions. After Gladys trained Lynn to do all the aspects of his job, Lynn

was given the freedom to work more autonomously. Every month, Lynn would create a

financial report showing the condition of the business. The reports always looked fine,

and Gladys felt comfortable with the business' financial standing. Then one month,

Gladys noticed that the amount of receivables (money owed to the company by

customers who pay with credit) was abnormally high. She started calling the customers

to collect the money, and she was very surprised to find out that the supposedly unpaid

receivables had actually been paid by the customers long ago. Only then did Gladys

realize that Lynn, her bookkeeper, was stealing money from her. Gladys learned a hard

but important lesson that day—she can't just assume that her employees are doing their

work honestly and correctly. She has to regularly inspect their work to protect the

company's reputation by ensuring that all aspects of the business measure up to her

expectations.

The Principle: So many times in business, we hear of a business owner who

expected one thing to happen and was devastated when something totally different

happened instead. Why do such things happen? More often than not, the problem occurs

because a business owner assumes she knows what is going on in her business but fails

to inspect to make sure. In business, expecting things to happen is not enough to ensure

that they will in fact happen. Once you've trained employees and defined your

expectations for them, you must continue to inspect their work to make sure that they are

doing what you want them to do, at the time that you want them to do it, in the manner

you want it done. You must inspect their work and make corrections at the time you

observe the errors, unless it is in front of a customer. (Whenever possible—and it isn't

always possible—wait until the customer leaves or the task is finished before correcting an employee, especially if the reprimand will embarrass the person. Remember the old adage: Reprimand in private, reward in public.)

19. Have Written Agreements

Allan and Ren, childhood friends, have always been involved in entrepreneurial pursuits. When they turned 21, they decided to stop working as delivery boys for the local newspaper and start a business of their own. They loved the breads that were sold in larger cities near their homes, so they decided to start baking and selling freshly baked bread. They enthusiastically jumped right into business. They did some research, decided which partner would do which activities, opened their doors, and began selling their delicious bakery goods. Their business built a strong reputation quickly; before the year was over, they had opened six booths in different locations around the neighborhood.

As the business grew, so did the tension and conflict between the two friends. Most arguments were about two very important issues: their individual responsibilities for the company, and the sharing of profits. Unable to resolve their conflicts or remember what they had originally agreed upon, Allan and Ren dissolved the partnership and closed down the business. The death of the business came hand in hand with the death of their close friendship.

The Principle: Agreements are an essential, though often overlooked, part of business. They take time to create, but they can save business owners a lot of heartache and struggle in the long run. Simply put, agreements are meant to protect business

owners from a whole slew of things: false accusations, faulty memories and forgetfulness, abrupt policy changes by suppliers and land owners, claims of disgruntled employees or partners, and so forth. Perhaps the greatest cultural challenge in underdeveloped nations is that agreements reveal mistrust. Many people think that an insistence on written agreements reveals mistrust between the parties involved in the agreement. When we receive requests to enter into a written agreement, we often react poorly by resenting the idea that our partner might not trust our integrity. A wise person once said, "The dullest pencil is better than the sharpest memory." The implied message of this saying is that none of us has a perfect memory and that recording important information—such as the details of our business agreements—is good protection against the negative consequences of our bad memories. At the onset of any exciting undertaking, such as at the start of a business, the people involved are usually so focused on the opportunity and the successes they hope to have that they think things will always be perfect. So they make a few informal plans and handshake agreements, and move forward with the work. This is a cultural norm. But because the memories of partners, suppliers, landlords, and creditors are imperfect, business owners must plan for the inevitable—the forgetting of essential information upon which business operations are based. Start each new relationship with a written agreement (even if it's written with the dullest pencil ever made) and make prompt written records of any changes that might affect the agreement.

20. Work on Your Business 10 Hours a Day, Five Days a Week and ½ a Day on Saturday

Leo is a business owner who has dreams of turning his small hamburger stand into a chain of fast-food restaurants. He keeps good records, sets challenging goals, values his customers, buys hamburger buns and ground beef in bulk, and trains his employees carefully. Leo is well on his way toward accomplishing his goal of expanding his business. He wasn't always on the right path, however. In fact, Leo faced bankruptcy early on in his entrepreneurial career. He knew that his grandmother's secret burger recipe (a special blend of meat, sauces, and spices) would be popular with the young professionals who work near his hamburger stand; he was convinced that his attractive storefront would attract hundreds of people each day. And he was right—for a while. The success Leo found during his first three months of business surprised him: Leo was busy from first thing in the morning until after 7:00 each night. In fact, he was so busy that he decided to hire two employees to run the store while he took his young family on vacation to celebrate. The employees did fairly well during the week that Leo was gone, so when he returned, Leo decided to leave the business in their hands while he continued to enjoy spending the money his business was generating. He stopped by the store for a few hours each day—to help with the lunch crowd—but he was very much an absent owner. Not until it was almost too late did Leo realize that his business wasn't really going as well as he thought it was. One day, he happened to look at the books and found that the business had made a profit only once in the past nine days. Worried by this finding, he decided that he had been foolish to invest so little time and effort into the

business that he hoped would support him and his family for the rest of their lives. He resumed his original habit of working at the store all day and even took time on the weekend to work on the more strategic elements of the business. After five months of putting his full-time effort into the business again, Leo is finally back on track and is working hard to turn his long-term dreams into a reality.

The Principle: Some business owners approach their business like a hobby: they start the business because they are passionate about their products or services, but soon after the business opens its doors, they tire of the work involved and significantly cut back the time in which they are at the place of business. In developing nations, however, necessity entrepreneurs find themselves exhausted with survival that they work all day in their business until they make just enough for that day, nothing more. They might go to their business location for a few hours each day or for a few hours each week. But they don't devote as much time to the business as they need in order to lift it off the ground.

21. Practice Kaizen

Marketplace Meats opened for business in 2001 by producing two unique types of sausage. The first eight months of operation were pretty rough, due mainly to the fact that many customers weren't accustomed to the unique meat products. The business was faced with customers' criticisms, an overwhelming number of returned products, and pretty substantial losses. These setbacks did not hamper the partners' hopes of someday coming up with a good product. They set out to conquer their problems. Through around-the-clock experimentation, they discovered what kept customers from liking the product, fixed the problems, and then started marketing the

improved product. Their almost-instant success indicated that they had finally created a product that customers were looking for. Just six months later, Marketplace Meats had a positive cash flow. Now, the company has expanded to produce gourmet hamburger patties and supply them to smaller businesses. Though the company isn't as large as many others in town, its products rival the quality and taste of the products that big companies offer. All this growth was made possible by the owners' dedication to improve the quality of their products and build their business.

The Principle: Back in the 1980s, a group of business writers popularized a term that reminds business owners of the need to continuously improve their businesses: Kaizen. The Kaizen principle traces its origins to a Japanese management concept that emphasizes the need for improvement that is both incremental (gradual) and continuous. For those who developed the concept—and for those who have implemented it—Kaizen is a way of life, a philosophy that permeates every aspect of life and business.

22. Make a Profit Every Day

Last month, Domenic opened a grocery store in a newly developed area of town. When he first opened the doors for business, he was one of only three food shops within walking distance of most of the homes, so he was confident that his business would be profitable very quickly. During the first few weeks, Domenic worked hard to earn enough money to pay off his business loans and other costs, but he found himself falling further and further behind in his daily interest payments. He also found that he didn't have enough money to buy as many products as he needed each day, so his inventory was shrinking. He asked a friend who had established several successful businesses to

help him understand why his business, which he had such high hopes for, was doing so poorly. His friend, Noemi, started by looking at Domenic's books and observing transactions at the store. She noticed that, on almost a daily basis, Domenic was losing money. He was charging more for his goods than what he was paying for them, but he simply wasn't charging enough to cover his non-product-related costs. She observed that he worked sporadic hours and would go home each night whenever he felt like he had worked enough. After a few days of watching these dangerous patterns, Noemi told Domenic that she had seen several things he could fix in his business and that all of the problems could be traced back to one simple problem: he wasn't making a profit every day.

The Principle: Profit is defined as a business' revenues minus its costs for any set period of time. In application, profit is the money left after you have purchased your products, marked them up, sold them, and paid all of the related expenses (including things like electricity, rent, payroll, and the owner's salary). Because your business cannot survive without capital, your most basic business goal should be to make a profit every day. Central to the idea of making a profit every day is the fact that a business must sell something in order to have the potential to make a profit. You might think that if you take the day off, you haven't lost any money. But that assumption is not true. Any time you decide to close the shop and do something besides attending to the business, it costs you something—either in terms of opportunity costs or fixed costs.

23. Work on Your Business, Not Just in Your Business

Claudia has always been a very conscientious business owner. Her paper-recycling station has been in operation for about seven months and is doing quite well. Although she was pretty nervous about opening the business, she soon found that she really enjoys talking with customers, tallying up each day's collection, creating income sheets and other important records, keeping the store tidy, and traveling to take her collected items to the larger recycling station a few hours away. Her store receives enough business that she really could use some help—she is totally swamped from about 7:00 a.m. till about 6:30 p.m.—but she hasn't yet hired an employee to help out. Claudia's friend, Jose, frequently tells Claudia that he thinks she should open another station so that people in other parts of town can use a conveniently located paper-recycling business. Claudia is always pleased to hear this compliment from Jose, but she tells him that she simply doesn't have time to start up another location—she is so busy with her current store and can't imagine trying to operate two stores at once. Jose is afraid that if Claudia doesn't hire an employee to help with the small jobs around the business, she will soon wear herself out and will never take advantage of opportunities to expand her great business idea.

The Principle: New business owners are generally very good about being properly involved in their businesses. They recognize that getting a business off the ground takes a lot of hard work, and they are usually willing to pay the price. Wise owners, for the first year or two, are at the store all day every day, greeting customers, building relationships with suppliers, making plans for the future, and perhaps eventually

training employees. The power of this principle is that microenterprisers are better able to grow their businesses by stepping outside of the day-to-day grind of working *in* their business to plan for the future.

24. Write Daily/Weekly Business Goals

Enrique, a skilled fisherman, was a smart and motivated young man. After learning about how to create successful businesses, he decided to start a fish-vending business in his hometown. At first, Enrique carried his fish over his shoulder as he walked from home to home. His aim was simple—he wanted to sell all of his fish by the time that the sun went down and people started preparing their evening meals. With this goal in mind, Enrique worked very hard. And each day, he ran out of fish before he ran out of daylight. His business was doing very well. Recognizing that if he covered a larger area, he could probably sell more, Enrique purchased a bicycle with a small basket and started to expand his routes. Again, he was successful in selling all of his fish by the time the sun set. So he set a larger goal. He wanted to save enough money to buy a small truck that could transport himself and his fish to another neighborhood to sell additional amounts of fish. This was a lofty goal. Enrique had to work very hard in his neighborhood to earn enough money to support his family and also save for the small truck. But instead of being discouraged by the difficulty of his goal, Enrique was motivated by it. He got up earlier in the morning to purchase the fish and begin his routes. He'd pedal faster to make his way through the neighborhoods in less time. And he'd work as late as he needed to in order to sell all of his fish supply. After months of this hard work, Enrique earned enough money that he was actually able to change his

plan. He decided that instead of buying a small truck and selling all of the fish by himself, he would create a system in which he would deliver his fish to one business owner in each of the nearby neighborhoods. Those business owners would then sell the fish on the local markets. So now, all Enrique has to do is buy the fish early in the morning, deliver the fish to his contractors in the nearby areas, and then spend his additional time monitoring the contractors and working on his business. Enrique says that his success is due to the fact that he has learned to set goals, work hard to meet them, evaluate his progress regularly, and move steadily from one goal to another.

The Principle: People start businesses because they want to achieve something with that business. The end result or dream is different for each person; some want to earn more money than they can earn by working for someone else, some want increased freedom in how they use their days, and some just have an innate desire for independence and adventure. But they all have one thing in common—they all have a dream that motivates them to start the business. Your decision to create a business is just the beginning of your entrepreneurial journey. Once you embark on that adventure, you must then make thousands of small decisions in order to run the business on a daily basis and make the business successful. In the midst of those decisions, you might get caught up in the details. You might become distracted by the daily work required to keep a business going. And sometimes, you might get so focused on the daily decisions that you lose sight of the overall goal—making the business successful enough to help yourself accomplish the dream that motivated you to be in business in the first place. Thus, it is

crucial for micro-enterprisers to write down their daily and weekly goals in order to stay motivated and move forward.

25. Focus, Focus, Focus

About a month after finishing a mechanical engineering program at a small technical college, Andréa returned home without a job and with no real direction in her professional life. Her friends and family members encouraged her to use her new skills to start a business, but they couldn't agree on what kind of business opportunity she should pursue. Some wanted her to start a small-appliance repair shop; some wanted her to create her own brand of light fixtures; and some wanted her to open a retail store selling electrical components to consumers. Andréa couldn't decide which business sounded most exciting to her, so she decided to pursue all three. She borrowed money from her family members, got a small loan from a microcredit lender, and put all of her energy into making her businesses work. For three months, she wore herself out, jumping back and forth between the three shops (which were fortunately located only four blocks apart), working with all of her various suppliers, and catering to the needs of all of her customers. She managed to turn a very small profit at the repair shop during the third month, but the other two stores were suffering badly. She just had so many customers at the repair shop that she could find very little time to serve customers at the other two stores.

After continuing to put in 14-hour days for another two months, Andréa finally decided that she could no longer handle the pressure of running all three stores. She hadn't had time to keep records for any of her businesses, but she could tell that she

made more at the repair shop than at the other two businesses. So she decided to close the other stores and focus her efforts more directly on her appliance repair business. That single decision has made a huge difference in Andréa's life. She now has time to really grow her repair business, find and take advantage of deals from multiple suppliers and wholesalers, establish short-term and long-term goals for business growth, and apply all of the other rules of thumb that she knows will make her business successful. She is making a much bigger profit at her store than she was before she cut back to just one business, so she has started repaying her business loans. Andréa's friends and family members are also a lot happier now that Andréa has cut back to 10- or 11-hour days and has time to spend with them again.

Although Andréa no longer operates the other two businesses, she hasn't completely given up on them. Her plan is to focus her efforts and attention on her repair business for a few years and then shift some responsibility for day-to-day operations to a trusted employee. She will then tackle a second business, concentrating her efforts on building that business to an acceptable level of success. Andréa is happy with her plan and is confident that with hard work and focused attention, she can make it a reality.

The Principle: The prospect of starting a new business can be quite exciting. It can motivate people to make significant changes in their lives. It can also open up new earning opportunities for them. Additionally, it can start them on a journey of personal growth and exploration. Staying focused on the purpose of their enterprise is a key factor for their continued success; if they lose focus, they tend to lose the business.

Conclusion

According to the World Bank, even after the first decade of the 21st Century, approximately eight million people die around the world each year because they are too poor to stay alive, and approximately four billion men, women, and children live in extreme poverty.[303] This means that they live on less than $2.00 USD a day. In turn, this poverty translates into the deaths of 30,000 children who die each day from starvation and totally curable diseases. Even more disheartening is that most of these diseases are totally curable, and for only a few cents. Culture, not money, impedes their progress. Culture, not access to ideas or innovation, hinders their growth. Culture is why the Kenyan mother allowed her infant to suffer *unnecessarily* from malaria. Her story clearly demonstrates that, until individuals living in poverty effect a cultural shift, they will continue to live in poverty—in other words, they inculcate a generational culture of poverty.

For the past decade, Stephen and Bette Gibson have worked hard to reduce poverty in the Philippines through micro-enterprise education. They have noticed that, when necessity entrepreneurs transplant their culture of poverty from their home lives to their businesses, they become stagnant. These cultural practices are what the Gibsons have aimed to correct through the ACE curriculum. They are doing all they can to make a positive change in the lives of necessity entrepreneurs in the Philippines. They do, however, have limited resources. Their market niche, undoubtedly, is limited—they only

---

[303] Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (Massachusetts: Penguin Press, 2005), 13.

focus on LDS RMs, not the masses. Nevertheless, they do not hesitate to declare that the Filipino necessity entrepreneurs must change their culture if they want to progress.

Stephen Gibson's modification of the Chinese proverb, which is shared at the beginning of this chapter, merits repetition here:

Give a man a fish and he will eat for a day.

Teach that man how to fish and he will eat the rest of his days.

Train that man how to sell the fish, and he and his family will

live in prosperity, employ their neighbors, and build their nation.[304]

ACE teaches necessity entrepreneurs to sell their "fish," which is any product or service that they ultimately decide to use as a means of income.

The 25 Rules of Thumb are based on the notion that there does exist a culture of poverty, or a progress-resistant culture. Yet, is there empirical evidence that can demonstrate the efficacy of the culture-based curriculum used by ACE? Are the 25 Rules of Thumb actually increasing the business success among the Filipino necessity entrepreneurs who study at ACE? Is ACE producing graduates that make a difference in their homes and communities? These questions comprise the topic for the following chapter, wherein the efficacy of the 25 Rules of Thumb will be demonstrated by analyzing the data collected by ACE through the Cebu Project.

---

[304] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.

CHAPTER IV

RESULTS OF THE ACADEMY FOR CREATING ENTERPRISE

I believe that many training programs are counterproductive.

If Grameen had required borrowers to attend a training program

in business management before taking out a loan to start a business,

most of them would have been scared away. Formal learning is a

threatening experience for our borrowers. It can even destroy their

natural capacity or make them feel small, stupid, and useless.[305]

La educación es algo demasiado importante

como para dejarla en manos de los gobiernos.[306]

(Education is something that is too important

to leave in the hands of government.)

There are a thousand hacking at the branches of

evil to one who is striking at the root.[307]

---

[305] Mohammed Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (New York: Perseus, 2007), 184.

[306] Andrés Oppenheimer, ¡*Basta de historias! La obsesión latinoamericana con el pasado y las 12 claves del futuro* (Mexico City: Random House, 2010), 321 (translation mine).

[307] Henry David Thoreau, *A Week on the Concord and Merrimack Rivers (Walden)* Cape Cod: Library of America, 1849.

This chapter is divided into five sections. Section I outlines the Cebu Project and explains why the data was gathered for ACE. Section II covers the methodology used in the Cebu Project and provides an extensive overview of the participants and instruments used to collect data. Section III discusses the 5 Survey Factors analyzed through the Cebu Project regarding the differences between the ACE Alumni and the non-ACE (control) participants. Section IV overviews the social return on investment (SROI) that the individuals who donate to ACE receive. Section V is the conclusion of this chapter.

The Cebu Project

History

In 2008, at the suggestion of their advisory board[308] and current executive director, ACE Founders Stephen and Bette Gibson approved funding for a research team to go to the Philippines in an effort to gather data on ACE graduates. This research project was named the "Cebu Project," and its sole purpose was to identify the overall strengths and weaknesses of ACE's program. Originally, the data gathered were intended for internal use only, not for general publication.[309]

After seeing the overall efficacy of ACE's program, the Gibsons, as well as the advisory board, have released the data gathered from the Cebu Project to be published in this dissertation. Dr. Ronald Miller, along with ten undergraduate research assistants

---

[308] At this time I was not an advisory board member; however, I was the Country Director for ACE in Mexico. I was involved with the Cebu Project as an advisor.

[309] The Cebu Project was considered by Brigham Young University-Hawaii as an internship and not as research leading to generalizable data under the ORCA rules, but the IRB was not involved. On October 13, 2010, the IRB commission at Texas A&M University approved the Cebu Project data to be used for this dissertation. Approval was granted under the de-identified existing code of IRB regulations. Additionally, after the data were collected and shared with the ACE's Advisory Board, in June 2009, further analysis was conducted by myself and Spencer Wilcox, an undergraduate researcher at Brigham Young University-Provo. Spencer Wilcox has since graduated from BYU and is currently at the London School of Economics.

from Brigham Young University-Hawaii, were hired to travel to Cebu, the Philippines and collect the data provided in this chapter. A member of the advisory board, who wishes to remain anonymous, provided the necessary funds for travel to and from the Philippines, as well as the necessary funds for in-country expenses.[310]

Five key survey factors were created to determine the success rate of ACE in the Philippines. At the time of research, ACE had been teaching its curriculum for nearly ten years, leaving a large database of potential participants. There were two groups used: (1) a control group, consisting of 353 participants and (2) a group of ACE alumni, consisting of 349 participants.

Methodology

Participants

The participants for the Cebu Project were divided into two groups: ACE alumni and the control group. The ACE alumni group was comprised of 353 ACE alumni who were randomly chosen. The control group consisted of 344 non-ACE graduates, or individuals that had never attended ACE. Group 2 participants were referrals of contacts provided from ACE alumni. All participants of both groups volunteered their time for this survey. All respondents were between the ages of 21 and 60; however, most students over the age of 38 participated in a one-week executive program, rather than the standard eight-week program. Having concluded that the one-week executive program demonstrated institutionalized selection bias, I restrict my study to the effect of the eight-week program. As such, this study examines individuals who underwent in the

---

[310] Dr. Ronald Miller holds a Ph.D. in Statistics and Economics from Purdue University.

eight-week program and counterfactuals, matched on age, educational attainment, and English ability, between the ages of 21 and 38.[311]

All of the participants, of both groups, were previously missionaries for The Church of Jesus Christ of Latter-day Saints. The participants of both groups, male and female, lived all over the Philippine Islands. In order to obtain the names of the control group, the alumni were asked to give names of friends, who were also returning missionaries, but non-graduates of the Academy. This was done with the intention to obtain a similar population both geographically and demographically.

Samples and Demographics

Geographic Areas

Figure 7 (below) illustrates the manner in which the Cebu Project divided the Philippines into three main geographic areas.

---

[311] *Weighting:* Because of the differences in age and geographical location, base weights using inverse proportionality were calculated for region, city, and rural sub regions, and for age. The final weights were calculated using adjustments for non-response. Weights were only applied in ACE vs. control comparison analyses.

Figure 7. Map of the Philippines

Figure 8 (below) illustrates the different percentages of subjects interviewed according to each geographic area.
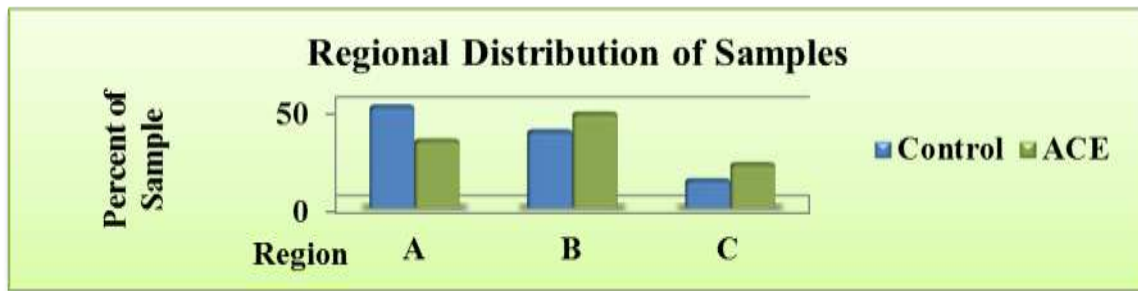
Figure 8. Subjects per geographic area

Rural vs. Urban. Figure 9 (below) shows the breakdown of "rural" and "urban" participants in region A.
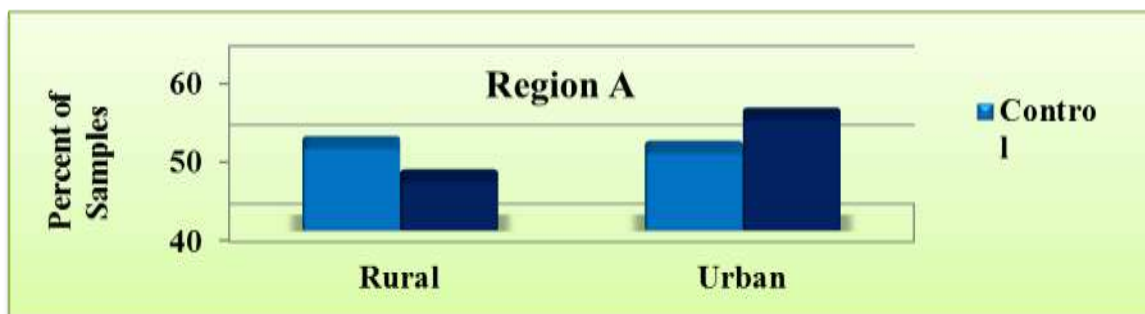
Figure 9. Rural and urban participants in region A

Figure 10 (below) shows the breakdown of "rural" and "urban" participants in region B.
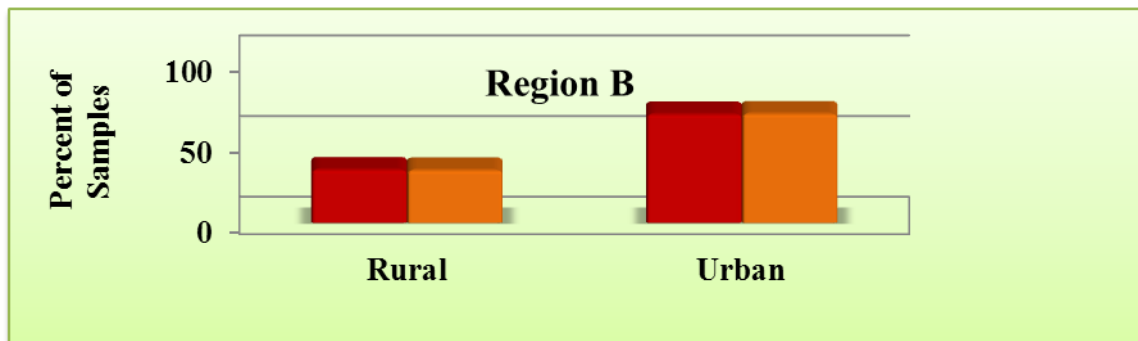
Figure 10. Rural and urban participants in region B

Figure 11 (below) shows the breakdown of "rural" and "urban" participants in region C.
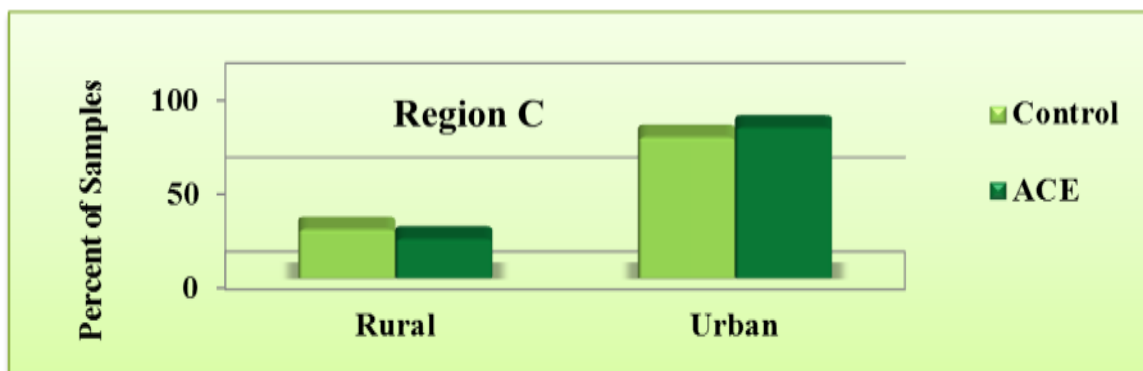
Figure 11. Rural and urban participants in region C

Town vs. City Living. Figure 12 (below) indicates that the majority of both ACE Alumni (65.7%) and the control group (59.3%) live in urban areas.

Figure 12. Town vs. city living of groups

Ethnicity

Figure 13 (below) parallels the ethnic heritage of the participants included in both groups, with the majority of both ACE alumni (91.5%) and the control group (94.2%) being predominantly Filipino.
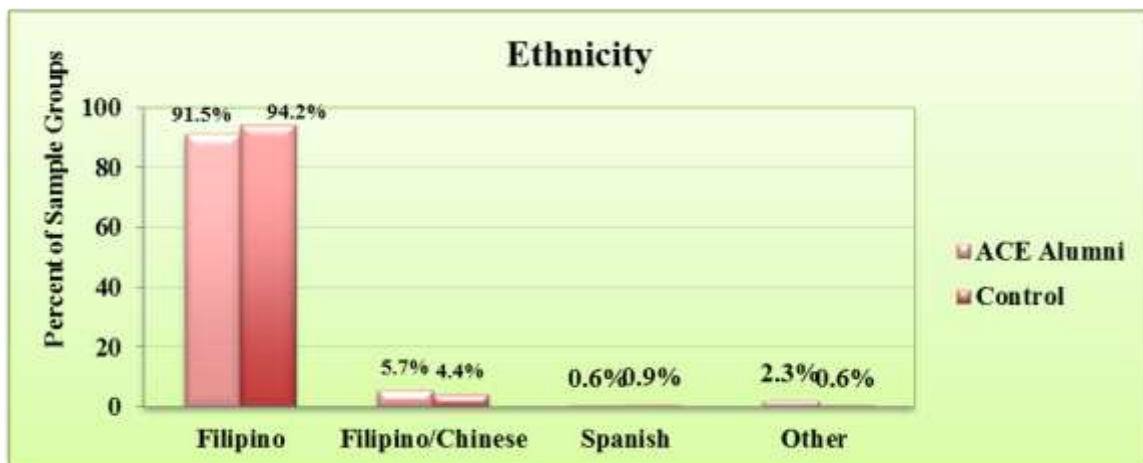
Figure 13. Ethnicity of participants

Gender Breakdown

Figure 14 (below) graphs the gender breakdown between ACE Alumni and the control group.
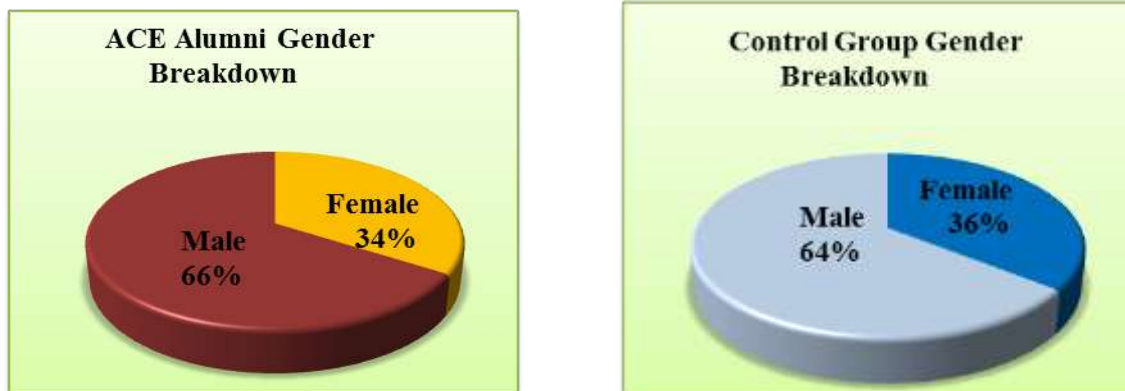
Figure 14. Gender of participants

Age Breakdown

Figure 15 (below) demonstrates that the participants who were ACE alumni were significantly older than the control group participants.
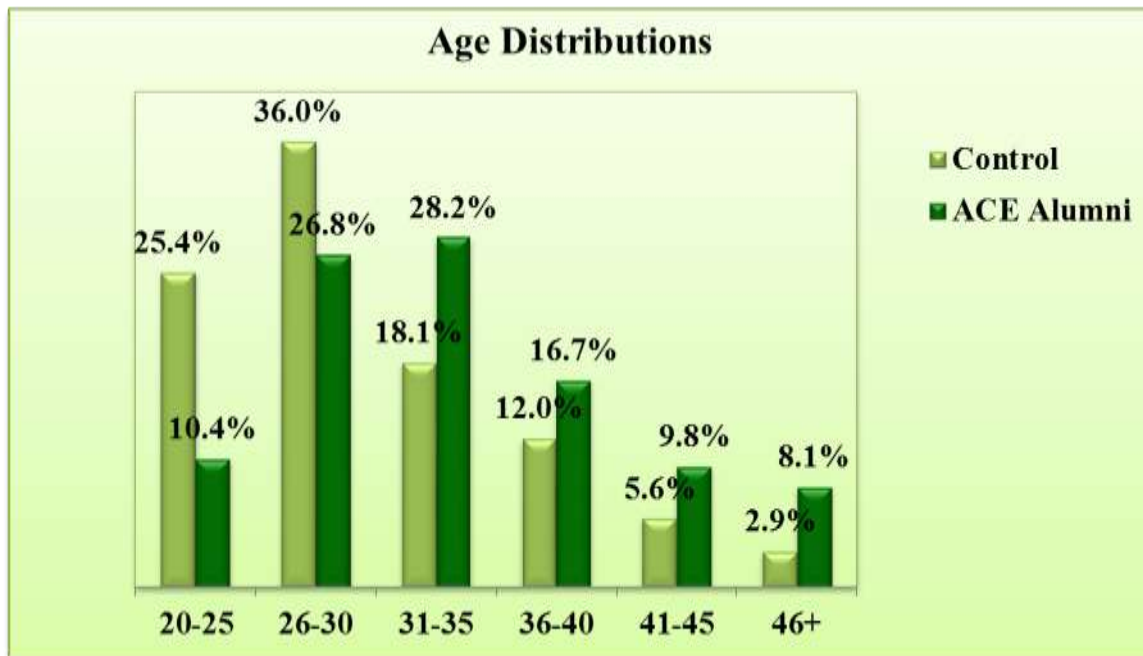
Figure 15. Age of participants

Marital Status

Figure 16 (below) indicates that ACE alumni subjects tend to marry in the LDS temple and that the control group participants are less likely to be married at all.

Figure 16. Marital status of participants

Number of Children

Figure 17 (below) shows that both groups are comparable in number of children.
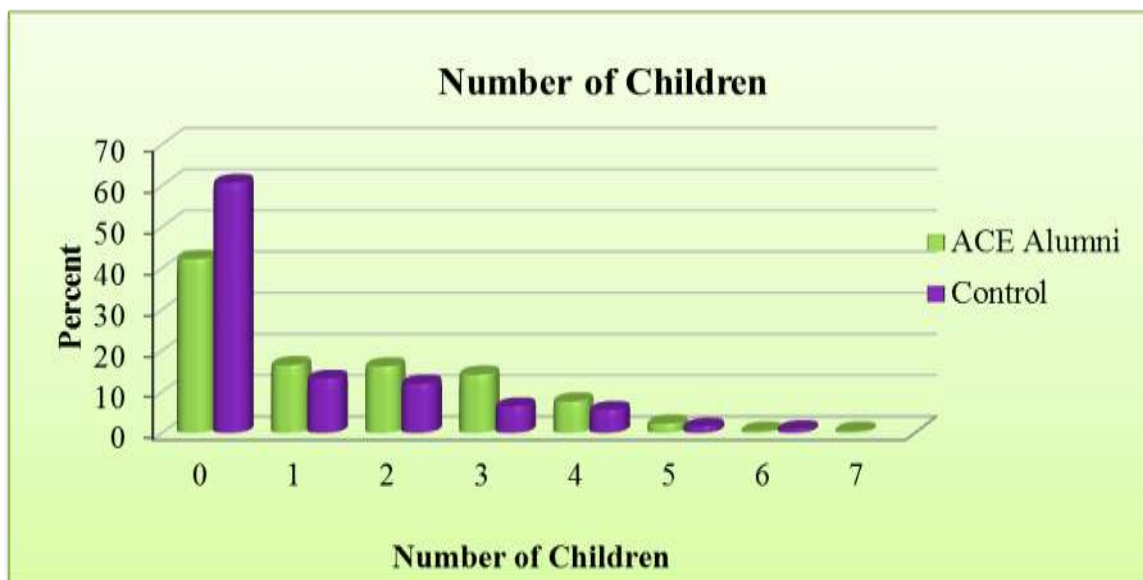
Figure 17. Number of children of participants

Attendance of ACE by Year

Figure 18 (below) demonstrates that approximately 60% of ACE alumni respondents attended ACE from 2005 to August 2008. Recent graduates were easier to contact, resulting in a sample that has graduated more recently than the actual population distribution.
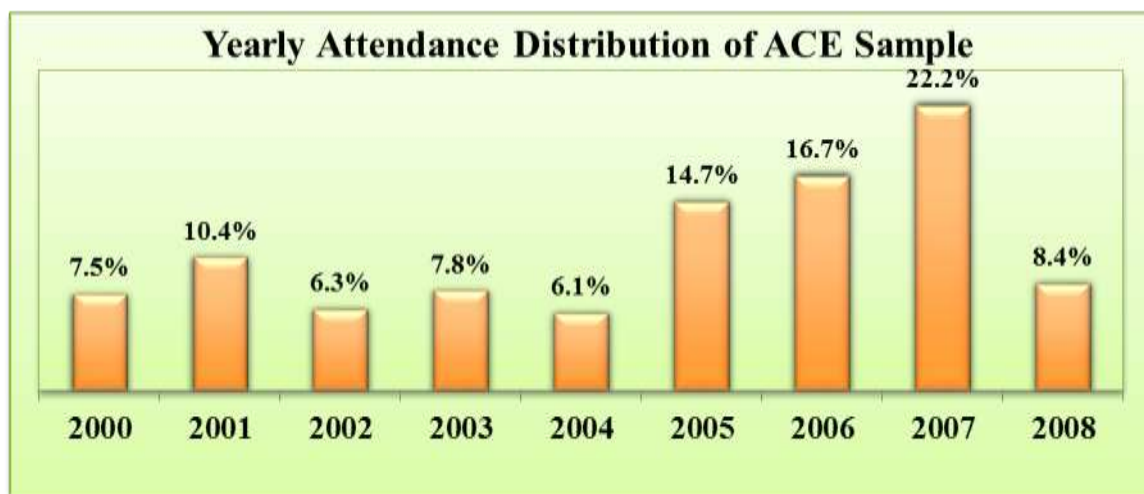
Figure 18. Yearly attendance of ACE sample

Levels of Education

Figure 19 (below) demonstrates that the majority of participants in both the ACE alumni group (58.1%) and the control group (59.3%) report "college graduate" as their highest form of education. This is important as it shows how individuals with college degrees are still unable to find employment that provides a livable salary.
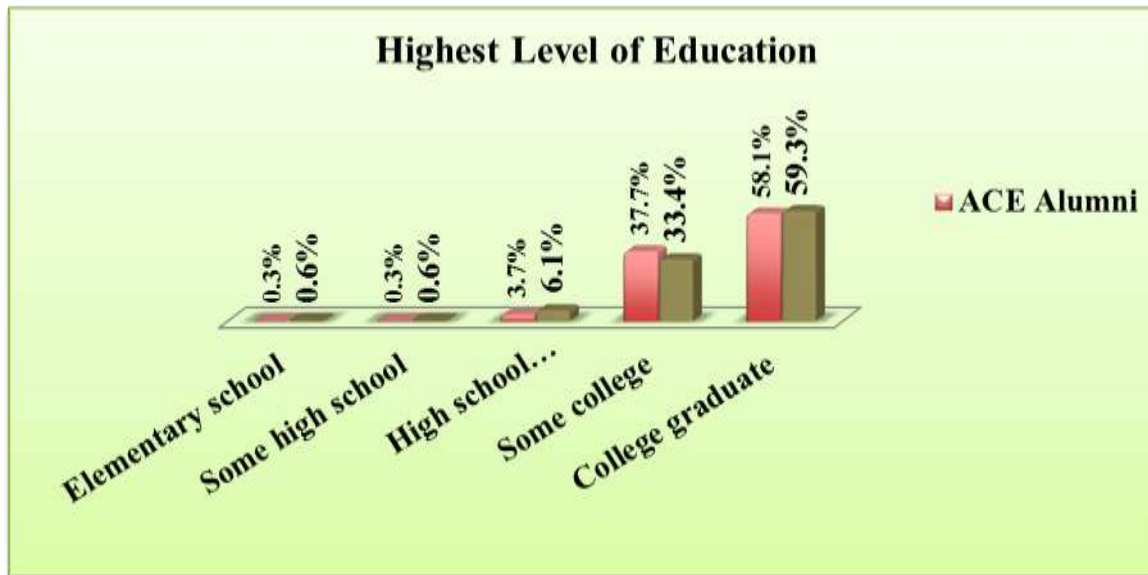
Figure 19. Level of education of participants

Figure 20 (below) indicates that approximately 80% of ACE attendance has been with the traditional eight-week program, with the remaining 20% of the student body attending the one-week Executive version.

Figure 20. Version of ACE training program attended

Instruments

Online surveys were the primary medium used for data collection. However, 33 of the participants did not have online access, so they mailed their responses to ACE's physical campus located in Cebu, the Philippines. In the event that the information supplied by participants was missing or incomplete, a representative of the research team contacted the participant directly in order to collect the missing data. If the participants could not be located or contacted, their surveys were disqualified from the project.

Personal interviews were employed to collect qualitative data by identifying ACE graduates, who had found much success in their businesses. Individuals who had attended and graduated from ACE, but had not yet found success through business, are given the title "late launchers." Each personal interview lasted approximately one hour; with one researcher conducting the interview while another recorded the responses with tape recorders and/or video recorders. We also conducted interviews with the current staff and students of ACE. I then conducted subsequent interviews via email with each staff member that did not adequately answer the questions in their personal interview with the research team.

Data Analysis

The five survey factors that we created to determine the success rate and overall efficiency of the Academy are as follows: (1) Economic Success, (2) Religiosity, (3) Entrepreneurship, (4) Overseas Foreign Workers (OFWs), and (5) ACE Efficacy. These factors were divided into the following subgroups to categorize the data: (a) Entrepreneurial Intensity Average, (b) Perceived Risks Average, (c) Personal Desire

Average, (d) Perceived Opportunity Average, and (e) Family/Social Pressure Average. The majority of the data scores were analyzed using multiple regression analyses. The remaining scores were calculated by finding an average.

Cebu Project 5 Survey Factors

This section includes a detailed discussion of each of the five factors included on the ACE alumni survey. Figure 21 illustrates the survey factors.
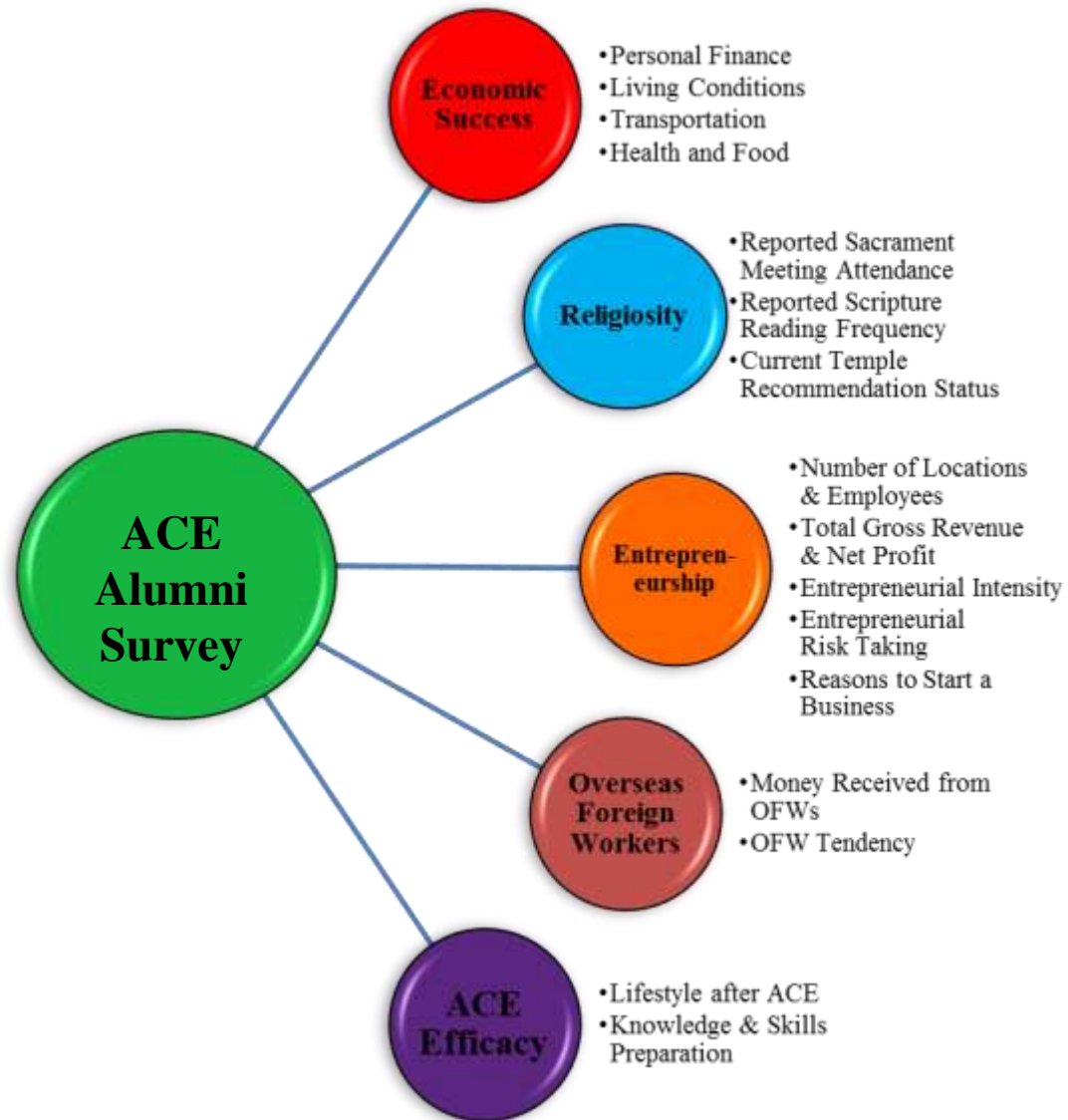
Figure 21. ACE alumni survey factors

Factor 1: Economic Success

The Economic Success Score was created to encompass income, savings, several "living condition" items such as appliances and electronics owned, and a few questions regarding transportation, food, and health. Economic Success was divided into the following four sub-groups: (1) Personal finance, (2) Living conditions, (3) Transportation, and (4) Health and Food. ACE Alumni Services and the Filipino Club on the BYU-Hawaii campus helped make the items in this section relevant to the Philippines.

Yearly Income Comparison

Figure 22 (below) compares and contrasts yearly income between ACE alumni participants and the participants of the control group. According to this graph, ACE alumni participants have a higher self-reported yearly income trend when compared to the control group. Additionally, Figure 22 shows a significant difference in mid-level income between ACE alumni and control group participants.

Figure 22. Annual income comparison of participants

Savings

Figure 23 (below) graphs the difference in personal savings between ACE alumni and the control group. ACE alumni have a higher propensity toward savings.

Figure 23. Comparison of personal savings of participants

Debt

Figure 24 (below) charts the difference in business debt between ACE alumni and the control group. ACE alumni have a higher propensity to take on business debt.

Figure 24. Comparison of debt of participants

Comparative Success (self-reported)

Figure 25 (next page) demonstrates that the individuals in the ACE alumni group feel that they are significantly more successful than their peers and parents. Participants in the control group, however, rate themselves lower than ACE alumni.
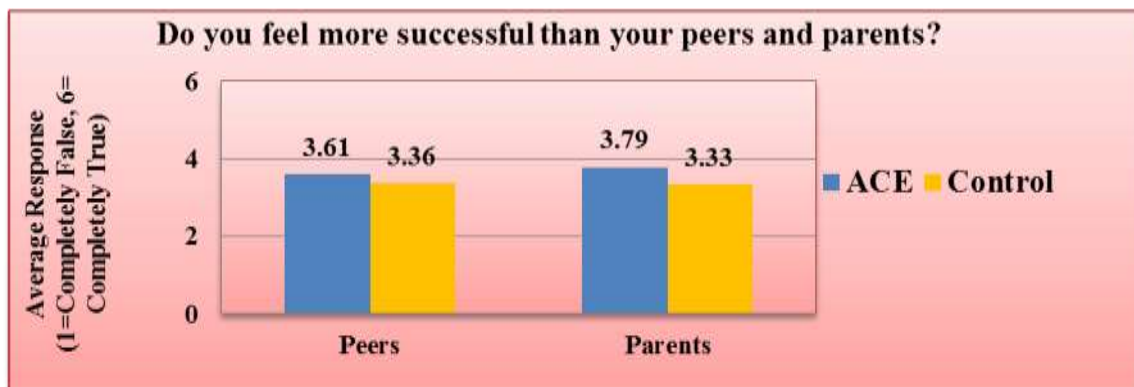
Figure 25. Comparison of self-reported success of participants

Business Creation

Figure 26 (below) indicates that ACE alumni participants are nearly twice as likely to launch their own business than are individuals from the control group.
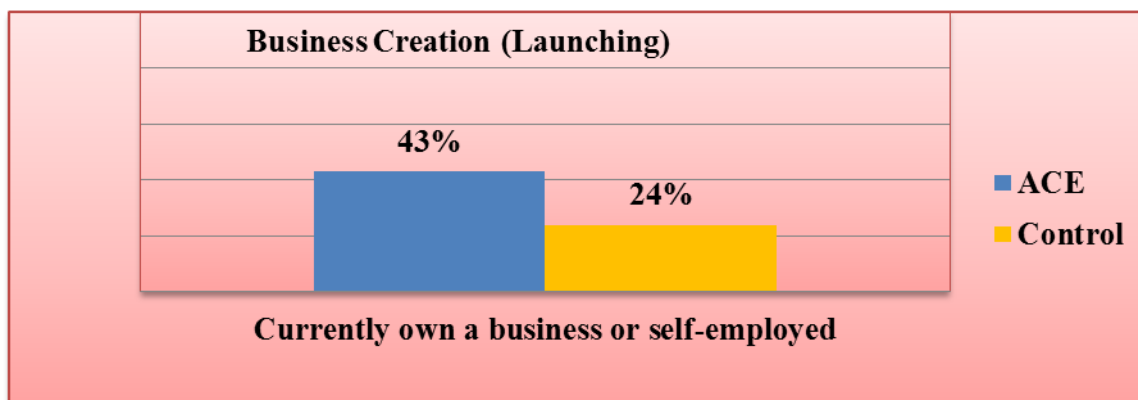
Figure 26. Participants' likelihood to start own business

Primary Provider

Figure 27 (below) shows that, when asked who is the primary provider of income for their families, ACE alumni are more likely to fulfill that role than the participants interviewed in the control group.
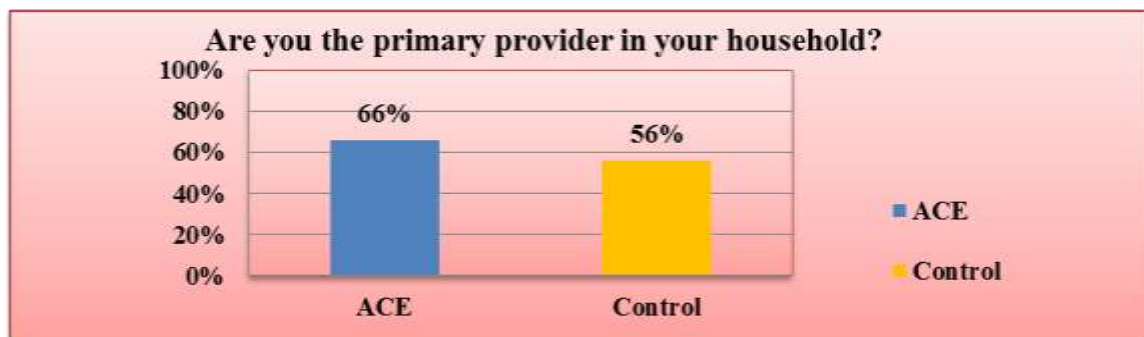
Figure 27. Primary provider breakdown

Employment vs. Business Success

Figure 28 (below) illustrates that ACE alumni are far more likely to launch a business (nearly two times more likely). Additionally, ACE alumni are nearly twice as likely to be running their own business. As for business success, ACE alumni are significantly better off than members of the control group. Finally, members of the control group significantly find themselves as full-time employees.
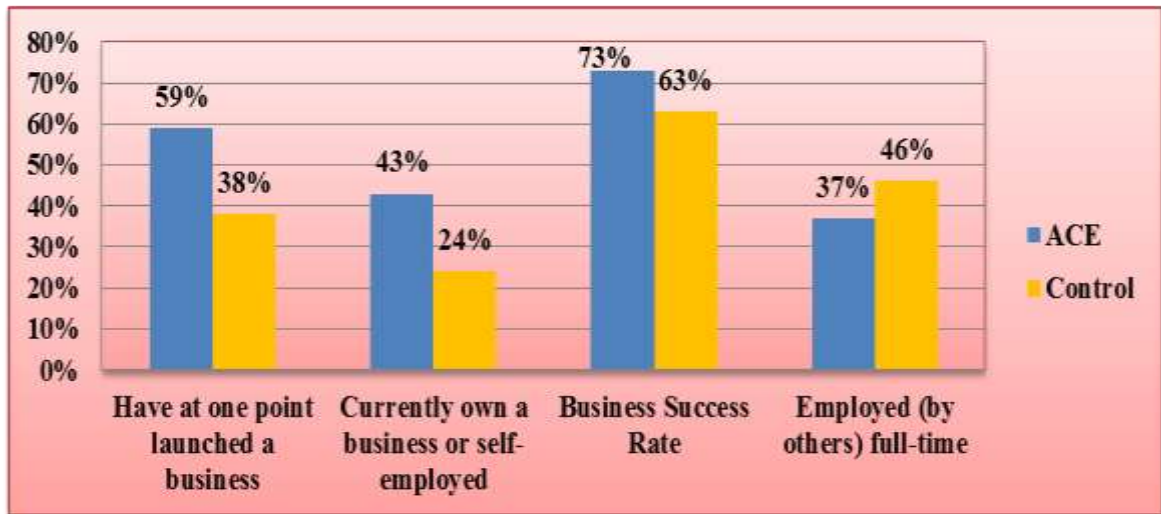
Figure 28. Employment vs. business success of participants

Results of Factor 1: Economic Success

The results of the surveys indicate positive trends for ACE graduates vis-à-vis economic well-being, personal finance, and subject/relative well-being. ACE graduates report a higher yearly income than those of the control group. The results of the surveys also indicate that graduates of the Academy are more likely to have higher incomes, as well as larger amounts of personal savings. Additionally, regarding debt, ACE graduates were more likely to acquire debt through business loans, not personal loans. Finally, through the surveys, the results indicate that ACE graduates are more likely to view themselves as better off than their peers and parents. Overall, ACE alumni out-perform those individuals from the control group in nearly every category.

Other notable differences between the ACE alumni sample and the control sample which indicate that ACE graduates enjoy a higher standard of living are: (1) Significantly greater number of laptop computers, (2) Positive trends in roofing

materials of homes, (3) Significantly upgraded flooring, (4) Significant difference in

personal modes of transportation for ACE grads, (4) More likely (20% to 16%) to be the

principal owner of a residence, (5) More likely (39% vs. 35%) to own land, (6) More

likely (50% to 41%) to rent an apartment with a very low monthly rent, (7) More likely

(77% to 73%) to have family health insurance, (8) 50% say life is *much better* after

ACE, (9) More likely (75% to 68%) to use electricity instead of wood/charcoal/gas as

fuel for cooking, (10) More likely (34% to 27%) to own a refrigerator, (11) More likely

(35% to 28%) to have personal health insurance. Between the two groups interviewed,

there were no significant differences between: (1) Type of housing (apartment, house,

government housing), (2) Appliance ownership, (3) Source of water, and (4) Clothing.

The Economic Success Score is centered on respondents' income. Using a

Multiple Regression Analysis, Standardized Beta weights were calculated for all other

factors in their prediction of income (total score of income last year and last month) and

applied to each respective variable. The sum of the weighted variables predicting income

equals the Economic Success Score. Items with low factor loadings and items that

hindered reliability were excluded from the Economic Success Score.

Factor 2: Religiosity

Temple Recommend Holders[312]

Figure 29 (below) indicates that ACE alumni are more likely to hold a current

temple recommend from the LDS Church. This means that ACE alumni are found to be

---

[312] Members of the LDS Church who wish to obtain a temple recommend must receive a recommendation from their local bishop and district authorities. These ecclesiastical leaders, who are lay-ministers, interview each LDS member (every two years) and must be found worthy to enter the temple. Once worthiness is proven, a temple recommend is signed. See Appendix B for a copy of a temple recommend.

in good-standing with all Church regulations and abide by the precepts established by the LDS Church, which include (but are not limited to) declaring with their local bishop every two years that they: (1) Tithe 10% of income to the Church, (2) Abstain completely from alcohol, tobacco, black tea, pornography, and extramarital sexual relations, and (3) Attend weekly Sunday worship meetings.

Figure 29. Breakdown of temple recommend holders

Figure 30 (below) illustrates the difference in savings between ACE alumni that hold a temple recommend and members of the control group that have a temple recommend, with ACE alumni being more likely to have (1) a temple recommend and (2) savings.
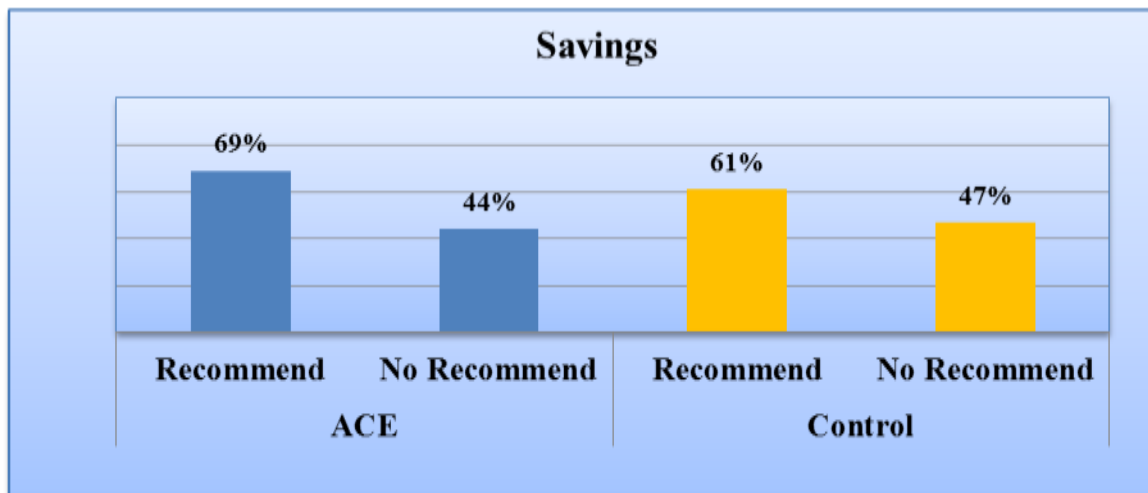
Figure 30. Breakdown in savings between recommend holders and non-holders

Figure 31 (below) demonstrates the difference between ACE alumni and the control group regarding business ownership and holding a current temple recommend, with ACE alumni nearly twice as likely to own a business and maintain active temple recommends than the control group.
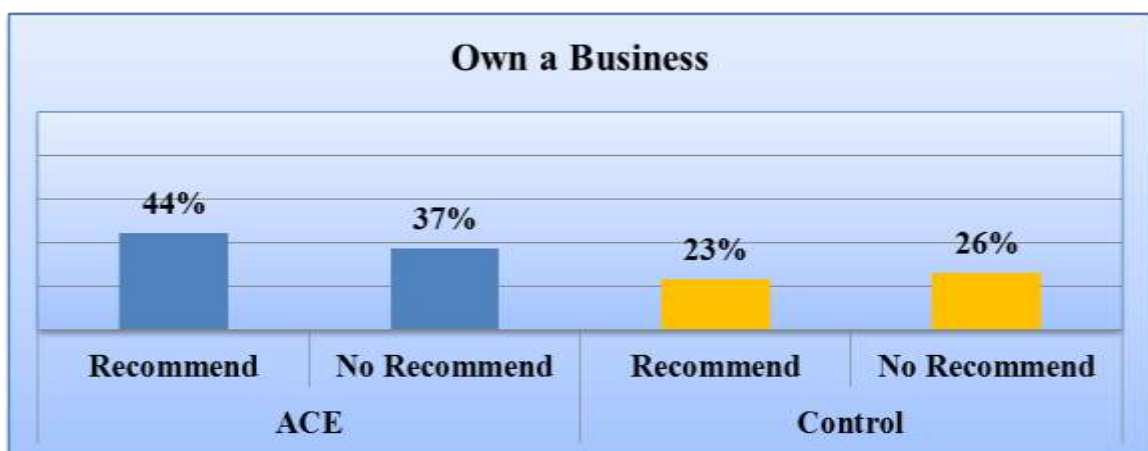
Figure 31. Breakdown in business owners between recommend holders and non-holders

Results of Factor 2: Religiosity

The Cebu Project data reveal that religiosity and business success are significantly correlated. This finding supports Lawrence Harrison's "culture matters" thesis in that religion and economic success are highly interconnected. In the case of the Cebu Project, all of the participants are LDS. Further analysis of a control group of non-LDS members may bring to light the differences in the success between the micro-enterprises owned and operated by LDS Church members and non-LDS Church members.

Factor 3: Entrepreneurship

The factor of Entrepreneurship was divided into five sub-groups: (1) Number of Businesses Launched, (2) Number of Locations, (3) Number of Employees, (4) Job Creation Motivators, and (5) Gross Revenue/Net Profit.

Number of Locations and Businesses Launched

Figure 32 (below) indicates that ACE alumni are nearly twice as likely to own a business and nearly twice as likely to have launched a business.
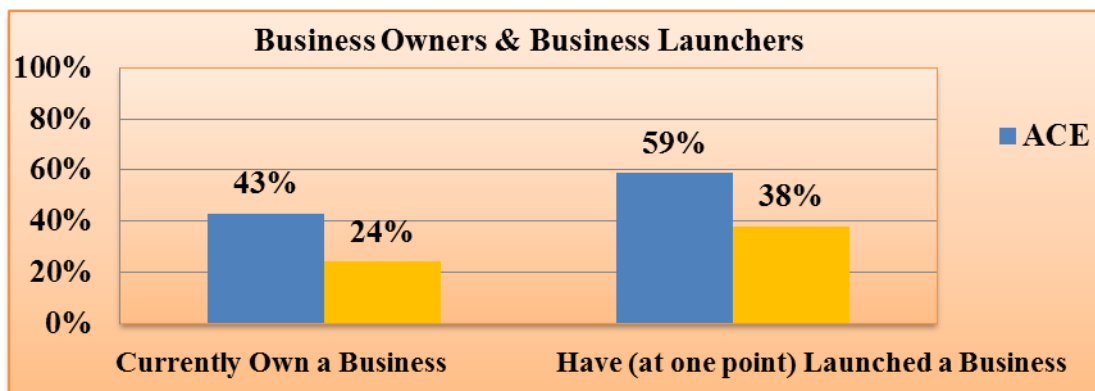
Figure 32. Breakdown of business owners and launchers

Number of Locations. Figure 33 (below) demonstrates that ACE alumni create single business locations at more than double the rate of the control group. Regarding multiple locations, however, there is no difference between the two groups, this may indicate that once an entrepreneur understands how to operate a single location successfully, replication is more easily achieved.
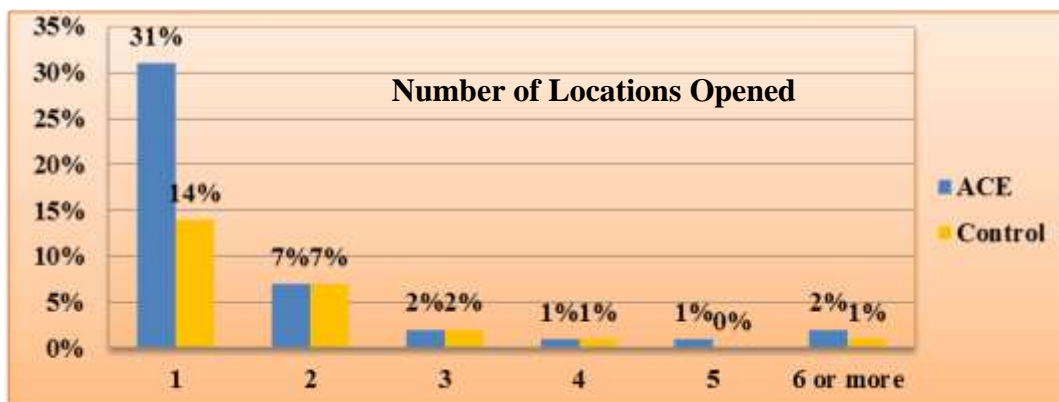

Figure 33. Comparison of number of locations opened by participants

Number of Employees. Figure 34 (below) shows that ACE alumni are far more successful at creating businesses with one to twenty-four employees than the control group.
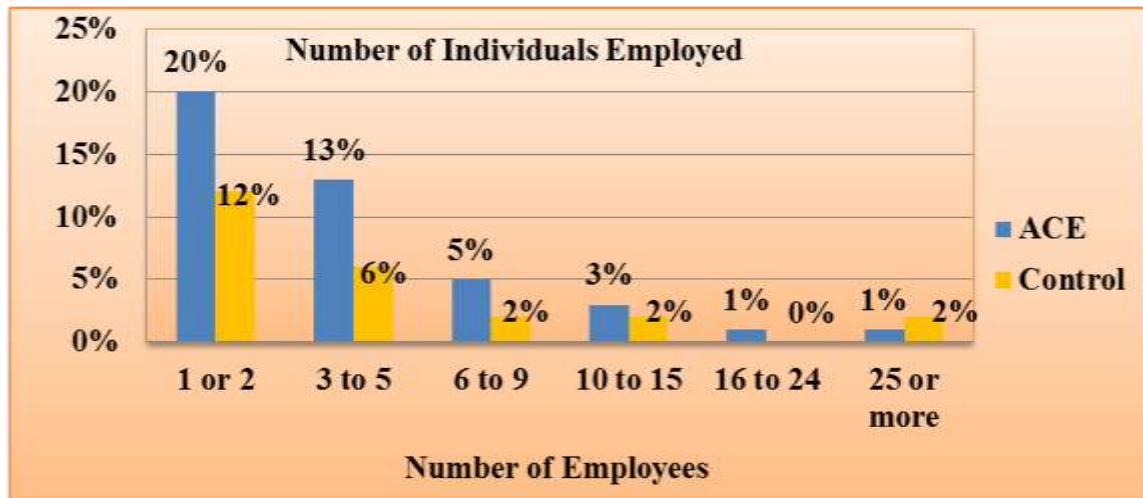
Figure 34. Number of employees and employers in participants' businesses

Job Creation Motivation. Regarding the primary motivation for job creation, figure 35 (below) illustrates that the primary motivation for ACE Alumni differs significantly (nearly three times) from the primary motivation of Control group.
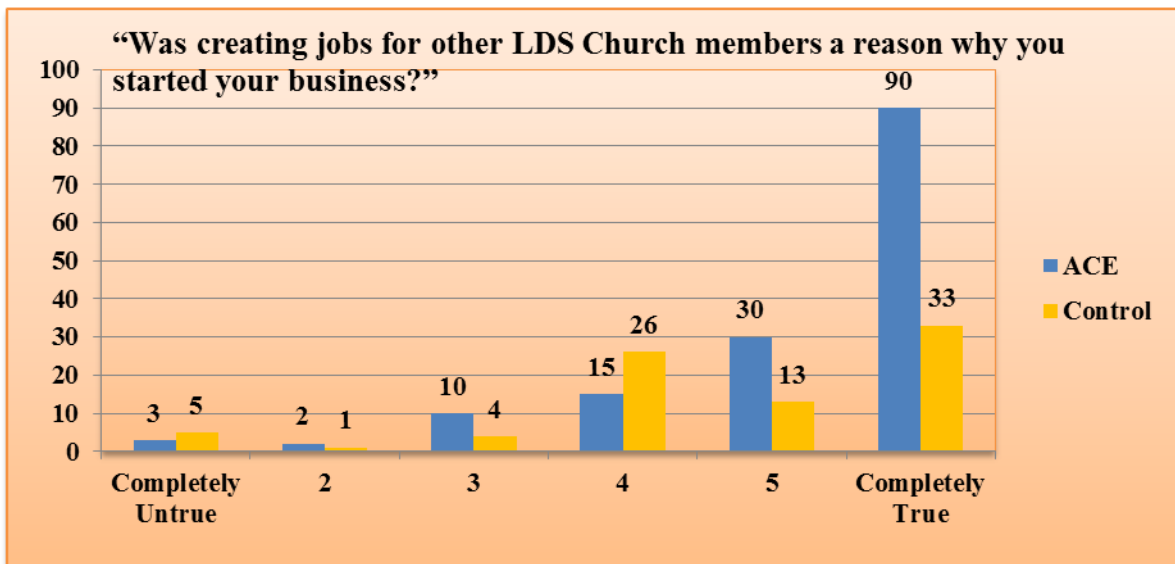
Figure 35. Job creation motivation of participants

Financial Security Motivation. Figure 36 (below) shows that ACE Alumni launch a business with significantly greater hope that they will reach financial security than Control group participants.
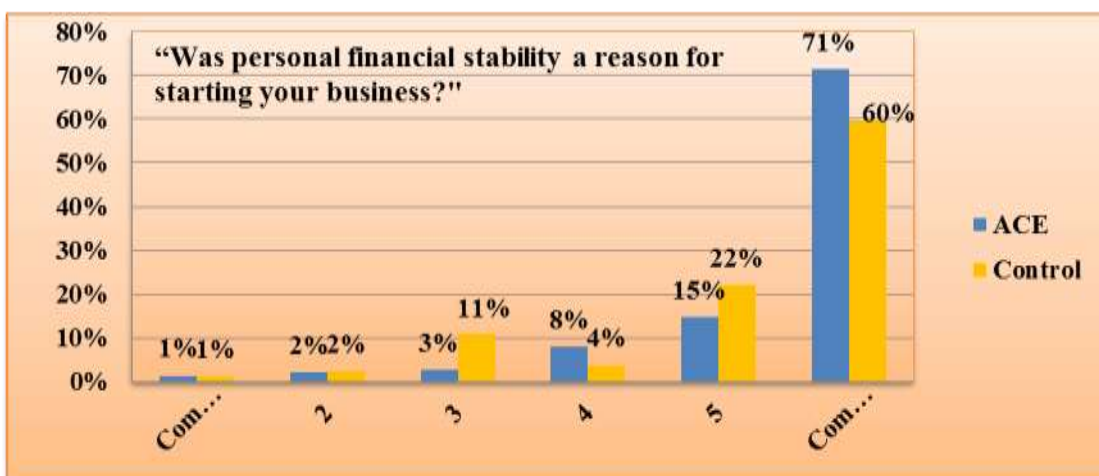

Figure 36. Financial security motivation

Types of Businesses. Figure 37 (below) demonstrates the significant differences between ACE Alumni and the Control group in the industries chosen for businesses.
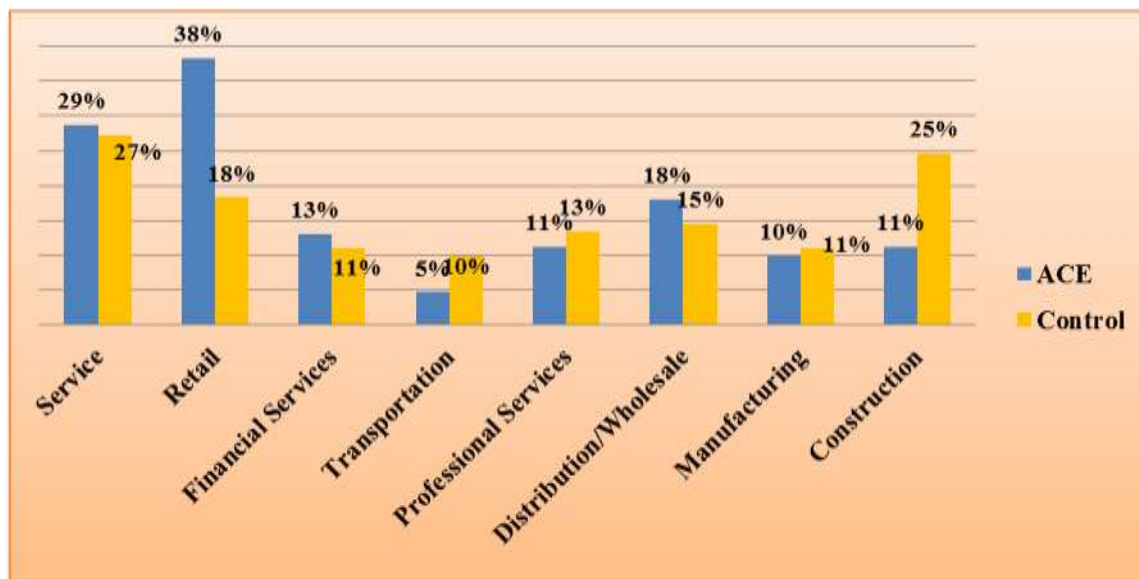

Figure 37. Type of business started by participants

Gross Revenue/Net Profit. Figures 38 and 39 (below) indicate the differences in gross revenues and net profit between ACE alumni and the control group. Amounts are given in Filipino pesos.
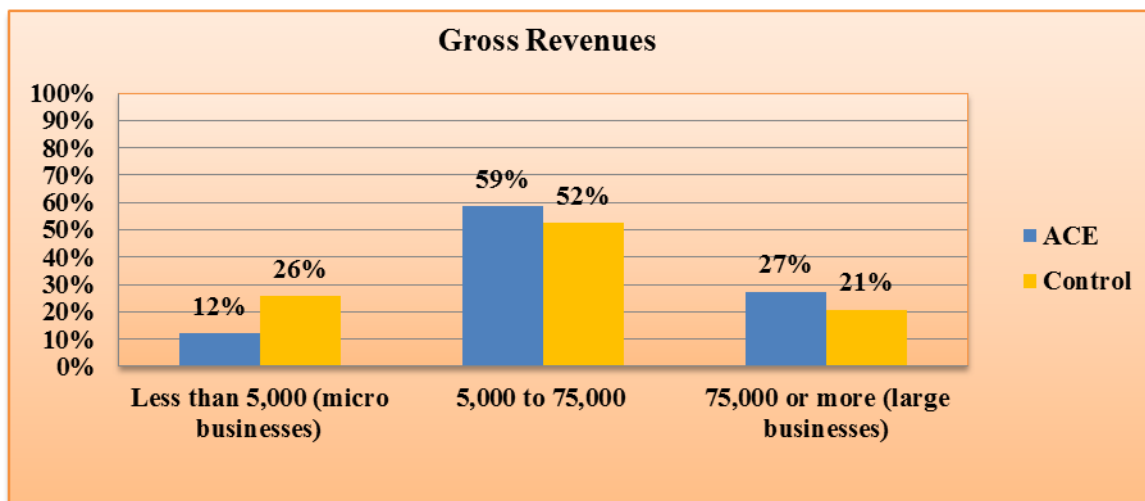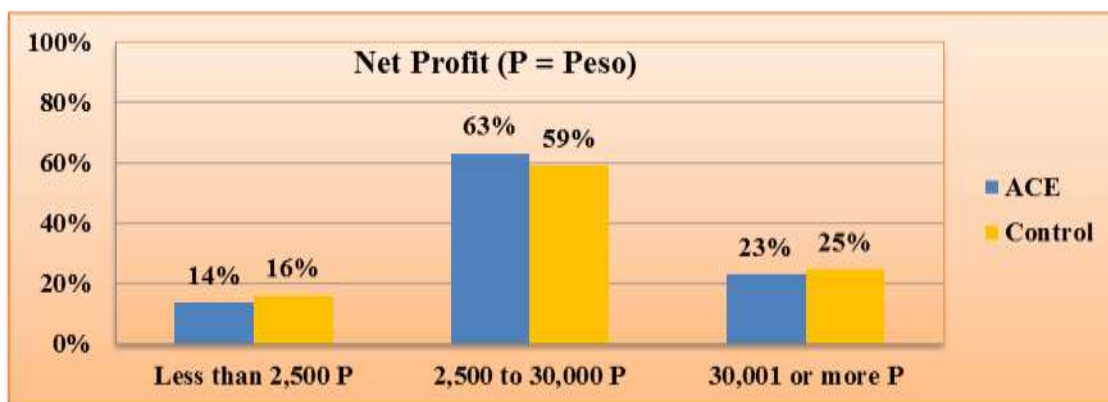
Figure 38. Gross revenues of participant businesses

Figure 39. Net profit of participant businesses

Results of Factor 3: Entrepreneurship

The results of the surveys show that approximately 60% of ACE graduates have started a business (with nearly 45% of the ACE graduates surveyed owning a business at the time of the survey). As for the control group, more than 40% of them had started a business. This is a staggering demonstration of necessity entrepreneurship in the

Philippines: despite having a college degree, nearly half of the control group were pushed into starting their own business. Although both groups of participants had nearly the same number of employees, gross employment for ACE graduates was much higher since they had nearly twice as many businesses. Although the results showed that ACE graduates have higher gross revenue, the net profits of both ACE graduates and non-ACE graduates showed no significant difference. Additionally, while on average ACE business owners have a smaller profit margin than non-ACE business owners of the control group, those that attended ACE are 31% more likely to start a business. Therefore, ACE also incurred a new business formation benefit that outweighed the negative impact of less profit from each individual business.

Factor 4: Overseas Foreign Workers (OFWs)

An estimated 8.9 million Filipinos are employed overseas. This translates to approximately 11% of the population of the Philippines that leave their country and their family members (in most cases for extended periods of time) in order to find employment. With this in mind, the Cebu Project research team created the OFW Tendency Score to measure the likelihood of a respondent leaving the Philippines to become an Offshore Foreign Worker (OFW). Because one of ACE's missions is to help Filipinos learn how to find opportunities within their own country, and no longer depend on remittances or overseas work, Stephen and Bette Gibson were highly interested to find out the impact that ACE had on graduates leaving the Philippines as OFWs.

The OFW Tendency Score is centered on a self-response question asking the respondent to estimate what the probability will be of their becoming an OFW. Using a

multiple regression analysis, standardized beta weights were calculated for the 11 items on this scale predicting OFW probability. The sum of each item with the beta weight applied equals the OFW Tendency Score. The 11 items include questions in three sub-factors: (1) Personal Desire to Leave, (2) Family/Social Pressure to Leave, and (3) Perceived Opportunity Overseas. These sub-factors were then averaged for their individual scores. Perceived Opportunity Overseas has the largest weight in predicting the probability of a respondent leaving the Philippines.

Figures 40 and 41 demonstrate that the ACE Alumni group believes that they are able to cover their needs through entrepreneurship within the Philippines, not through overseas work.
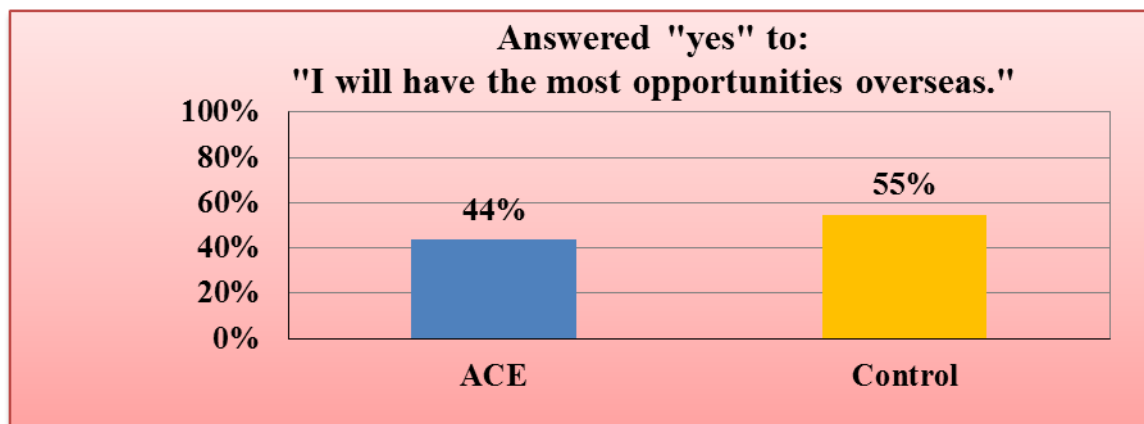

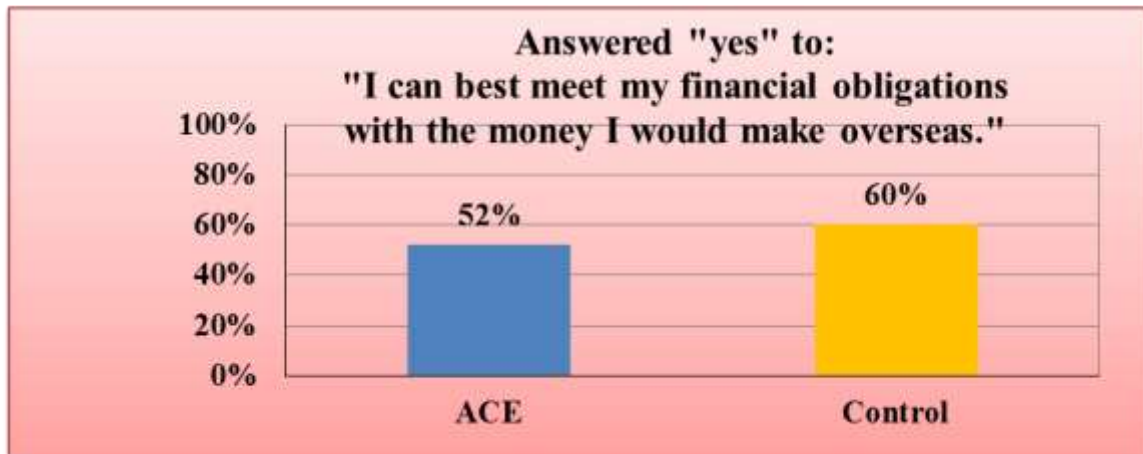Figure 40. Participants' opinions regarding overseas work

Figure 41. Participants' opinions regarding financial gain of overseas work

Figures 40 and 41 also indicate that individuals from the ACE Alumni group perceive much more opportunity in their native country, the Philippines, than do their counterparts from the control group.

Income vs. Offshore Employment

Figure 42 indicates that the more income perceived by ACE Alumni and the control group, the lower the tendency to work overseas.
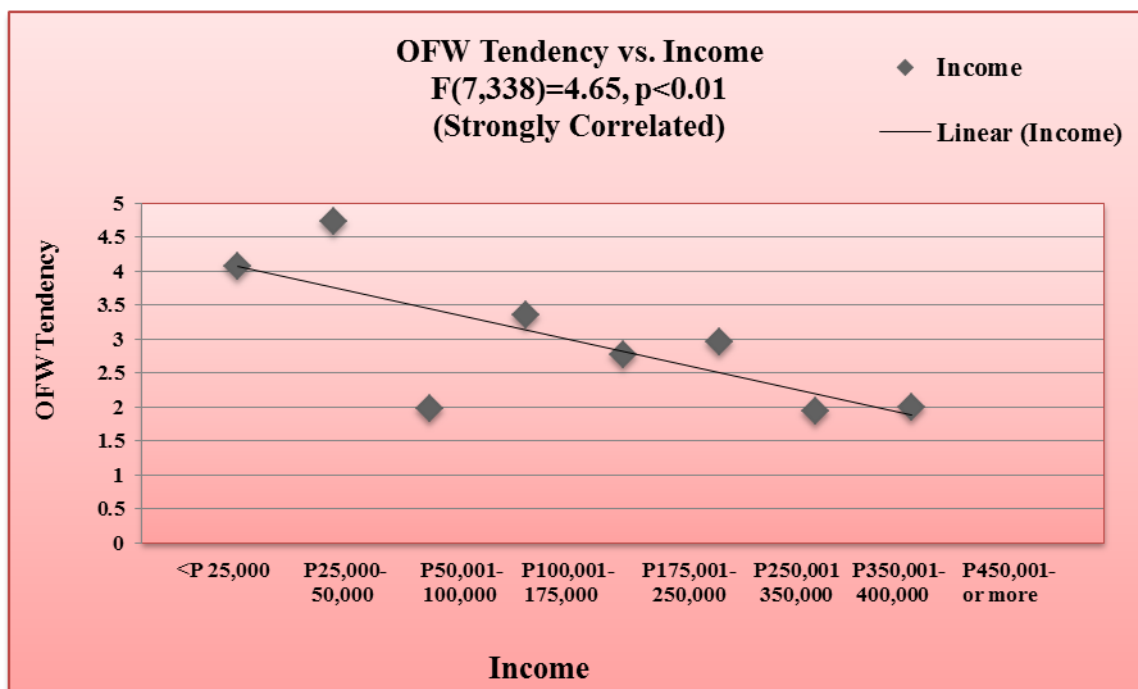
Figure 42. OFW tendency vs. income

Results of Factor 4: Overseas Foreign Workers (OFWs)

All graphs and measures indicate that members of the ACE Alumni group have a lower propensity to work overseas. This may be due to their perception of opportunity within their country, as well as their confidence in operating a micro-enterprise. According to all graphs and measures in this section, ACE's program is succeeding in graduating Filipinos who want to stay in their country, instead of seeking employment overseas. This finding may have significant implications for the overall efficacy of ACE's model for combatting the "culture of poverty" in that it may help the Filipino people see opportunities within their own towns, cities, and country.

Factor 5: ACE Efficacy

ACE Efficacy was divided into two sub-groups: (1) Time vs. Business

Ownership, (2) Lifestyle after ACE and (3) Knowledge and Skills Preparation.

Time vs. Business Ownership

Figure 43 (below) indicates that, as more time passes after graduation, the more

likely ACE graduates are to own and operate an established business.

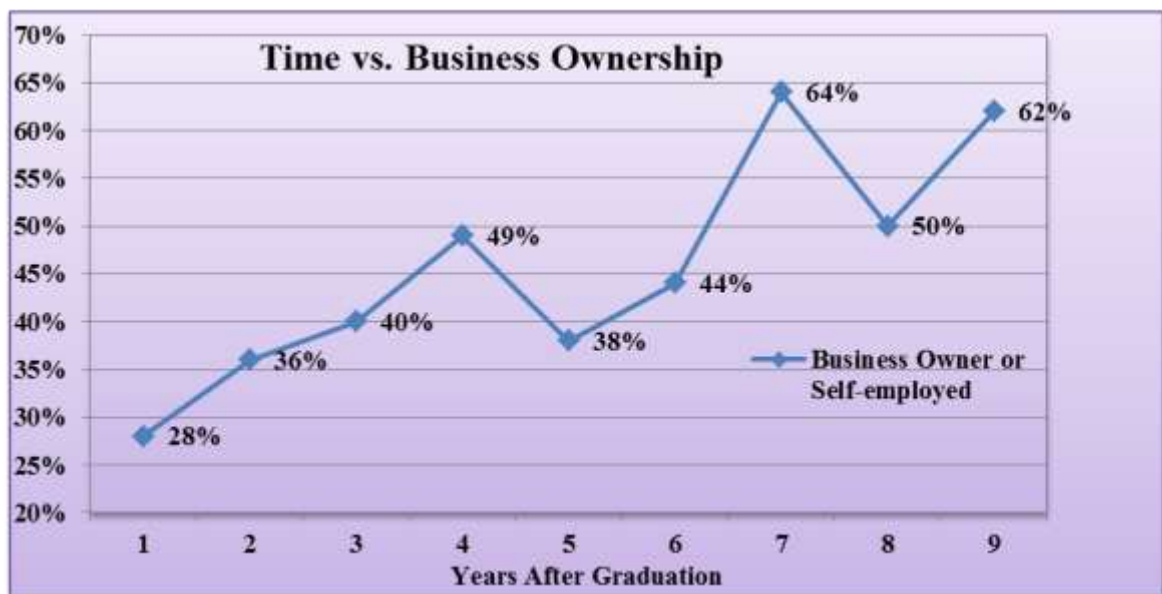Figure 43. Time vs. business ownership of ACE graduates

Debt Propensity

Figure 44 (below) demonstrates that the control group's normal distribution

around a moderately risk-accepting mean is more indicative of typical entrepreneurs

(moderately accepting toward risk). The ACE business owners come, in large numbers,

from every point on the risk aversion spectrum. This finding supports two very powerful

notions of the overall efficacy of ACE: (1) ACE education changes people's risk

aversion and (2) ACE education enables even risk-averse individuals to develop

businesses.
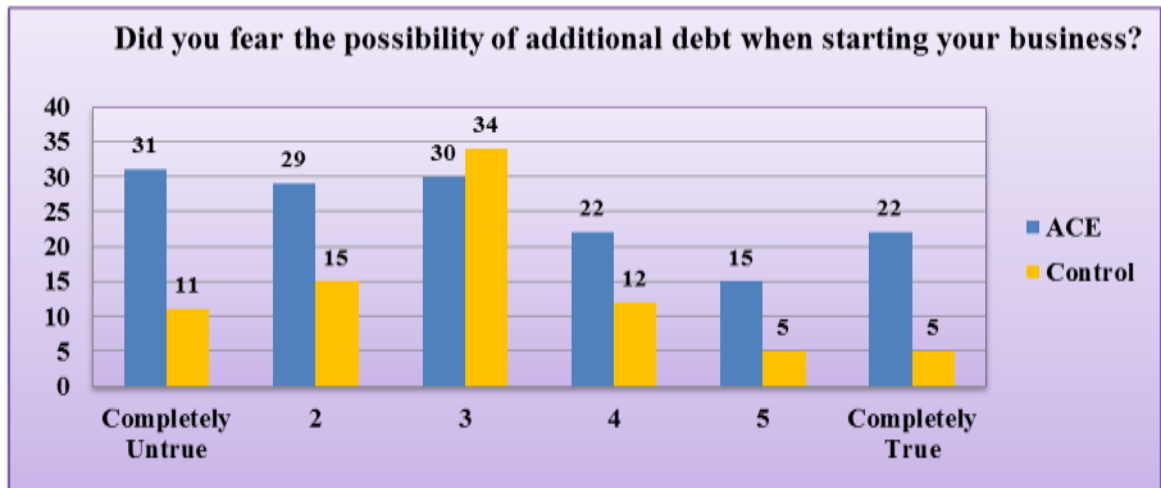
Figure 44. Participants' responses regarding debt propensity

ACE Overall Preparation Total

The ACE Preparation Total measures how well each ACE graduate felt they were

prepared in their academy experience in all the areas essential for business creation. It is

the sum of the survey items asking ACE alumni how prepared they felt (knowledge and

skills) in managing, starting, and operating a business, marketing and selling, and

making use of technology. Factor loadings and reliability results reveal a highly reliable

and valid scale. The responses calculated in Figure 45 (below) show the mean scores of

ACE Alumni satisfaction.

Figure 45. Mean scores of ACE alumni satisfaction

Results of Factor 5: ACE Efficacy

The education provided by ACE improves risk propensity, business success, and debt acquisition.[313] Overall, the individuals that graduate from ACE express a resounding satisfaction with the education they received from there. They also feel that they are prepared to launch businesses more successfully because of the preparation that they received through ACE's curriculum. Finally, ACE graduates continue to thrive in entrepreneurship

---

[313] Regarding debt acquisition, ACE alumni demonstrated higher debt amounts per loan, which indicate *business* debt as opposed to personal or consumer debt.

Social Return on Investment

Purpose/Background

The entire governing body of the Academy for Creating Enterprise wanted to make sure that the money spent over the previous decade was indeed producing a positive Social Return On their Investment (SROI). For the purposes of the Cebu Project, the Berkeley *Social Return on Investment: Standard Guidelines* were used as a basis to ensure the assessment was done accurately. This standard was created to try and make the process for calculating the SROI more comprehensive, credible, and useful so that social and environmental impacts could be maximized along with financial returns. The focus of the current evaluation is to estimate the social impact created by the Academy for Creating Enterprise in the Philippines. Additionally, by evaluating the SROI of ACE, the members of the governing body of ACE, as well as its donors, will have a more sophisticated comprehension of the overall efficacy of the program in achieving its mission to break the culture of poverty that pervades in the Philippines.

Methodology

In order to discover the SROI, it was first necessary to determine the average status of both groups surveyed through the Cebu Project. The four categories that were specifically compared for the SROI were: (1) Income, (2) Unemployment, (3) Profitability, and (4) Tendency to Start a Business. Once an average of these figures was derived, the difference between the two averages was found in order to identify the impact ACE had on its graduates, compared to the control group. This difference was then assigned a monetary value and multiplied by the cumulative number of ACE

graduates, assuming that the benefit was immediately realized and that it was consistent over the past years. This produced the total cash flow inflow or outflow from each benefit, which were added together to achieve the total cash benefits. The total investment was subtracted from the total cash benefits with the result being the net cash flows, which were discounted to bring them to their present net value. The formula outlined in the Berkeley standard was used and provides the discount net cash flows. In this case, a discount rate of 10% was applied in order to acknowledge the presence of moderate risk in the investment and the decreased value of money due to the passage of time.

The total cash benefits number was also used to find the un-discounted SROI number. The total cash benefits were divided by the total investment in ACE and multiplied by 100 to produce the un-discounted SROI percent. Additionally, the cash benefits were used to find the discounted cash flow through the same Berkeley formula used previously to find the discounted net cash flows, in order to bring the amount of money spent over the course of the past nine years to its 2008 value. The present value was then divided by the total amount invested in ACE and multiplied by 100 to give the discounted SROI percent as the final product.

Findings

ACE has a positive impact on the income of its graduates. The data show an increase of 23.6% in income received per year compared to the control group. ACE graduates also had a 3% decrease in unemployment. The major finding of the SROI is that the money invested in ACE is yielding a very high return. In fact, investors are

receiving a discounted SROI return of 17.3 times what they provided to ACE and an undiscounted SROI return of 14 times their original investment. These figures reflect the fact that ACE is a very efficient investment. Donors would be wise to support it in the future.

Conclusion

While the Nobel Peace Prize recipient and world-renowned advocate for poverty eradication, Mohammad Yunnus, does not believe in training programs for the poor, ACE co-founders Stephen and Bette Gibson certainly do. And, because of their belief in training the poor to raise themselves out of poverty, 1,865 impoverished Filipinos have created nearly 10,000 jobs over the past decade after graduating from this program. The number of new jobs created by ACE graduates is projected to triple by the end of 2020. Remarkably, ACE has a 99.99% course completion rate and gives no micro-loans to students. Apparently, ACE's graduates are overcoming poverty and simultaneously providing employment opportunities to others with great success.

The Gibsons maintain that the best way to create generational change is not through short-sighted lending, but rather by training the poor—the hundreds of millions around the globe who are overwhelmingly pushed into entrepreneurship—how to strategize, think about their businesses, set goals, focus on the future, seek daily opportunities, and view their surroundings.

Unafraid of declaring that certain cultures are "better" than other cultures at creating prosperity, Stephen and Better Gibson have focused on the need to train individuals how to adopt new cultural norms effectively. The embedded assumption in

ACE's curriculum is that most Filipino necessity entrepreneurs are impoverished because they subscribe to the "culture of poverty." The students who attend ACE readily accept the "culture of poverty" thesis as a description of their own belief system. But more importantly, they are voluntarily willing to overcome it by adopting "progress-prone" cultural values, which they acquire while attending ACE, and which they implement in their micro-enterprises.

The data presented in this chapter have demonstrated that ACE has created a successful approach toward eradicating poverty by using a curriculum focused on values, attitudes, and culture. Through case studies, debates, and the "Launch & Learn" program, students enrolled in ACE learn how to change negative cultural habits that impede progress in their businesses.

ACE knows that its program is not "threatening" because not a single student in ten years has dropped out without medical necessity. The Academy for Creating Enterprise is training necessity entrepreneurs successfully. Its founders have avoided the traps of cultural relativism and focused on what must be done to help the poor in the Philippines improve their own lifestyles without having to leave their country. The Gibsons knew that a culture of poverty pervades in the Philippines because they witnessed it for several years. To combat it, they created a culture-specific curriculum to help necessity entrepreneurs learn how to improve their micro-enterprises.

ACE helps families stay together. It helps parents provide better educations, nutritious food, clean water, and better health care for their children and other family members. ACE is helping to create jobs for individuals in the Philippines who suffer in

poverty. Because of ACE, Filipino parents are teaching their children new values, new

habits, and new traditions—a new culture—not because they are forced to, but rather

because they see that by so doing, they are able to enjoy a better quality of life.

CHAPTER VII

CONCLUSION

This concluding chapter is dedicated to demonstrating to what extent the four primary objectives, stated in the Introduction of this dissertation, have been achieved.

The Four Objectives

Objective #1

Objective 1: Establish that both Oscar Lewis' "culture of poverty" thesis and Lawrence Harrison's "culture matters" thesis, though written decades apart, offer a valid explanation as to why some individuals and nations suffer generational poverty, while other individuals and nations enjoy prosperity.

Chapters II and III of this dissertation paralleled the works and theses of Oscar Lewis and Lawrence Harrison. This comparison demonstrated that both scholars, though writing decades apart (Lewis in the early 1960s and Harrison in the mid-1990s), ultimately concluded that *culture* directly influences the level of economic prosperity achieved at both the individual and national level.

Lewis labeled his theory the "culture of poverty," and explained that cultural norms and habits maintained by his informants (the poor living in the slums of Mexico City and surrounding areas) are what most limited their economic prosperity. Later, Lewis broadened the context of his hypothesis and argued that the poor of each nation shared common values, attitudes, and habits, and therefore, the "culture of poverty" was not limited by geography. (Lewis reached this conclusion after conducting field research

in Puerto Rico, Cuba, India, and other nations and finding commonalities among the poor of each region). Additionally, and perhaps most controversially, Lewis argued that the "culture of poverty" was inculcated from generation to generation among the poor.

In the 1990s, Lawrence Harrison, who believed Lewis was a philosophical "Godfather,"[314] labeled what Lewis had called the "culture of poverty" lifestylea "progress-resistant" culture. According to Harrison, "progress-resistant" cultures can be found at the macro- and micro-level of societies because it is the "worldview"[315] of people that determines whether or not they progress economically. Additionally, Harrison's "culture matters" thesis openly rejects cultural relativism, suggesting that certain cultures are better than others at producing economic results. To buoy his "culture matters" argument, Harrison focuses on the role of religion by comparing and contrasting the economic achievement of nations around the globe, ultimately concluding that Protestant nations outperform Catholic nations in virtually every case.

Both Lewis and Harrison relied on their personal experiences (a combined total of more than half of a century) in Latin America to support their hypotheses. Lewis' "culture of poverty" hypothesis was chiefly influenced by his field research projects in the slums of Mexico City. Harrison's "culture matters" thesis was mostly inspired by his personal experiences as Director of USAID in Latin America, as well as theoretical writings by Alexis de Tocqueville, George Foster, and Max Weber.

---

[314] Lawrence Harrison (Director, Cultural Change Institute, Tufts University's Fletcher School, Massachusetts), interview by Jeremi Brewer, April 15, 2011.
[315] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi.

Regarding methodologies, Lewis, who used the bottom-up approach to understand the mindset of his informants, does not focus on the impact that their religion has on their worldview. Harrison, who uses a top-down approach through World Values Surveys to understand the mindset of his informants, does focus on religion. Nevertheless, Harrison's data demonstrate that Catholicism is one of the leading factors conducive to poverty, and all of Lewis' informants were self-declared Catholics. Religion, therefore, impacts the worldview—that is to say the psyche—that individuals use when making decisions. Thus, when a religion preaches against economic prosperity and condones poverty, it is evident that religion matters.

Both Lewis and Harrison determined that the same thing was true: individuals (and nations) who suffer in poverty for multiple generations tend to live by the same culture, which ultimately impedes their overall economic prosperity. In short, both scholars determined that *culture*, not money and not politics, matters most in the economical development of individuals and nations.

Objective # 2

Objective 2: Fill the current void found in the literature by offering a succinct definition and use of "necessity entrepreneurship" (NE), which will serve as a concrete term that other researchers can use in future publications. The terms "necessity entrepreneur" or "necessity entrepreneurship" have seldom been employed to characterize the epidemic that continues to impact the lives of millions of the poor, globally.

Chapter IV of this dissertation demonstrated that necessity entrepreneurship, which is more often referred to as the informal market, is a global epidemic affecting the lives of hundreds of millions of individuals around the globe—regardless of gender, nationality, or language. This conclusion was achieved by combining the seminal works of leading scholars in the fields of microeconomics and micro-enterprise education in a comprehensive literature review focused on the informal economy around the globe.

Chapter IV also illustrated that, despite the abundance of necessity entrepreneurs worldwide, the quantity of generalizable data or research focused on necessity entrepreneurship in underdeveloped nations is scarce. Thus, Chapter IV helped fill this void found in the literature on the informal economy by focusing on the role of necessity entrepreneurship in underdeveloped nations—where the greatest concentration of necessity entrepreneurs, as well as the greatest need for culture change, is found.

Chapter IV addressed how the terms "necessity entrepreneurship" and "necessity entrepreneurs" had not, until now, been defined, explored, or used in the fields of micro-enterprise studies and poverty studies. This void was filled by offering an original definition for both terms, which are based on the seminal works of different leading authors on micro-enterprise and microeconomics. Additionally, Chapter IV put forward an original categorization of the various characteristics (levels) found among necessity entrepreneurs. This categorization, along with a compilation of different works written on the informal market, is an original, and significant, contribution to the fields of micro-enterprise/micro-economic studies and poverty studies and can be used as a typology by

future researchers interested in broadening the reach of micro-enterprise research in underdeveloped nations.

Objective #3

> *Objective 3: Demonstrate that the Academy for Creating Enterprise (ACE) curriculum, which is based on the "25 Rules of Thumb," is successful because it accepts the "culture of poverty" and the "culture matters" theses.*

The embedded assumption maintained by ACE's Co-Founders and curriculum developers, Stephen and Bette Gibson, has always been that the majority of Filipino necessity entrepreneurs remain impoverished because they subscribe to the "culture of poverty." This assumption ultimately influenced the lessons created and implemented in the classroom at ACE. Additionally, and perhaps most importantly, the assumption that a "culture of poverty" pervades in the Philippines was what most influenced the "25 Rules of Thumb," which focus on internal rather than external factors.

Students who attend ACE readily accept the "culture of poverty" thesis as a description of their own belief system, but they are willing to overcome it[316] by adopting "progress-prone"[317] cultural values learned at ACE that will positively impact their personal lives and the efficacy of their micro-enterprises. Chapters V and VI of this dissertation have demonstrated that ACE is, in fact, a viable solution to lower poverty levels in the Philippines. With respect to job creation, as of 2009, 1,899 ACE graduates have created nearly 10,000 jobs for other Filipinos. When compared to the control

---

[316] ACE has a 99.99% course completion rate and no micro-loans are given to students.

[317] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006).

groups, ACE graduates out-perform their peers in almost every area. For example, ACE graduates have higher incomes than non-ACE graduates. ACE graduates tend to launch businesses that employ more than one individual, whereas non-ACE graduates do not. Additionally, when compared to non-ACE graduates, ACE graduates are twice as likely to be the sole providers for their families.

Regarding their overall level of life happiness, ACE graduates have a higher self-reported level of happiness than their peers. Concerning happiness with their country, when compared with the control group, ACE graduates have a higher level of hope for their country—i.e., they believe that they can provide a good life for their families while living in the Philippines. In other words, ACE graduates believe more in their country, and therefore, they are less likely to leave their country for overseas work (OFW), thus reducing the level of immigration.

ACE is training impoverished Filipinos how to create more efficient sole-proprietorships by changing their *culture* for the better. It is also helping Filipinos stay in the Philippines, employ other Filipinos, believe in their country, and actively participate in their economy through businesses creation. The entire curriculum of ACE maintains that a "culture of poverty" pervades in the nation and must be overcome. By accepting the "culture of poverty" thesis, and developing a curriculum to combat the nuances of that culture, ACE is improving the lives of thousands of people. By setting cultural relativism aside, and focusing on the needs of these people, ACE is helping thousands of families improve their quality of life by providing nutritious food, clean water, better health care, and better educations for their children. ACE is working because it refuses

to worry about offending its students. Students are not offended by the teaching at ACE because they are "sick and tired of being sick and tired."[318] ACE students want a better life and recognize that, unless they change their "progress-resistant culture" tendencies, they will never improve. ACE works because it approaches poverty through a culture-specific lens and expects that its students will adopt and adapt to the culture of success.

ACE's success in the Philippines demonstrates that, when a curriculum is designed to combat poverty through culture change, those who need help the most are willing to make the necessary changes and improve their lives. ACE's success in the Philippines also demonstrates that culture is an impeding force of economic progress; but more importantly, it demonstrates that culture can be changed from within. Additionally, and perhaps most inspiringly, because ACE is focused on changing the worldview of poor necessity entrepreneurs living the "culture of poverty," it is possible to conclude that ACE's model could be replicable in any nation where the "culture of poverty" pervades.

ACE co-founders, Stephen and Bette Gibson, are not concerned with respecting the politically correct norms of cultural relativism. Instead, they focus on making a difference. The Gibsons have proven that culture matters and that some cultures are undoubtedly better than others at producing prosperity. ACE is improving the lives of thousands of families by changing culture for the better.

---

[318] Stephen Gibson (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, February 15, 2011

Objective #4

> *Objective 4: Contend that ACE's culturally based curriculum, which has been successfully implemented in the Philippines, could also be successfully replicated in Mexico based on the commonalities shared by both nations.*

ACE's success in the Philippines is encouraging, inspiring, and motivating. As a Hispanist with a primary interest in Mexico, I am motivated to ask the inevitable questions: If Filipino necessity entrepreneurs have improved their lives through ACE's curriculum, would the tens of millions of impoverished necessity entrepreneurs in Latin America also readily accept ACE's culturally charged curriculum as an amenable solution to overcome their poverty? Furthermore, if ACE's 25 Rules of Thumb are working in the Philippines, could those same 25 Rules of Thumb be replicated and expected to work with the same efficacy in Mexico? Would such a research initiative be legitimate?

The Philippines: Latin America of Asia

Can the Philippines and Latin America be compared? In his book *Developing Cultures: Case Studies*, Lawrence Harrison explains that, in the academy, the Philippines is the Latin America of Asia,[319] a sentiment that is also noted by Ernesto Caravantes in his book *Clipping Their Own Wings: The Incompatibility Between Latinos and American Education*.[320] Both scholars explain that *culturally,* the Philippines is much more similar to Latin American nations than its neighboring Asian nations. The

---

[319] Lawrence Harrison and Peter Berger, *Developing Cultures: Case Studies* (New York: Routledge, 2006).

[320] Ernesto Caravantes, *Clipping Their Own Wings: The Incompatibility Between Latino Culture and American Education* (Maryland: Hamilton Books, 2007), 21.

following arguments are made in an effort to illustrate that the Philippines is more culturally analogous to Latin America, and therefore, ACE's curriculum could be replicated in many (if not all) Latin American nations.

The Philippines and Mexico

In theory, there are several reasons why ACE's curriculum, which has been proven successful in the Philippines for the past decade, would also produce successful results if replicated in Mexico. I will first discuss the need and the legitimacy of such a research endeavor. Then, the concluding paragraphs of this dissertation will bridge the geographic gap between the Philippines and Mexico by correlating their (1) history, (2) trade, (3) religion indexes, (4) poverty and literacy levels, (5) corruption levels, and ultimately, (6) the "culture of poverty" that pervades in each nation.

Legitimacy of Research. The legitimacy of an investigation with the objective of overcoming the "culture of poverty" though entrepreneurship education is more evident now than it has been in previous decades. In 2010, the *New York Times* published a front-page article resurrecting the forty-year-old theory of a so-called "culture of poverty," beckoning younger scholars "without baggage" to readdress a theory that was quickly shunned, scoffed at, ignored, and ultimately rejected in most academic and political circles.[321] The *New York Times* is right: the time has come for younger scholars to explore the "culture of poverty" as a viable, needed, legitimate, and relevant thesis.

---

[321] Patricia Cohen, "'Culture of Poverty' Makes a Comeback," *New York Times* (New York), Jun. 19, 2010.

The need for research on overcoming the "culture of poverty" through necessity entrepreneurs in Latin America is paramount. In the field of Hispanic Studies I have yet to find any study with the premise of helping impoverished people overcome their "culture of poverty" through entrepreneurship. As Chapters II and III of this dissertation demonstrate, since the 1970s an immense amount of controversy has plagued the "culture of poverty" thesis. Consequently, very little scholarship has been dedicated to understanding or openly legitimizing the "culture of poverty." In 1999, however, ACE's co-founders created a "culture of poverty"-based curriculum and began changing the lives of thousands of impoverished Filipinos. Their promising results indicate that the "culture of poverty" can be overcome through a culture-specific education.

In the early 1990s Lawrence Harrison resuscitated the "culture of poverty" theory with his "culture matters" thesis. His objectives, however, have been to instruct the respective leaders of underdeveloped nations to see that "*culture*, not politics, determines the success of a society" and that "*politics* can change a culture and save it from itself."[322] Harrison, therefore, is primarily concerned with macro-level change whereas ACE focuses on necessity entrepreneurs at the micro-level.

History. A strong case for ACE's successful replication in Mexico can be made because of the histories that the Philippines and Mexico share. For example, both nations were subjected to Spanish colonial power. Spanish rule in the Philippines began in March 1521 when Ferdinand Magellan discovered a group of unrelated islands in the western Pacific, which would later be named Las Filipinas and claimed for King Felipe

---

[322] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi (emphasis added).

II of Spain. Hernán Cortés and his Spanish expedition to the Mexican kingdom began in the spring of 1519. From 1565-1821, immigration between Mexico and the Philippines was chiefly governed by Mexico City—the capitol of New Spain.

     Trade. Regarding the relationship of commerce between the Philippines and Mexico, historian Katharine Bjork (PhD from University of Chicago), explains:

> One of the largest and most utilized ports of trade between the Philippines and Latin America was located in Acapulco, Guerrero, Mexico. From the beginning, Spanish colonization of the Philippines was a Mexican enterprise. Miguel López de Legazpi, who laid claim to the Philippines in the name of Spain in Manila in 1565, sailed (from either Barra de Navidad or Acapulco) in a ship built in Mexico and manned by Mexicans. When a colonial government was established in the islands, it was subordinated to the viceroy of New Spain. The Philippines was also dependent both on trade with New Spain and, more important, upon an early *situado* (subsidy) from the wealthier colony. For some 250 years the annual voyage of the Manila galleons not only facilitated commerce between the Philippines and New Spain but also constituted the sole link between Spain and its easternmost—or, from the perspective of the Americas, westernmost—possessions.[323]

Bjork continues her explanation of the critical role that trade played in the development of the Philippines and Mexico when she mentions the following:

---

[323] Katherine Bjork, "The Link That Kept the Philippines Spanish: Mexican Merchant Interests and the Manila Trade From 1571-1815," *Journal of World History 9*.1 (Spring 1998): 25-50.

Historians often refer to the Philippines as a colony of New Spain (Mexico). The administration of the Philippines by the viceroyalty of New Spain and the dependence of the Philippines on trade with New Spain make the relationship unique in the Spanish empire. The galleons established the means by which the Philippines was colonized by Spain and provided cultural, political, and ecclesiastical communication between New Spain and the Philippines. The ships carried not only silver to pay the salaries of royal officials and clergy in the Philippines, but also the officials themselves, bishops and priests, and letters and news from the outside world for the Spanish settlers in the islands.[324]

For more than 300 years, both the Philippines and Mexico were conquered and subjected to the Spanish throne. Consequently, Spanish law, Spanish tradition, and Spanish religion became the governing factors for both the Philippines and Mexico for centuries. Ultimately, Spanish culture overwhelmingly influenced Filipino and Mexican culture.

Religion. According to the 2002 *U.S. Department of State International Religious Freedom Bureau of Democracy, Human Rights, and Labor Report*, in the Philippines, which has a total area of approximately 118,000 square miles, and a population of approximately 76.4 million people, more than 85 percent (64 million) of the overall population claim membership in the Roman Catholic Church.[325]

In Mexico, which has a total area of approximately1.3 million square miles, and a population of approximately 110 million, according to the National Institute of

---

[324] Ibid.

[325] U.S. Department of State, *World Census Bureau, 1998-2010* (Washington, DC, 2002), 10.

Statistics, Geography, and Computation (INEGI), approximately 88 percent (96 million) of the respondents identified themselves as Roman Catholic.[326]

Catholicism is the predominant religion in both Mexico and the Philippines. In fact, Mexico and the Philippines boast the second and third largest Catholic per capita population, respectively, in the world, with Brazil being the largest.

Economy. The World Bank classifies the Philippines as a "lower-income" country due to its economy (GDP) of approximately $188 billion USD in 2010. This places the Philippines as the 43rd largest economy (out of 190) in the world.[327]

Mexico is classified by The World Bank as an "upper-middle" income country, with a GDP of $1 trillion USD in 2010.[328] In 2010, The World Bank recognized Mexico as the fourteenth strongest global economy—indicating that the two primary sources of income are petroleum (a natural resource owned and controlled by the Mexican government) and remittances (which amounted to $21.3 billion in 2010 and are sent chiefly from Mexicans living in the United States).[329]

The economies of Mexico and Philippines are hard to compare due to their size, population, natural resources, and overall GDP, as well as the difference in proximity to powerhouse economies like the United States. The following two tables compare the GDP per capita of the Philippines and Mexico, with Mexico's GDP per capita being an average of three times greater than that of the Philippines'.

---

[326] Ibid.
[327] Doing Business 2012 Department, *Doing Business in a More Transparent World* (Washington, DC: Global Business Environment Operations, The World Bank, date).
[328] Ibid.
[329] Ibid.

TABLE 8. GDP per capita of Mexico[330] and the Philippines[331]

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mexico GDP Per Capita	8,500	9,100	9,000	9,000	9,000	9,600	10,000	10,700	12,400	14,200	13,200	13,900
Philippines GDP Per Capita	3,600	3,800	4,000	4,200	4,600	5,000	4,700	5,000	3,200	3,300	3,300	3,500

Poverty and Literacy. The 2010 U.S. Department of State indicates that nearly 26% of Filipinos (41 million) live below the poverty line, as defined by the World Bank. The overall literacy rate in the Philippines was estimated by the U.S. Department of State to be 94% of the adult population, or number 84 in the world.[332]

Regarding poverty levels in Mexico, the U.S. Department of State reported in 2010 that approximately 44% (48 million) of Mexico's overall population lives below the poverty line, as defined by the World Bank. Literacy rates in Mexico, according to the U.S. Department of State in 2010, are estimated to be 93% (number 85 in the world, just after the Philippines).[333]

Corruption Levels. The 2008 U.S. Department of State Report indicates that Mexico was ranked in the 40th percentile (105 out of 184 countries) of overall, national

---

[330] Central Intelligence Agency, *The World Factbook: Philippines,* Updated January 1, 2011. Retrieved March 30, 2011.

[331] Central Intelligence Agency, *The World Factbook: Mexico,* Updated January 1, 2011. Retrieved March 30, 2011.

[332] U.S. Department of State, *World Census Bureau 2010* (Washington, DC, 2010), 31.

[333] Ibid.

corruption.[334]This same report ranked the Philippines in the 30th percentile (120 out of 184 countries). This report took into consideration the World Bank's broad definition of corruption: "the abuse of public office for private gain."[335]

Necessity Entrepreneurship. Necessity entrepreneurs abound in both the Philippines and Mexico. According to the 2010 Global Entrepreneurship Monitor (GEM) Report, 40 percent (20 million) of adult Filipinos, aged 18 to 64, are engaged in business because they have no other option.[336] This ranked the Philippines second among the Asian countries included in the study, with the most individuals owning a business per capita.

The 2002 GEM report indicated that 18% (20 million) of Mexicans are involved in entrepreneurial activities, translating into the highest per capita number of any of the 29 countries covered in the study. Furthermore, Mexico ranked second worldwide in "opportunity" entrepreneurship and fourth in "necessity" entrepreneurship.[337]

Necessity entrepreneurs abound in both the Philippines and Mexico. The need to learn how to run their enterprises successfully is apparent, and even declared by the authors of the 2010 GEM Report: "Other than issues of financial support, [Filipinos] expressed [their] foremost need was to improve formal and informal education and

---

[334] Doing Business 2012 Department, *Doing Business in a More Transparent World* (Washington, DC: Global Business Environment Operations, The World Bank, date).
[335] Ibid.
[336] Donna J. Kelley, Niels Bosma, and José Ernesto Amorós, *Global Entrepreneurship Monitor 2010 Global Report* (Babson College: Massachusetts, 2010) 17.
[337] Ibid., p. 29.

training towards entrepreneurship and the improvement of technological infrastructure, research and development."[338]

The "Culture of Poverty" and "Progress-Resistant Cultures." Lewis and Harrison would ultimately concur that both the Philippines and Mexico suffer from the "culture of poverty" and "progress-resistant" cultures. First, both the Philippines and Mexico experienced Spanish colonization for several centuries, thus producing societies that are predominantly Catholic—a religion that subtly rejects the pursuit of monetary gain and capitalism. Second, both the Philippines and Mexico score in the bottom percentiles (the Philippines in the 30th percentile and Mexico in the 40th percentile) for radius of trust and overall perceived corruption of government. Third, both Mexico and the Philippines have tens of millions of necessity entrepreneurs. Finally, both the Philippines and Mexico have remained underdeveloped countries since their independence—the Philippines for the past fifty years and Mexico for 200 years.

Conclusion

Lewis and Harrison have shown that *culture matters*. [339] ACE has demonstrated that an education based on culture-specific teachings is an amenable solution to lowering poverty levels and creating employment in the Philippines. The Philippines and Mexico are two nations that can easily be analogized. Therefore, because ACE's model has effectively transformed the lives of thousands of individuals in the Philippines, theoretically, the same model could be applied to Mexico.

---

[338] Ibid., p. 71.
[339] Samuel Huntington and Lawrence Harrison, *Culture Matters: How Values Shape Human Progress*, ed. Samuel P. Huntington and Lawrence E. Harrison (New York: Basic Books, 2000), xvi.

ACE's model of eradicating poverty in the Philippines must be researched further. Its model must be implemented in other "progress-resistant" nations where the "culture of poverty" pervades. Eventually, perhaps the "culture of poverty" thesis could be considered fact, not mere speculation.

Certainly, other questions must also be taken into consideration. For example, would ACE's model work if not used on returning missionaries for the Church of Jesus Christ of Latter-Day Saints? This question has been answered in part already, with the One-Week Executive Batches taught in the Philippines. However, the question of whether or not this education would be beneficial for individuals that are not Mormons has yet to be answered. Additionally, is ACE's model sustainable without donations? Could a profitable, social entrepreneurship business model be the solution to end poverty? These and many other questions arise when discussing the efficacy of ACE's model. Nevertheless, ACE is changing lives by changing culture. In the words of Patrick Moynihan:

> The central conservative truth is that *culture*, *not politics*, determines the success of a society and the central liberal truth is that politics can change a culture and save it from itself.[340]

The same can inevitably be said for the individual lives that make up that culture.

---

[340] Lawrence Harrison, *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself* (New York: Oxford University Press, 2006), xvi (emphasis added).

BIBLIOGRAPHY

Abell, Troy and Larry Lyon. "Do the Differences Make a Difference? An Empirical

    Evaluation of the Culture of Poverty in the United States." *American*

    Anthropologist 6, no. 3 (August 1979): 602–621. Accessed April 4, 2011.

    http://www.jstor.org/stable/2576025.10.1525/ae.1979.6.3.02a00120.

Benedict, Ruth. *The Chrysanthemum and the Sword*. Boston: Mariner Books, 1946.

Berger, Bennett. "Suburbia and the American Dream." *The Public Interest* no. 2, (Winter

    1966): 80-91. Accessed March 9, 2011. http://www.nationalaffairs.com/doclib/

    20080515_issue2suburbiaandtheamericandream bennetmberger.pdf.

Besanko, David and Ronald Braeutigam. *Microeconomics*. Missouri: Von Hoffman,

    2007.

Billings, Dwight. "Culture and poverty in Appalachia: A Theoretical Discussion and

    Empirical Analysis." *Social Forces* 53, no. 2 (1974): 315–23. Accessed March

    19, 2011. http://www.jstor.org/stable/2576025.

Bjork, Katherine. "The Link That Kept the Philippines Spanish: Mexican Merchant

    Interests and the Manila Trade From 1571-1815." *Journal of World History* 9,

    no. 1 (1998): 25-50.

Block, Joern and Marcus Wagner. "Necessity and Opportunity Entrepreneurs in

    Germany: Characteristics and Earnings Differentials." *Schmalenbach Business*

    Review (SBR) 62, no. 2 (2010): 154-174.

Bornstein, David. *What Everyone Needs to Know*. New York: Oxford University Press, 2010.

Burke, Eleanor, ed. "Culture of Poverty? What Does It Matter?" In *The Culture of Poverty: A Critique*, 345-363. New York: Simon and Schuster, 1971.

Caravantes, Ernesto. *Clipping Their Own Wings: The Incompatibility Between Latino Culture and American Education*. Maryland: Hamilton Books, 2007.

Carmon, Naomi. "Poverty and Culture." *Sociological Perspectives* 28 no. 4 (October 1985): 403–18. Accessed March 7, 2011. http://www.jstor.org/stable/1389226.

Cato Unbound, "Culture and Economic Development." 4 December 2006, http://www.cato-unbound.org/2006/12/04/lawrence-e-harrison/culture-and-economic-development/.

Ceaser, James. "Alexis de Tocqueville on Political Science, Political Culture, and the Role of the Intellectual." *The American Political Science Review* 79, no. 3 (1985): 656-672.

Central Intelligence Agency. *The World Factbook: Philippines.* Updated January 1, 2011.

Central Intelligence Agency. *The World Factbook: Mexico.* Updated January 1, 2011.

Christensen, Clayton, Michael Horn, and Curtis Johnson. *Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns.* New York: McGraw Hill, 2008.

Cohen, Patricia. "'Culture of Poverty' Makes a Comeback." *The New York Times*, October 18, 2010.

de Azevedo, Thales. "Catholicism in Brazil." *Thought* (Fordham University Quarterly) 28 (1953): 257, quoted in Wagley, *An Introduction to Brazil,* p. 234.

De Soto, Hernando. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books, 2000.

de Tocqueville, Alexis. *Democracy in America*. London: David Campbell Publishers, 1994.

Doing Business 2012 Department, *Doing Business in a More Transparent World* (Washington, DC: Global Business Environment Operations, The World Bank, 2008).

Dumas, Colette "Achieving Economic Self-Sufficiency Through Microenterprise Training: Outcome-Based Evidence from the Center for Women and Enterprise." In *Contemporary Microenterprise: Concepts and Cases,* edited by Joseph Mark S. Muñoz, 260-275. Massachusetts: William Pratt House, 2010.

Duvoux, Nicolas. "The Culture of Poverty Reconsidered." *The Annals of the American Academy of Political and Social Science* 629 (2010): 6-27. Accessed May 29, 2011. DOI: 10.1177/0002716210362077

Etounga, Daniel. "Does Africa Need a Cultural Adjustment Program?" In *Culture Matters: How Values Shape Human Progress,* edited by Samuel P. Huntington and Lawrence E. Harrison. New York: Basic Books, 2001.

Fairbourne, Jason and Stephen W. Gibson. *Micro-Franchising: Creating Wealth at the Bottom of the Pyramid*. Northampton: Edward Elgar, 2007.

Foster, George M. "Peasant Society and the Image of Limited Good." *American Anthropologist New Series* 67, no. 2 (1965): 293-315.

Foster, George M. *Antropología Aplicada*. Mexico City: Fondo de Cultura Económica, 1969.

Fukuyama, Francis. "Social Capital." In *Culture Matters: How Values Shape Human Progress.* Edited by Samuel P. Huntington and Lawrence E. Harrison, New York: Basic Books, 2001.

Gámez, José Dolores. *História De Nicaragua: Desde Los Tiempos Prehistóricos Hasta 1860, En Sus Relaciones Con España, México y Centro-América.* Managua, Tip: de El País, 1889.

Gibson, Bette (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.

Gibson, Stephen (Founder, The Academy for Creating Enterprise, Brigham Young University; Provo), Interview by Jeremi Brewer, June 7, 2011.

Glazer, Nathan. "Disaggregating Culture." In *Culture matters: How Values Shape Human Progress,* edited by Lawrence E. Harrison and Samuel P. Huntington, 219-30. New York: Basic Books, 2000.

Goode, Judith and Edwin Eames. "An Anthropological Critique of the Culture of Poverty." In *Urban Life: Readings in Urban Anthropology,* edited by G. Gmelch and W. Zenner, 405-25. Long Grove: Waveland Press, 1996.

Grondona, Mariano. "A Cultural Typology of Economic Development." In *Culture Matters: How Values Shape Human Progress,* edited by Samuel P. Huntington and Lawrence E. Harrison. New York: Basic Books, 2001.

Hannerz, Ulf. *Soulside: Inquiries Into Ghetto Culture and Community*. New York: Columbia University Press, 1969.

Harrington, Michael. *The Other America: Poverty in the United States.* New York: Touchstone, 1962.

Harrison, Lawrence (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Jeremi Brewer, April 15, 2011.

Harrison, Lawrence (Director, Cultural Change Institute, Tuft University's Fletcher School; Massachusetts), Interview by Steve Paikin (anchor and senior editor of TVO's flagship current affairs program *The Agenda with Steve Paikin)*. Accessed February 12, 2010. http://www.youtube.com/watch?v=TiELJTIQT8Q.

Harrison, Lawrence. *Underdevelopment is a State of Mind: The Latin American Case*. Lanham, Maryland: University Press of America, 1985.

Harrison, Lawrence. *Who Prospers?: How Cultural Values Shape Economic and Political Success*. New York: Basic Books, 1992.

Harrison, Lawrence. *The Pan-American Dream*. New York: Basic Books, 1997.

Harrison, Lawrence. *The Central Liberal Truth: How Politics Can Change a Culture and Save It From Itself.* New York: Oxford University Press. 2006.

Harrison, Lawrence. *Jews, Confucians, and Protestants: Cultural Capital, and the End of Multiculturalism* (forthcoming).

Harrison, Lawrence and Jerome Kagan. Eds. *Developing Cultures: Essays on Cultural Change.* New York: Routledge, 2006.

Harrison, Lawrence and Peter Berger. Eds. *Developing Cultures: Case Studies*. New York: Routledge, 2006.

Harrison, Lawrence and Samuel P. Huntington. Eds. *Culture Matters: How Values Shape Human Progress.* New York: Basic Books, 2000.

Hartung, Frank E. "Cultural Relativity and Moral Judgments." *Philosophy of Science* 21, no. 2 (1954): 118-126.

Helmore, Edward. "All We Need to Tell The Poor Is: Come on, Fellas, Shape Up." *Observer*, April 23, 2001.

Hipsher, Scott. "Theoretical View on Microenterprise Entrepreneurial Motivators." In *Contemporary Microenterprise: Concepts and Cases,* edited by Joseph Mark S. Muñoz, 49-57. Massachusetts: William Pratt House, 2010.

Huang, Chi. *When Invisible Children Sing.* Carol Stream: Tyndale House, 2006.

Huntington, Samuel P. *Who are we? The Challenges to America's National Identity*. New York: Simon & Schuster, 2004.

Isserman, Maurice. "Michael Harrington, Warrior on Poverty." *The New York Times,* Jun. 19, 2009.

Jones, Rachel and Ye Luo. "The Culture of Poverty and African-American Culture: An Empirical Assessment." *Sociological Perspectives* 42, no. 3 (1999): 439–58. Accessed March 17, 2011. http://www.jstor.org/pss/1389697.

Kelley, Donna, Niels Bosma, and José Ernesto Amorós. *Global Entrepreneurship Monitor 2010 Global Report.* Babson College: Massachusetts. 2010.

Landes, David. "Culture Makes Almost All the Difference." In *Culture Matters: How Values Shape Human Progress,* edited by Lawrence Harrison and Samuel Huntington, 2-13. New York: Basic Books, 2000.

Lea, Henry Charles. "A History of the Inquisition of Spain." *Spheres of Action* 8, no. 3 Jews (1905): 237-259, at 237.

Leacock, Eleanore. *The Culture of Poverty: A Critique*. New York: Simon and Schuster, 1971.

Leeds, Anthony "The Concept of the 'Culture of Poverty': Conceptual, Logical, and Empirical Problems, With Perspectives from Brazil and Peru." In *The Culture of Poverty: A Critique*, edited by E. B. Leacock, 117-33. New York: Simon and Schuster, 1971.

Lewis, Hylan. *Blackways of Kent.* Columbia: University of South Carolina Press, 1955.

Lewis, Oscar. "The Effects of White Contact Upon the Blackfoot Indians." PhD diss., Columbia University, 1942.

----. *Life in a Mexican Village: Tepoztlán Restudied*. Champaign: University of Illinois Press, 1951.

----. *Village Life in Northern India: Studies in a Delhi Village.* New York: Vintage Books, 1958

----. *Five Families: Mexican Case Studies in the Culture of Poverty*. New York: Basic Books, 1959.

----. *The Children of Sánchez: Autobiography of a Mexican Family*. New York: Vintage Books, 1963.

----. *Pedro Martinez, a Mexican Peasant and His Family*. New York: Random House, 1964.

----. *A Study of Slum Cultures: Backgrounds for La Vida*. New York: Random House, 1968.

----. *A Death in the Sanchez Family*. New York: Random House, 1969.

----. *Anthropological Essays*. New York: Random House, 1970.

----. *La Vida*. Mexico City: Editorial Grijalbo, S.A., 1983.

Liebow, Elliot. *Tally's Corner: A Study of Negro Streetcorner Men*. Lanham: Rowman & Littlefield Publishers, 1969.

Mead, Lawrence. *Beyond Entitlement: The Social Obligations of Citizenship*. New York: Free Press, 1986.

Minniti, M. and Autio Bygrave. *Global Entrepreneurship Monitor: 2005 Executive Report*. Massachusetts: Babson College, 2005.

Moynihan, D. Patrick. "The Negro Family: The Case for National Action." Office of Planning and Research, United States Department of Labor (March 1965). Accessed March 3, 2011. www.dol.gov/asp/programs/history/webid-meynihan.htm.

Murray, Charles. *Losing Ground: American Social Policy 1950-1980*. New York: Basic Books, 1984.

Neck and Nelson, "Small Enterprises Development: Policies and Programs." In

    Contemporary Microenterprise: Concepts and Cases, edited by Joseph Mark S.

    Muñoz, 87-101. Massachusetts: William Pratt House, 2010.

Newa, Fred. "Microfinance and the Growth of Micro and Small Enterprises (MSEs) in

    Sub-Saharan Africa: The Case of Faulu Kenya." In *Contemporary*

    Microenterprise: Concepts and Cases, edited by Joseph Mark S. Muñoz, 87-101.

    Massachusetts: William Pratt House, 2010.

O'Brien, Thomas F. "Dependency Revisited: A Review Essay." *The Business History*

    Review: Business in Latin America 59, no. 4 (1985): 663-669.

Oppenheimer, Andrés. *¡Basta de historias! La obsesión latinoamericana con el pasado y*

    las 12 claves del futuro. Mexico City: Random House, 2010.

Patterson, James. *America's Struggle Against Poverty in the Twentieth Century*.

    Cambridge: Harvard University Press, 1981.

Payne, Ruby. *A Framework for Understanding Poverty*. Highlands: Aha! Process, Inc.,

    1996.

Q&A With Hernando de Soto: The Power of the Poor, Free To Choose Media / PBS,

    Television, 2, Eire, Pennsylvania: Thursday, Oct. 8, 2009.

Rigdon, Susan. *The Culture Façade: Art, Science, and Politics in the Work of Oscar*

    Lewis. Urbana: University of Illinois Press, 1988.

Rodman, Hyman. "Culture of Poverty: The Rise and Fall of a Concept." *Sociological*

    Review 25, no. 4 (1977): 867–876. Accessed February 26, 2011.

    DOI: 10.1111/j.1467-954X.1977.tb00317.x.

Ryan, William. *Blaming the Victim.* New York: Pantheon, 1972.

Sachs, Jeffrey. *The End of Poverty: Economic Possibilities for Our Time.* Massachusetts:
Penguin Press, 2005.

Shweder, Richard. "Moral Maps, 'First World' Conceits, and the New Evangelists." In
Culture Matters: How Values Shape Human Progress, edited by Samuel P.
Huntington and Lawrence E. Harrison. New York: Basic Books, 2001.

Small, Luis, David Harding, and Michèle Lamont. "Reconsidering Culture and Poverty."
The Annals of the American Academy of Political and Social Science 629, no. 6
(2010): 6-27. Accessed February 28, 2011. DOI: 10.1177/0002716210362077.

S. Muñoz, Joseph Mark. *Contemporary Microenterprise: Concepts and Cases*.
Massachusetts: William Pratt House, 2010.

Thanh Thai, Mai Thi and Ho Thuy Ngoc. "Microentrepreneurship in a Transitional
Economy: Evidence from Vietnam." In *Contemporary Microenterprise:
Concepts and Cases,* edited by Joseph Mark S. Muñoz, 32-48. Massachusetts:
William Pratt House, 2010.

U.S. Department of State, *World Census Bureau 2010.* Washington, DC. 2010.

U.S. Department of State, *World Census Bureau 1998-2010.* Washington, DC. 2002.

Valentine, Charles. *Culture and Poverty: Critique and Counter-Proposals.* Chicago:
University of Chicago Press, 1968.

Weber, Max. *The Protestant Ethic and the Spirit of Capitalism.* Translated by Talcott
Parsons. New York: Scribner, 1905.

Williams, Colin. *The Hidden Enterprise Culture: Entrepreneurship in the Underground Economy*. Massachusetts: Edward Elgar, 2006.

Wilson, William. *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. Chicago: Chicago University Press, 1987.

Yunus, Mohammed. *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*. New York: Perseus Book Group, 2007.