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### Religion and economy: a comment

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#### Abstract

McCleary and Barro (2006) analyse whether Max Weber was right in emphasizing the religious impact on work ethic. They find a positive correlation between belief in hell and work ethic ( $p=0.098$ ). They conclude that “Weber may have been right in emphasizing the religion link with work ethic” (p. 71). However, they fail to explore link to Max Weber's work on Protestant ethic as they don't explore for denomination differences. Weber's hypothesis would suggest that we would mainly observe an effect for Protestantism. Using a similar data set we provide empirical evidence that indicates that the impact of religion on work ethic is affected by the level of Protestantism within a society. Thus, compared to McCleary and Barro's finding such a result is very much in line with Max Weber's link between religion and work ethic.

## 1. Introduction

In their article on the two-way interaction of religion and political economy, McCleary and Barro (2006) offer intriguing insights regarding the causes and consequences of religion with a particular focus on the economy. In the last section of their paper they explore how religious beliefs shape individual traits and values. They are particularly keen to analyse whether Max Weber was right in emphasizing the religious impact on work ethic (in other words, whether religious beliefs affect the economy by fostering traits such as work ethic). To explore this link they use a cross-sectional ordinary least squares regression for 78 countries with a work-ethic indicator from the *World Values Survey* (fraction of persons indicating that they thought that valuing hard work was an important trait for children to learn at home) as a dependent variable. Countries' average belief in hell is used as a proxy of religiosity. Most interestingly, they find a positive correlation between belief in hell and work ethic ( $p=0.098$ ). They conclude that "Weber may have been right in emphasizing the religion link with work ethic" (p. 71). However, the link to Max Weber's work on *Protestant Ethic and the Spirit of Capitalism* remains predominantly unexplored. They fail to explore whether religiosity and its impact on work ethic depends on denomination. Weber's hypothesis would suggest that we would mainly observe an effect for Protestantism. Focusing only on religiosity as McCleary and Barro (2006) have done cannot be seen as a direct test of Weber's hypothesis.

## 2. Max Weber's Work Ethic

In chapter 1 on "Religious Affiliation And Social Stratification", Weber (1976) states: "A glance at the occupational statistics of any country of mixed religious composition brings to light with remarkable frequency a situation which has several times provoked discussion in the catholic press and literature, and in catholic congresses in Germany, namely, the fact that business leaders and owners of capital, as well as higher grades of skilled labour, and even more the higher technically and commercially trained personnel of modern enterprises, are overwhelmingly Protestant." Weber stressed that Protestantism (or to be more specific Calvinism) sought to avoid the dilemma of medieval monasteries: "religious austerity led to wealth, wealth to fall from grace, and this again to the necessity of reconstruction" through the idea that human beings were "only administrators of what God gave them" (see Weber 1983). Hence, individuals were not permitted to escape from the world and were encouraged to work hard with others under a rational discipline as a religious duty. Following the rational capitalist principle it was regarded as the fulfilment of a "God-given task", and hence "admission to the Lord's Supper" depended on ethical fitness identified by respectability in business. Weber furthermore stressed that such a production of capitalistic individuals "has never existed in any other church or religion and in comparison with it what the Renaissance did for capitalism shrinks into insignificance" (p. 136). Restless diligence, austere asceticism and economic success can consequently be seen as indications of God's eternal grace. Weber (1976, p. 115) writes: "In practice this means that God helps those who help themselves. Thus the Calvinist, as it is sometimes put, himself creates his own salvation, or, as would be more correct, the conviction of it. But this creation cannot, as in Catholicism, consist in a gradual accumulation of individual good

works to one's credit, but rather in a systematic self-control which at every moment stands before the inexorable alternative, chosen or damned."

### 3. Empirical Evidence

Thus, to specifically explore the influence of Protestantism we extend the empirical work done by McCleary and Barro (2006) using a similar specification but adding two interaction terms (*belief in hell \* share protestant*; *belief in hell \* share catholic*). This allows taking into account that religiosity and its impact on work ethic depends on denomination. We are therefore able to evaluate the relationship between religion and work ethic influenced by Protestantism. In two out of three specifications, we also included the percent of the population with primary school enrolment from the World Development Indicators as a proxy for human capital. This was also included in an interaction term with *share protestant*. Becker and Woessmann (2009) argue that economic prosperity in the late 19<sup>th</sup> century Prussia was influenced by Protestants' higher literacy as a proxy for human capital rather than by the Protestants' work ethic.

Compared to McCleary and Barro (2006) we use average values from the World Values Survey waves 1981, 1990, 1995 and 2000. The denomination data set (share of protestant and catholic as a percent of population) comes from La Porta et al. (1999). In addition, we not only control for the economic performance of a country but also for the income distribution using the EHII data set provided by Galbraith and Kum (2003) in order to control also for a potential relative income relationship (see e.g., Frank 1999). Moreover, instead of using only an ex-communist dummy we use the official UN regional classifications (eight regions). The remaining variable (log per capita GDP) has been collected in line with McCleary and Barro (2006) from the World Development Indicators.

The results are reported in *Table 1*, including *beta* or *standardized* regression coefficients to reveal the relative importance of the variables used. To obtain robust standard errors in these estimations, we use the Huber/White/Sandwich estimators of standard errors. Compared to the specifications [1] and [2] we also use the World Values Survey data to control in [3] for the frequency of attendance at formal religious services and share of people within a country that have had a religious upbringing. Interestingly, we observe that the interaction term *belief in hell \* share protestant* is statistically significant with a positive sign in both specifications, while the interaction term *belief in hell \* share catholic* is not statistically significant at all.

### 4. Conclusions

This result indicates that the impact of religion on work ethic is affected by the level of Protestantism within a society. Thus, compared to McCleary and Barro's finding such a result is very much in line with Max Weber's link between religion and work ethic.

## References

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Table I: Work Ethic, Religiosity, and Protestantism

Dependent Variable: Work Ethic	Coeff.	t-value [1]	Beta	Coeff.	t-value [2]	Beta	Coeff.	t-value [3]	Beta
Independent Variables:									
Belief in hell	-0.208	-1.38	-0.229	-0.174	-1.20	-0.191	0.204	0.480	0.166
Share protestant	-0.004***	-2.95	-0.42	0.010	0.38	0.935	0.005	0.200	0.517
Share catholic	-0.0002	-0.1	-0.025	0.000	-0.23	-0.057	0.002	0.750	0.343
Belief in hell * share protestant	0.010***	2.71	0.285	0.010***	2.72	0.279	0.013**	2.45	0.371
Belief in hell * share catholic	0.002	0.64	0.096	0.001	0.57	0.114	0.005	0.970	0.382
Log per capita GDP	-0.135***	-2.69	-0.756	-0.133**	-2.37	-0.743	-0.168***	-3.08	-0.811
Income inequality (GINI)	0.003	0.74	0.096	0.002	0.58	0.075	-0.001	-0.22	-0.042
Primary school enrolment (%)				0.003	0.99	0.095	0.005	1.30	0.135
Primary school enrolment * share protestant				-0.0001	-0.54	-1.351	-0.0001	-0.33	-0.892
Grown up in a religious environment	No			No			Yes		
Attendance of religious services	No			No			Yes		
Regional dummies	Yes			Yes			Yes		
Number of observations	73			71			56		
R-squared	0.650			0.667			0.767		
Prob > F	0.000			0.000			0.000		

Regressions with robust standard errors. \*, \*\* and \*\*\* denote significance at the 10%, 5% and 1% level, respectively.