WAS WEBER RIGHT? EFFECTS OF RELIGION ON CAPITALISM

Aytuğ Zekeriya BOLCAN[•]

Abstract

Max Weber argues how social norms affect societies, how societies differ from each other, and these differences reach some economic consequences. Especially according to Weber, ethics is a collective statement of motives that cause a human being to assume a specified manner against world relationships by conceiving his/her adoration commitments and obligations. Besides the dogma and theory side of the religion, economic ethics is the aggregate of human being's motives (Antriebe) about his/her pragmatic activities and movements. Max Weber argues how social norms affect societies, how societies differ from each other, and these differences reach some economic consequences. Especially according to Weber, ethics is a collective statement of motives that cause a human being to assume a specified manner against world relationships by conceiving his/her adoration commitments and obligations. Besides the dogma and theory side of the religion, economic ethics is the aggregate of human being's motives (Antriebe) about his/her pragmatic activities and movements. In this study, Weber's approach was tested with data collected from the World Values Survey.

Keywords : Weber, Capitalism, Religion, Institutional Economics.

[•] Res. Asst., Department of Economics, Faculty of Economics, Istanbul University, ORCID: https://orcid.org/0000-0002-5162-4337, e-mail: abolcan@istanbul.edu.tr

Max Weber argues how social norms affect societies, how societies differ from each other, and these differences reach some economic consequences. Especially according to Weber, ethics is a collective statement of motives that cause a human being to assume a specified manner against world relationships by conceiving his/her adoration commitments and obligations. Besides the dogma and theory side of the religion, economic ethics is the aggregate of human being's motives (Antriebe) about his/her pragmatic activities and movements. According to Weber, stereotyped dogmas and doctrines of religion do not define economic ethics directly. However, it is a resource that gives us – occasionally – important clues for obtaining information on this way. With Hofstede (1990) words, '*culture is defined as the collective mental programming of the human mind, which distinguishes one group of people from another*', and Weber takes religion as an important figure in the culture.

Introduction

Protestant ethics in Weber's approach creates an environment that makes capitalism develop by driving people to work more and consume less. As we mentioned before, what is intended by saying religion effect is not only the religious orders but also their way of perception. Weber expresses that it is difficult for some religions to reach capitalism (capitalism in his definition) by following the crucial values accepted by religions as pioneering indicators with the concept of Virtuosen-Religiositat. So is Weber's Theory right?

Anyone who knows history and economics at the most superficial level can easily see that how capitalist institutions have occurred in Japan which is on the last level of Weber's religion scale cannot be explained by Weber's approach. Before throw out Weber's Theory, there is two way to explain this inside the theory. First, we can argue that religions share the same virtues, and with different interpretations, religion ethics can help to build capitalist institutions. Second, societies found new institution and norms affect as same as religious ethics, without religious references. This second part constitutes the backbone of our research. Is there any effect of religiosity on the development of capitalism? We experience another fundamental problem here. How will we measure the development of capitalism? Institutions such as free market, property rights, democracy, capital accumulation etc. are the institutions necessary for a thriving capitalist system. Nevertheless, the ones who stand at the forefront among them are the rates of capital accumulation and savings. Thus we are going to examine the relationship between piety and savings rates.

The rest of the article is structured as follows. Section 2 describes the theories about the relationship between religion and economics/savings. Section 3 presents the explanation and results of the model. Section 4 concludes.

Literature Review

You have to look at how the saving trend is determined if you aim to search how piety determines savings rate. According to Chang (1994) and Browning and Lusardi (1996), the saving ratio is determined by income, education, race, marital status, social security system. As a biologist and anthropologist Richerson and Boyd (2005), briefly discuss that culture has an effect on economic behaviour as well as on lives. Guiso et al. (2006), searched what kind of effect have variables that constitute culture such as religion and ethnic background on different variables such as trust, redistribution preferences and political preferences and found a significant relationship between them.

Historically Greif (1994), explains the institutional structure of culture (trust) and search the role of culture in medieval trade. He claimed that culture might be affected by culture. Grootaert and van Bastelaer (2007) discussed the effect of culture on development in the broader framework within the context of social capital and gave an extensive literature review and emphasized that it

is an essential factor. Tan and Vogel (2008), did a survey to search how the religiosity influences trust between individuals and found religious trustees are trusted more and more religious trusters found to religious trustees are more trust worthier.

Carrol, Rhee and Rhee (1994), searched the effect of culture on savings by using Canadian Survey of Family Expenditures data. Mainly because of immeasurable variables appear in cross-country data, he restricted his research on the immigrants came from different cultures in Canada. They found no evidence that cultural factors influence saving behaviour.

On the other hand, Fernàndez and Fogli (2009), showed that cultural proxies affect female work and fertility by using cross-country General Social Survey data. Starting from this, we can say that culture is not a traditional value, but also a living value. It is a fact that in many countries, immigrants live in subgroups and far from the culture of the society in where they live. However, this situation is not enough for making a cross-cultural comparison in a country. Because the question of how much immigrants have integrated into society will affect the result of the survey. Thus the studies on culture need to be made by using cross-country data.

First research about the effect of religion on economics is done by Weber. As we mentioned before, in his research on the perception forms of religions in historical and literary documents, Weber (1930[2001]) analyzed the relationship between collective mind (geist) and religion's ethical values. Iannaccone (1998) took religion as a factor which increases the private cost of doing bad things, thereby internalizing adverse external effects with using Azzi and Ehrenberg (1975) seminal paper on time allocation on time and church attendance.

Controversy, Fanfani (1936) argued that religion support growth if it is defined in the modern secular world like it is separate from a country's political and economic life. According to Fanfani, all religion harms development, Protestantism helps to increase economic growth, not its institution or ethical value but to help the separation of church and state. Grier (1997), use colonial differences which is quite similar to Acemoglu, Johnson and Robinson's later paper, between ex-colonies of Spanish, French and British and tried to find religious differences which affect development. They reach that Protestantism is correlated with growth and development.

Important literature is formed on the relationship between religion and economic growth with Barro and McCleary (2003) studies. In their country-wide level study, they used World value Survey and found that economic growth responds positively to the extent of religious beliefs, but negatively to church attendance. Also, they found that increased life expectancy tends to be negatively related to church attendance but positively related to religious beliefs. As we see this example, religiosity and religious practices have a different impact on economic factors.

According to Guiso et al. (2003), religion has a significant effect on economic variables such as savings, trust and individual responsibility. Renneboog and Spaenjers (2009) found that catholic and protestant households are 3% more sparing than non-religious ones in their study by using DNB Household Survey for Netherlands data.

Leon (2013), searched the effect of religion on households' economic decision in the USA by using the Panel Study of Income Dynamics (PSID). He found no difference between protestants and Catholics but a significant difference between believing and unbelieving.

Data, Model and Results

We use World Bank, World DataBank Data Series and World Value Survey and Values Surveys Databank Series. As we mentioned in the first part, capitalism has a lot of important institutions. However, if we consider especially Weber's period, capital accumulation is the one which comes out among others. This can only occur with savings.

Thus we measured the Capitalism level with Gross Saving Ratio of Countries. For religious indicator, we used Values Surveys Databank Religious Person indicator[1]. Also, we investigated the

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[1] This data is collected by asking directly "Would you say you are a Religious person?"

effect of religious practice, and for this variable, we use Attend Religious Services indicator.[2] Finally, we also tested Weber's Theory of religion.

We used the same database for the denomination of a religion/religions. In this point, we do not look different within religions without Christianity. You can find religion list, summary statistics and correlation table in the Appendix. Data are given in percentage, i.e. what percentage of his revenue does he use in savings or what percentage of people believe in a particular religion.

Furthermore, if any of the religious group does not exceed 40% of the society, it is shown as mixed. On the other hand, the World Value Survey, and it is hard to do all survey at the same time. So the survey was taken place in different periods (between 2005- 2008). For thisreason, we calculated the average gross saving ratio.
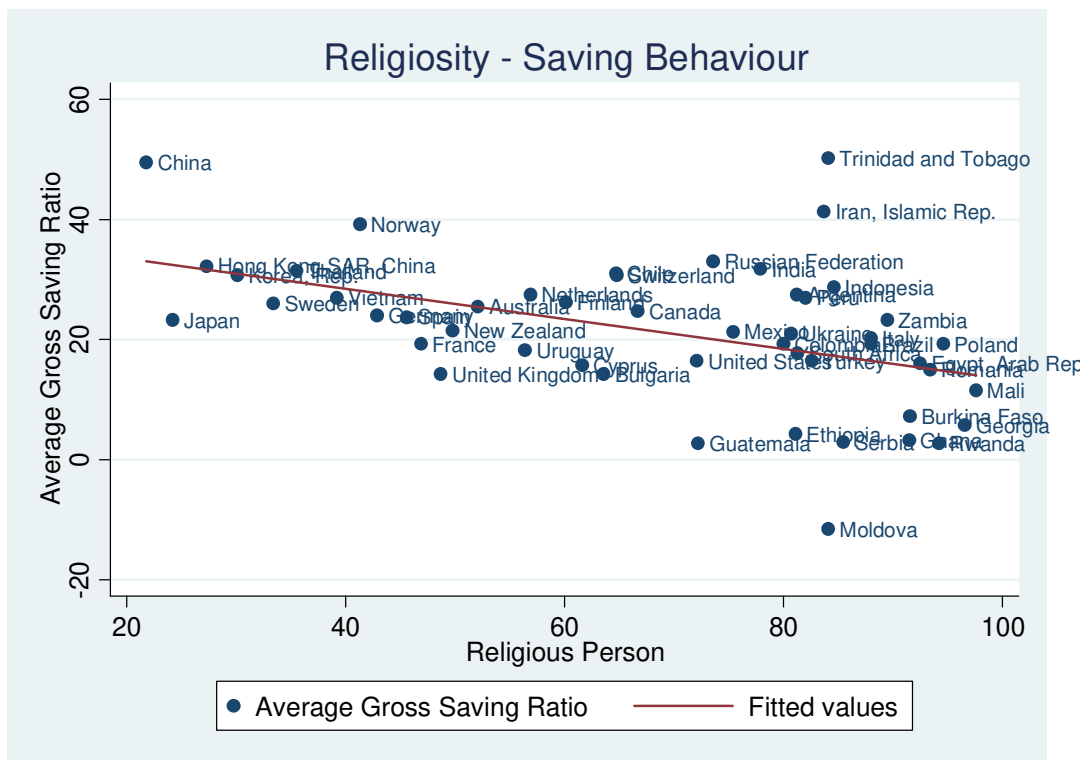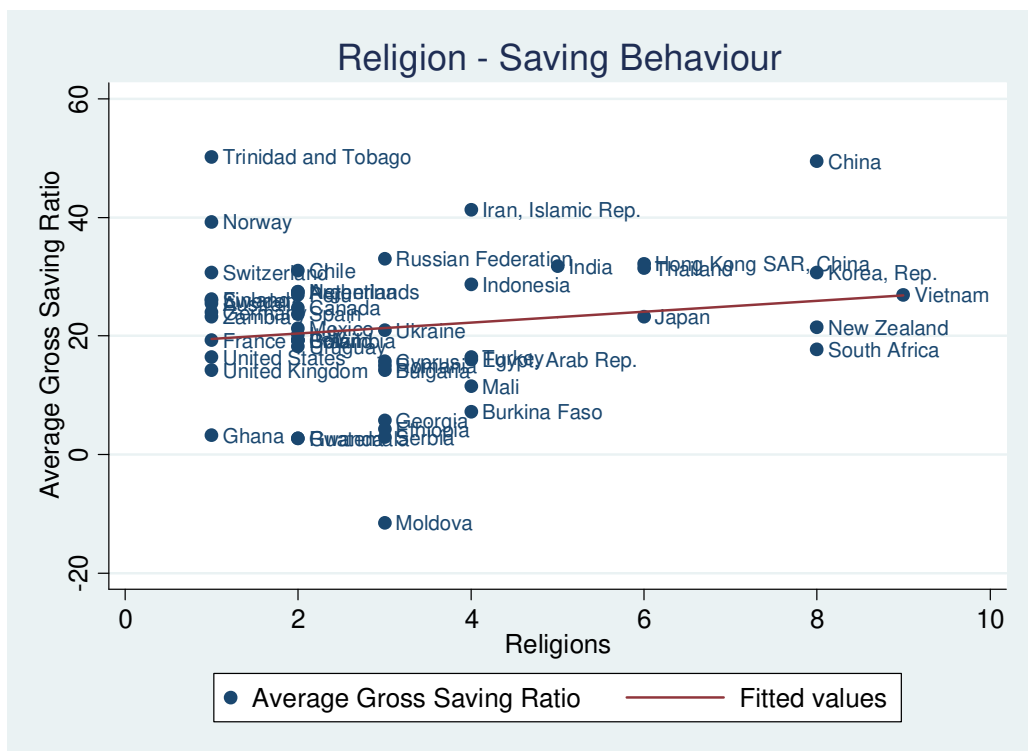

Graphic 1

As seen in the Graphic, there is a negative correlation between religiosity and savings ratios.

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[2] This data is collected by asking "Apart from weddings, funerals and christenings, about how often do you attend religious services these days? How often do you attend religious services ?"

Religious Activities - Saving Behaviour
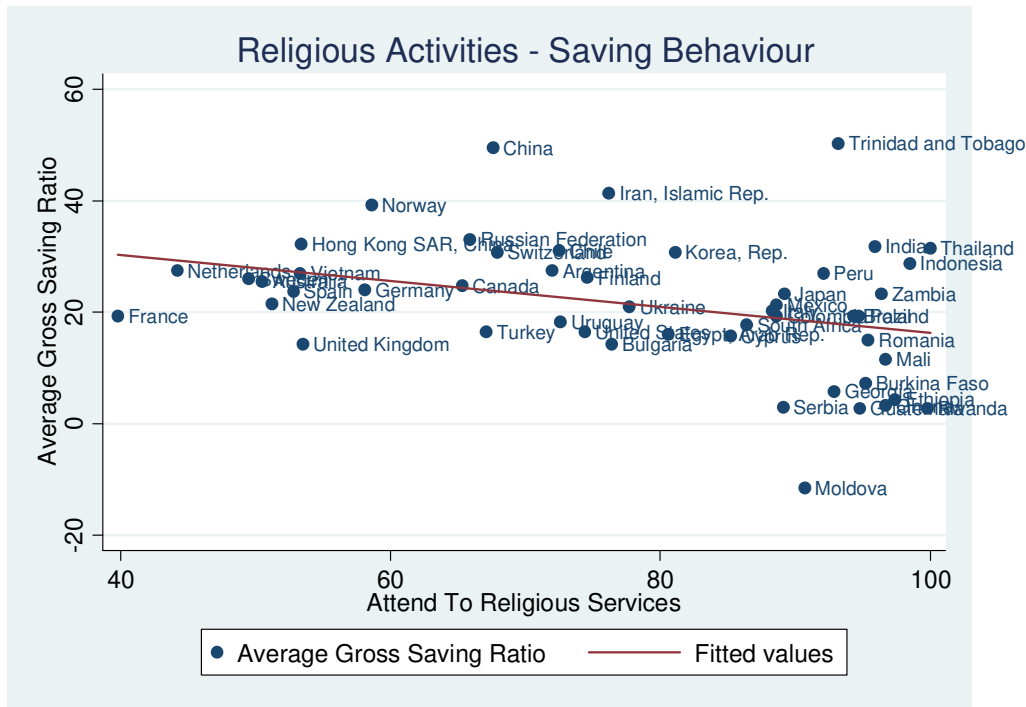
Graphic 2

As seen in the Graphic, (even it is less than the first graphics), there is a negative correlation between attending religious activities and savings ratios.

Religion - Saving Behaviour

Graphic 3

Finally, the relationship between different religions and saving behaviour is analyzed in the last Graphic. As seen in the Appendix, when we go from 1 to 9, we move too far eastern religions from Protestants (Mixed countries are 8). This shows us that Weber's theory about Protestants is not consistent.

Our test results are as flows:

	Average Gross Saving Ratio	Average Gross Capital Formation
Constant	38.4500	27.2007***
	4.9999	2.5173
Religious Person	-0.2498***	-0.0490
	0.0698	0.0352
Constant	39.6043	23.2796
	7.3708	3.5797
Attend To Religious Services	-0.2336**	.0073823
	0.0923	.0448402
Constant	18.5341***	20.0448
	2.9240	1.1762
Religion	0.9247	1.2291***
	0.7732	0.3110

*** Significant at the 1 percent level. ** Significant at the 5 percent level. * Significant at the 10 percent level.

We use Ordinary Least Square to estimate parameters and found that there is a negative relationship between religion and saving behaviour, and with almost the same coefficient, there is a negative relationship between religious activities.

Conclusion and Comments

There are a few points to explain this result. First of all, before to test Weber hypothesis, we examine relationship religiosity and saving behaviour and found a negative relationship. This is one of the important results of this research. For further research trust in God could give a feeling of insurance or confident or religious people could behave more altruistic and save less and spend more for poor people or they do not want to invest their money to financial institutions because of religious propose (at least we know that Islamic Finance Institution/Banks did not except interest yield from their money required reserve that stay in Central Bank).

The second point, Weber Hypothesis, could not able to explain today's economic relationships as we saw in Appendix A.3. Correlation Matrix there is a negative correlation between saving ratio and religiosity. Nevertheless, this also opens a new area to define religions and religiosity. Weber took religion as a part of the culture and investigates people's understanding of their religion. He did not try to find how many verses in Holy Bible or Quran mention to work or save or spend, on the contrary, he spent much time to reach perceptiveness of people from literature or folk art. The great revolution in the last century, the importance of religions was a decrease in our culture. Researchers should continue culture research and investigate what today's people believe and which doctrine rules to people lives.

Last but not least, this research base on 50 countries with four years of data. For further research to use old world value surveys and find a new indicator for capitalism (instead of saving ratio) could give a more different result, but we expect that the rejection of Weber's Hypothesis will be same.

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Appendix

A.1. Religions

1	Protestant
2	Roman Catholic
3	orthodox
4	Muslim
5	Hindu
6	Buddhist
7	Jew
8	Mixed
9	Ancestral worshipping - Native

A.2. Summmury Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Average Gross Saving Ratio	50	21.40049	11.89267	-11.5	50.25
Average Gross Capital Formation	50	23.855	5.426948	17	42.25
Religious Person	50	68.264	21.8447	21.8	97.6
Not a Religious Person	50	26.424	17.22594	2	67.4
A Convinced Atheist	50	5.328	6.663824	0	28.6
Attend To Religious Services	50	77.938	17.46404	39.8	100
Never Practically Never	50	22.08	17.48187	0.1	60.1
Religion	50	3.1	2.187628	1	9

A.3. Correlation Matrix

	Average Gross Saving Ratio	Average Gross Capital Formation	Religious Person	Not a Religious Person	A Convinced Atheist	Attend To Religious Services	Never Practically Never	Religion
Average Gross Saving Ratio	1							
Average Gross Capital Formation	0.1451	1						
Religious Person	-0.4588	-0.1973	1					
Not a Religious Person	0.461	0.1629	-0.9694	1				
A Convinced Atheist	0.3111	0.2263	-0.7723	0.5927	1			
Attend To Religious Services	-0.343	0.0238	0.645	-0.5861	-0.5997	1		
Never Practically Never	0.3442	-0.0243	-0.6456	0.5869	0.5997	-1	1	
Religion	0.1701	0.4955	-0.3171	0.2861	0.3013	0.0259	-0.0257	1