1. “Development” and the family in East and West

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1. The joint family, any non-nuclear family, has usually been seen by Westerners as impeding development, the shift to intensive growth. Weber argued this was the case with the clan in China and with the caste in India. It has been a consistent theme in the writings of development economists and demographers who have seen the small family not only as intrinsic to the running of an advanced capitalist economy but also as a critical factor in its initial growth. Hence some would see Western Europe as already prepared for capitalism; other areas as not.

2. The argument runs that capitalism requires entrepreneurship, individual decision-making, which is inhibited in a larger group through having to take into account the interests of the many. A successful member would have to share his success with more distant family members. In other words the nearer the family comes to being absent, as in the extreme case of Robinson Crusoe, the nearer one comes to success. That would also apply to the corporate units that the economy requires to pursue its ends, namely the firm, company, or enterprise. In much theory of capitalist management, such institutions can best pursue their aims when they operate bureaucratically, recruiting management and employees on a completely impersonal basis (so Weber argued), filling posts by examination (in the broad sense) with the individuals best qualified for the job, on the basis, that is, of achievement rather than ascription, the latter describing nepotic or family relationships generally. They are precluded by the commitment to universalism.

3. The argument is attractive and was developed by sociologists such as Talcott Parsons (1947) as well as management theorists, historians of the family, demographers, and others. It provided the ideological support for the multi-national corporations that were supposed to take over the running of the world economy in the course of time as globalisation dictates, since an evolution is seen from the family business to the bureaucratic corporation, the one disappearing as the more “modern” variety dominates.

4. But the problem of the interrelationship between entrepreneur, family, and property is more complicated than this model allows. Firstly, for new business an entrepreneur is
nearly always embedded in a family and since the transmission of property virtually always takes place within that unit, the individual’s activity will eventually take on aspects of a family firm. Indeed, an individual may have initially found it easier, partly because of the nature of the trust and friendships involved (as well as having a joint interest in ancestral capital), to raise money from family members, probably at advantageous rates. For the same reason, it may be advantageous to employ members of the family in senior positions, not only for their own benefit but also for the benefit of the entrepreneur and his firm. It was for this reason that the important early banks in Italy and Germany employed relations, including cousins and more distant kin, to set up new branches in distant centres, in the knowledge that the business would be safer in their hands than in those of a bureaucratically-recruited employee who might have no particular loyalty to the business and who would not share in its success in the same way as a family stakeholder.

With established firms the position is similar: since a number of members of the family will have benefited at the death of the original entrepreneur, their holdings (and they themselves) may well benefit from keeping the firm intact and from supervising its management.

So the family business is not an institution that will disappear in the long run as firms become more mature, because most new enterprises will take on this character. Hence Bill Gates will select his father to run the foundation he has established out of his profits and will doubtless employ his offspring in Microsoft. In any case they will presumably inherit his shares.

Even after several generations we find large firms such as Ford with family members in important executive positions. For even where they have decided to raise money on the stock exchange, large blocks of shares may be retained by the family as a result of which they have important voting rights as stockholders and may well regard themselves as being supremely capable of looking after the company’s affairs, partly because of their genealogical relationship to the founders, partly because they have more at stake than other individual participants, that is, they have more to lose emotionally and financially.

Let us take another French company that has just announced its results, Michelin of Clermont-Ferrand (Le Monde, February 27th 2002). The “cogérant” since 1955, François Michelin, will quit his post and be succeeded by his son, Edouard, president since 1999. He will become co-gérant with René Zingraffe. The firm was founded by his great-grandfather (also Edouard) in 1889 together with his son-in-law, Robert Puiseux, “Michelin possède la particularité d’être géré en commandite par actions, fonctionnant avec une structure restreinte, où la totalité du pouvoir était jusqu’à présent concentrée sur trois personnes”. One, sometimes two, of these were family members who could stay on long past the usual retirement age, François to seventy-five, while Zingraffe is already sixty-four. Family participation did not stop the group being very innovative, especially with the radial tyre that dominated the market during the 1970s, even in the USA (where they purchased Uniroyal-Goodrich in 1990).

Much social, economic and political theory has assumed that globalisation and the family were diametrically opposed, that capitalism inevitably led to globalisation (and to imperialism in Lenin’s vocabulary), making the family anachronistic.

I want to argue that not only is some form of ‘family’ more or less essential for the reproduction of society (despite the attenuation of wider kinship ties, the predominance
of the small and even smaller family and the turning away from marriage and childbirth of many couples) but that it is also critical to the economy, which is often seen as the motor of globalisation and capitalism.

Much management theory saw family firms as being replaced by multilinear enterprises or at least those organized round the market in shares. But “Alors que la mondialisation de la finance devrait théoriquement rendre le capitalisme familial anachronique, celui-ci se porte comme un charme. N’a-t-on pas vu, fin mai, la famille Dassault repasser au-dessus des 50% de Dassault Aviation? Pierre Peugeot, président du conseil de surveillance de PSA Peugeot-Citroën, n’a-t-il pas déclaré que sa famille possède 26,46% du groupe automobile, envisageait d’en détenir à terme la moitié du capital du groupe” (Le Monde May 24th 2002) “N’a-t-on pas appris en juin que François Pinault avait réalisé en 2001 une donation partagée entre ses trois enfants, payant au passage environ 450 millions d’euros de droits de succession?” (Le Monde July 30th 2002).

From L’Oréal (haircare, Bettancourt family), to Auchan (supermarkets, Mulliez family), from Lagardère at Bouygues (Telecom), and from Michelin (tyres) to LMVH (accessories, Bernard Arnault), familial enterprises have a preponderant place in the French economy, of which they generate 60% to 70% of the activity. For the 250 largest companies “cotées” (quoted), which form the “index SBF 250” of the Parisian exchange, more than one half (57%) belong to the sphere of family capitalism.

The latter are defined by C. Blondel, who directs the research programme in family capitalism at Insead, as those in which an industrial family is the biggest shareholder with more than 10% of the capital. These companies constitute 57% of the entries (in the SBF 250); they represent only 35% of the capitalisation, because they are generally smaller. Nevertheless from 1993 to 1998 their weight in the index moved from 48% to 57%.

However, family enterprises have been in the index longer than others, suggesting a greater longevity of family firms (which runs counter to many suppositions).

In Germany too 51% of the companies quoted on the Frankfurt exchange were familial, and as in France their number was growing, 39% in 1953, 51% in 1998.

These companies are also very successful. In France, between 1991 and 2001, the index of family companies grew to 446% while that for the SBF in general rose only 233%. In Britain, a study showed that one pound invested in family firms brought £11.11 in 20 years, as against £8.72 for companies at large. In the US in 1996 another study showed that over 20 years family firms increased by 16% against 14% for the Standard and Poor’s index. Family firms are more ready to reinvest their profits and are more focussed on their métier.

In looking at the question of the family in relation to business, or in most other contexts, we have to bear in mind two other dimensions. Firstly, there is the synchronic, the dimension of the household, the range of existing kin, etcetera. Secondly, there is the diachronic dimension which relates to continuity over the generations and above all to the question of inheritance. The question of trust is bound up with my contemporary family relationships. I may work in a bureaucratic organisation, with my colleagues or comrades in a factory or in a university, but they will never inherit the property which I have accumulated, either in paid work or in some level of enterprise. Even if I am in conflict with my son, even if I have little confidence in his abilities, in most systems he will enjoy a share of my property. So too in Eurasia will my wife, who in Islamic systems...
may well only inherit half (though she also has the dot, the dowry) but will also be a cousin, a collateral, a member of the wider family.

There are changes in the system of inheritance that go along with “modernization” but they are limited. In the first place, there has been a general tendency to make the surviving spouse the heir before the children. She may have the property temporarily in an informal ‘trust’ for the offspring of the marriage, and perhaps for those of other marriages. But that is a definite shift from the nineteenth century. It is partly the result of a longer expectation of life, of a greater disparity of age between the final couple, and the “independence” of the junior generation who are unlikely to see themselves as responsible for their parents, partly because of the increasing intimacy of husband and wife, especially in the period after their children have left to set up their own households.

Of course in Eurasia provision was always made for the widows, but that only constituted a limited share of the patrimony. Today the change means that a considerable proportion of shares are held by women not only through their own accumulation or through inheritance from their natal families but also because they have acquired property from their husbands. These are the so-called “merry widows”, and the phenomenon leads to a feminisation of the stock market and of the ultimate ownership of industry.

I have dwelt upon the contradictions between western socio-economic theory and western socio-economic reality in order to point to the error in the dominant managerial and sociological approach to the relationship between individual, family, and firm: families, including larger families, are not at all incompatible with business activity in the West. And this is certainly even more true of non-European countries in Asia. Faure has described the Chinese clan as a business corporation, investing capital in possibly profitable concerns. That activity runs quite contrary to the assumptions of Weber, who saw the clan as one of the great hindrances to such developments. It is the same for certain castes in India. For example, Chettiar castes of bankers in the south of India played an important role in financing that great centre of capitalist enterprise, Singapore. Far from inhibiting development, the caste encouraged it. Because of the trust that existed between caste members and the fact that any default would be sanctioned by the caste panchayat or council, members could borrow from each other at lower rates than they could on the open market. In fact they could borrow cheaply and lend dearly.

Much early business was conducted jointly because that reduced the exposure to risk. Especially with long-distance commerce where sea or land voyages often led to loss, joint ventures were a form of insurance. Such activity was formalised in what became known in classical times as the commenda, in which merchants might pool goods or costs of transport, making counterpart arrangements for dividing the profits. These arrangements might be made between family members as we have discussed above, or they might be made between unrelated merchants. Arrangements of this kind were undoubtedly a feature of the Armenian merchants from the Persian Empire who traded with India, China, and Asia generally from early times. The extent of such trade showed Weber to be quite wrong in writing of “the stationary character of the Persian economy” (see Goody 1996:114). But like all early trade it was risky and so benefited from joint arrangements, including those that involved the family, restricted or extended. Following their overthrow in 1603, the Armenians suffered a mass defeat and fled to Isphahan which promoted further incentives to engage in the eastern trade.

After their mass deportation to the outskirts of Isphahan following their defeat in 1603-5, Armenian merchants were particularly active. For many centuries they had.
inhabited an area that was central to East-West commerce and they now had further incentives to engage in the Indian trade in which they had been long established. Involved in the export of Persian silk and of jewellery to Europe, and of European cloth and manufactures eastwards, they traded in many other goods as well, for example, selling Madras cottons in the Philippines for gold and silver. In Asia it was largely silk, Indian cloth, dyes, precious stones, medicinal plants, musk, and spices. These merchants practised all types of commerce, often simultaneously: “le colportage, le commerce caravanière..., le petit et le haut négoce”. They even adapted themselves from the caravan to the seaborne trade, some becoming shipowners themselves. They were small merchants as well as big, and there was movement between the two (Goody 1996: 114).

21 At least from the seventeenth century, Armenian traders in Asia, who apparently employed double-entry book-keeping probably learned from the Italians for whom they acted as intermediaries in the Asian trade, formed companies with limited or mixed liabilities (commandités, a limited partnership). As with the commenda, these societies were established among kin as well as with outsiders. Indeed kinship was often essential to their continuing activities of which were capitalistic in nature, especially when they had little or no state support. “This world of traders, geographically dispersed but socially integrated and built without the direct support of any state, gave birth to a commercial capitalism founded largely on the family. Ties of kinship and marriage, as well as of dependence, created relationships of trust. They formed real merchant dynasties, in which the transmission of goods was often guaranteed by marriages between the great families.” Here as elsewhere in the major states of Europe and Asia, daughters as well as sons were entitled to a proportion of the conjugal property, as dowry or as inheritance, so they participated in the process of control and transmission. Such transfers also played their part in raising capital, and the relationships themselves in providing personnel; tics of both kinship and marriage supplied the trust that was so valuable for long-term collaboration.

22 The Armenians used the same trade routes from the Near East on which many Indian merchants relied, particularly the Muslims and Parsis (Zoroastrian refugees from Persia) who had none of the restraints that some Indian castes placed upon their members. The latter were not meant to travel outside the country, so that when Gandhi came to England for the first time to study law, a special rite had to be performed to release him from this prohibition. As in many other cases, it did not prevent him from leaving (Goody 1996: 147).

23 It was the same with other trading groups, which led to a diaspora of their members. Thus the Hindu Sindhis from present-day Pakistan took Indian goods throughout East Asia as well as north-west to the Caspian Sea, trading and establishing communities as far afield as Aden and Bukhara (Markovits 2000). Once again they mixed business with family affairs in a manner that had started with the earliest commercial expeditions we know of (e.g. Mesopotamia and Anatolia) and continues to the present day, with some modifications, for family members as well as for the firms.

Other merchant houses, using those same routes, were organised in a similar way. The “House of Chinoy” is described in the autobiography of Sultan Chinoy (1962). His father, a Muslim Khoja from Kutch, had been found a place by his parents in a firm that did an extensive import-export business with China on the one hand (in opium and hessian) and with Muscat on the other (in pomegranates and kharak). One son, Sultan, was sent off to study while his brother went directly to work– the two activities were seen as going hand in hand. “My hopes arc centred on him”, the father wrote, “for developing our business and enhancing our family.” In 1904,
through the good offices of his brother, Sultan was offered the Shell petrol agency
by a family friend, a Briton. His father “decided I should seize it”, saying, “Sultan,
now that I’m putting you in business.” No success story, for so it turned out to be,
could be farther from that of the independent entrepreneur (Goody 1996: 147-8).

24 There were Persians more directly related to the Indian trade where families and indeed
community played a very important part. I am thinking of the Zoroastrian refugees who
fled Iran after the Muslim invasions between the eight and tenth centuries and who
established themselves in northwestern Gujarat. At first agriculturalists, it may have been
their proximity to the trading town of Surat, which became a British base in 1668, that
eventually turned them (the Parsis as they were called) towards mercantile activity, while
still maintaining a partially modified form of their Zoroastrian practices and beliefs. Here
too family and community ties are very strong – they have sectarian foundations for
helping their co-religionists – which seem to have in no way interfered with their
participation in capitalist activity whether as merchants or as manufacturers. Indeed
such ties have in many cases been a positive advantage.

25 The same is of course true of many Indian industrialists where the role of kin has long
been recognised as a contributory factor in their development, e.g, in the work on Madras
of the philosopher-anthropologist Milton Singer (1968). The same can be said for the
families I knew in Gujarat in which strong family relations were often a great help to new
entrepreneurial activity, not to mention the running of established businesses. There was
both independence (individual endeavour) and support.

26 The point does not need hammering. We can agree that families as such, the restricted
family, had no adverse effect on the growth of capitalism or of mercantile activity. Indeed
in many cases it provided a stimulus to accumulation, even though (as in many
bureaucratic concerns) one had to allow for the occasional free-rider. However, kinship
ties in Asia, in the East as in the West (at least in China), were more extensive than in
Europe where such ties diminished in importance after the fall of the Roman empire and
the coming of Christianity. The latter in my view discouraged extensive kin ties (and even
some aspects of the closer, more intensive ones). We could perhaps take Romeo and Juliet
as being paradigmatic here, with the church overruling broader family opposition (partly
spurred on, I have suggested, by its desires for the accumulation of wealth as well as for
spiritual domination). Christianity was singular in its influence. But I do not think that
derence from other religions, which underpinned the claims of Weber and to some
extent of Marx, had any connection with the different economic trajectories of the
continents in the pursuit of modernisation. In any case, as Pomeranz has recently argued,
the Great Divergence between Europe and other areas of intensive growth only occurred
with the coming of the nineteenth century. Before that little relevant economic
difference could be observed, despite the widespread and deeply rooted theories of
Western social science.

27 We can agree then that the family was of great importance in merchant and
manufacturing activity in South as well as in West Asia. Some have seen this
development, in China for instance, as an example of ‘collective capitalism’ as distinct
from the individualistic variety of the West, much vaunted by Max Weber and others. It
would make India and Iran examples of Asiatic exceptionalism.

28 I want to argue that such a conclusion would be quite mistaken and is derived from a
superficial analysis of the material from Western Europe. In support of this point I turn to
a recent study on merchant families in the English-speaking world in the seventeenth and
early eighteenth centuries. That is broadly true not only of the role of clans, lineages and extended families but even more certainly of the role of the family.

This new study, using a large database derived from records from the English-speaking world between 1580 and 1740, attempts to reassess the relation between family and business over that crucial period for the development of capitalism. Indeed the author Richard Grassby calls his study *Kinship and Capitalism* (2001). Grassby is the ultimate empiricist, claiming to eschew all theory (though how far he or anyone else succeeds in this aim is questionable). If he has no theory, he does have prejudices. For example: “It was the nuclear family that allowed individualism to develop, and it was individualism that created both capitalism and love” (p.394). It is his conclusion that “no fundamental change in form has been detected that might be construed as a transition to modernity” (p.387). The triumph of individualism, he argues, “was fundamentally a triumph of the individual household within a kinship structure” (p.395). There are few societies anywhere of which the same could not be said. Unless you accept the Weberian and folk doctrine of the uniqueness of western individualism, whether deriving from Christianity, from early Germany, from Puritanism, from eighteenth-century England, or in post-colonial America, but rather see it as a universal characteristic, the conclusion is banal.

Grassby describes business families in the following way:

All businessmen recognised an obligation to advance and protect their children and set them up for life. Many wanted at least one of their sons to follow in their occupation, and many sons did become businessmen, though not necessarily in their father’s business. When their sons proved incompetent, fathers usually put love and loyalty before efficiency and enterprise. Many daughters also married into the business community. But the children were also distributed among different professions, and the richer merchants advanced the status of their families by putting their sons and daughters into the landed gentry. Parents sometimes acceded to the wishes of their children, but most still tried to control the marriages of their sons and especially of their daughters, because they had to sacrifice substantial capital to raise portions. Most businessmen sought to achieve immortality through their children. But the desire to elevate their families and perpetuate their line often threatened the integrity and cohesion of the family business (2001: 385).

Family businesses (by which he means completely family concerns) did not endure indefinitely and often had problems of management in the next generation. But non-family firms did not last any longer and the former had certain advantages in overcoming bureaucracy, in the cheapness of capital, in having unitary aims etc. Grassby sees the family firm as an essential intermediary between the isolated entrepreneur and the anonymous company, “Without the capital and applied skills of family firms, there would have been no economic growth” (p.417).

It is of course not only a useful intermediary, either in an evolutionary sense or in terms of individual firms. It is a necessary part of the growth of business not only when business (at least manufacturing business) is new, but in virtually all newly started entrepreneurial activity. Many continue to act as family firms, even when they have decided to raise capital by selling shares to the general public. For they often retain blocks of shares which give them not only voting rights but also enable them to continue to play a managerial role in the firm. That was the case even with the nationalised aircraft firm of Dassault in France; recently a Ford has taken over the management of the automobile manufacturers; IBM has seen son succeed father; Seagram's has recently undergone similar transfers of succession. In Britain, Sainsbury's and Marks and Spencer
are significantly dominated by family capital and by family participation in the boardroom. The family firm is not simply an outgrowth of the restricted family; it helps to maintain and extend kinship relations as cousins and more distant kin continue to have interests in the continuing concern. The supposed incompatibility is a figment of the evolutionary imagination of the sociologist and the management theorist, driven by mistaken ideas of modernisation and globalisation.

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**NOTES**

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