

ENER

European Network on the
Economics of Religion

2nd ENER Workshop



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Edinburgh, UK, October 3-4, 2008
- Final Programme and Abstracts -

The organisers thank the following for sponsorship of this workshop



Heriot-Watt University, Edinburgh
Association of Christian Economists, UK
Scottish Institute for Research in Economics



Schedule

Friday, October 3rd

8:50	Opening of the Workshop
09:00 - 10:45	Session I: Economic Theory 1
10:45 – 11:00	Coffee break
11:00 - 12:45	Session II: Economic History
12:45 – 14:00	Lunch
14:00 - 15:10	Session III: Community Work
15:10 – 15:30	Coffee break
15:30 – 16:30	Keynote lecture by Daniel Hungerman
20:00	Conference dinner at APEX Hotel

Saturday, October 4th

09:00 - 10:45	Session IV: Economic Theory 2
10:45 – 11:00	Coffee break
11:00 - 12:10	Session V: Empirical Economics
12:10 – 13:30	Lunch, Closing and Departure

Programme

Friday, October 3rd

Session I: Economic Theory 1

1. Paul Ormerod - Volterra Consulting

Rationality and Religious Choice

2. Derek Pyne - University of Waterloo

An Economic Model of Religion and Death

3. M. Shahid Ebrahim – Nottingham University Business School

Can An Islamic Model of Housing Finance Cooperative Elevate the Economic Status of the Underprivileged?

Session II: Economic History

1. Sascha Becker - University of Stirling

Protestantism and Entrepreneurship: Evidence from the Pre-Industrial and from the Industrial Era

2. Andrew Roach - University of Glasgow

The Bogomil heretics and monasticism as a creative market

3. Gilles Jacoud - University Jean Monnet Saint-Etienne

Saint-Simonian religion and political economy

Session III: Community Work

1. John Martin Evans - Gweini: Council of the Christian Voluntary Sector in Wales

Measuring the contribution of faith communities to civil society: an example from Wales, United Kingdom

2. John Gorlorwulu - George Fox University

Faith-based Economic Assistance Provision: Has the Practice Emerged in Developing Countries?

Keynote lecture

Daniel Hungerman – University of Notre Dame

Rethinking Religious Competition

Saturday, October 4th

Session IV: Economic Theory 2

1. Francois Facchini - University of Reims, OMI and CES (LAEP-MATISSE), Paris 1

Political freedoms in the Muslim area: four explanations

2. Paul Fudulu - University of Bucharest

The Economic Performance of Great Religions

3. Anja Klaubert – University of Lüneburg

In search of an integrated approach to explain the role of religion with respect to economic growth

Session V: Empirical Economics

1. Robbert Maseland – Radboud University Nijmegen

Weber, Work Ethic and Well-Being

2. Carlo Reggiani – University of York

Religious Attitudes and Home Bias

Friday, October 3rd

09:00 - 10:45 Session I – Economic Theory 1

1. (09:00 - 09:35)

Paul Ormerod - Volterra Consulting (pormerod@volterra.co.uk)

Rationality and Religious Choice

Abstract: Vernon Smith, in his Nobel lecture, makes a key distinction between 'constructivist' and 'ecological' rationality. The former is the Standard Socio-Economic Science Model (SSSM). The latter, inter alia, "uses reason to examine the behavior of individuals based on their experience and folk knowledge, who are 'naïve' in their ability to apply constructivist tools to the decisions they make". I focus in this paper on issues raised in the analysis of religious choice by agents in historical situations. The economics of religion, far from being an esoteric side-show in economics, is obliged to confront directly a key question in economic theory. Namely, the appropriate type of rationality to assign to agents and their decisions. This discipline is also obliged to engage with fundamental critiques in anthropology and history of both types of Smith's rationality. I offer, first of all, some ideas on the general question of the appropriate rationality to use in modelling issues such as the emergence of beliefs and what it means to say an individual has converted to a particular belief. Within anthropology and history, there are serious critiques of both definitions of rationality used by Smith. First, a view that constructivist rationality is not a universal mode of behaviour and it is not at all relevant in many historical situations. Second, a denial that we are even able to apply reason in the context of ecological rationality to the question of religion. This is because from a modern day perspective, agents in the past behaved so differently that we cannot hope to understand the motives behind religious conversion. I consider the extent to which these critiques have validity.

2. (09:35 - 10:10)

Derek Pyne - University of Waterloo (dpyne@artsmail.uwaterloo.ca)

An Economic Model of Religion and Death

Abstract: This paper explains several empirical relationships involving religion. The main relationship involves religion and death anxiety. Empirical evidence indicates that atheists fear death less than moderately religious people but more than deeply religious people. The model also explains the positive relationship between religious activity and age. It also explains the positive relationship between education and religious activity despite a negative relationship between education and religious belief. The model assumes three periods. In period 3, an individual is dead and faces three possible outcomes: (1) nonexistence, (2) heaven, (3) hell. In periods 1 and 2, the individual may make costly investments in religious capital. A pure atheist makes no investment and faces certainty with regard to his expected utility after death. He fears death to the extent his current utility is positive. Those who place a positive (subjective) probability on the existence of an afterlife may invest in religious capital. Those who place a small probability on the existence of an afterlife will rationally make small investments. This results in a small probability of going to heaven relative to the probability of going to hell, increasing their fear of death, relative to atheists. Those who perceive a larger probability of an afterlife make larger investments. This raises the probability of going to heaven, relative to the moderately religious. This decreases their fear of death relative to the moderately religious and, possibly, atheists.

3. (10:10 - 10:45)

M. Shahid Ebrahim – Nottingham University Business School
(M.Shahid.Ebrahim@nottingham.ac.uk)

Can An Islamic Model of Housing Finance Cooperative Elevate the Economic Status of the Underprivileged?

Abstract: The ongoing subprime mortgage crisis demonstrates that the formal housing finance system for the underprivileged constitutes a "classic market failure." This paper investigates a special form of mortgage financing (using Rotating Savings and Credit Associations – ROSCAs under the umbrella of cooperatives) as a means of enhancing the economic status of the disadvantaged. This form of financing is observed to be practiced in Oman, and is consistent with the prognosis of King and Levine (1993) and Levine (1997). We integrate the literature of Mortgage Design with that of ROSCAs to illustrate that this mode of financing dissipates credit (default) risk better than the formal mode of financing (in the prime sector). It is also resilient to volatility of interest rates (stemming from changes in inflationary expectations) and accommodates prepayments without any additional charges. Finally, we verify the assertions of Besley et al. (1994) and Hart and Moore (1998) that cooperative mortgages are *pareto-superior* to formal mortgages in special cases. A manager of a cooperative is thus obliged to diligently structure its portfolio to internally generate a capital surplus essential for sustaining its growth and ultimately improving the economic status of the underprivileged. We thus conclude that this special ROSCA has a potential for stimulating economic development.

10:45 – 11:00 **Coffee break**

11:00 - 12:45 **Session II: Economic History**

1. (11:00 - 11:35)

Sascha Becker - University of Stirling (sascha.becker@stir.ac.uk)

Protestantism and Entrepreneurship: Evidence from the Pre-Industrial and from the Industrial Era

Abstract: Max Weber (1905) observed a Protestant lead in entrepreneurship, using evidence from the South-West German region of Baden. Prussian data from the pre-industrialization period as well as the industrialization era show that, in fact, Protestants were more likely to be business owners or directors. We hypothesize that this effect is largely driven by denominational differences in human capital. These came about as unintended side effects of Luther's postulations to enable everyone to read the Gospel. Indeed, denominational differences in entrepreneurship are empirically largely explained by denominational differences in literacy rates.

2. (11:35 - 12:10)

Andrew Roach - University of Glasgow (A.Roach@history.arts.gla.ac.uk)

The Bogomil heretics and monasticism as a creative market

Abstract: Recently there have been attempts to remodel creative industries as 'creative markets'. Abandoning the idea of 'industry' as an anachronistic construct to describe the post-industrial economy, Potts *et al* borrow a model from media analysis which emphasises three defining aspects: (i) agent cognition and learning, (ii) social networks, (iii) market based enterprise. There is evidence that such a definition has historical resonances. Several authors have looked at the importance of social networks in the spread of religion and some contemporaries recognised the phenomenon. 'Heresy'

literally means choice and this paper examines the Bogomil heretics of the medieval Balkans and Byzantium. Many of their characteristics resemble modern creative industries. The heresy depended on learning 'consumers' (as surprisingly active agents), social networks to spread the phenomenon and the consciousness of providers that they were in a religious market. Moreover, the movement stimulated wealth creation. The principle service industry in the middle ages was monasticism. The role of monks as specialist messengers to God was a social necessity, but monasticism was socially exclusive. The Bogomils allowed those outside the monastery to act like monks, to fulfil their social and economic aspirations and become the cutting edge of medieval spirituality.

3. (12:10 - 12:45)

Gilles Jacoud - University Jean Monnet Saint-Etienne (jacoud@univ-st-etienne.fr)

Saint-Simonian religion and political economy

Abstract: Saint-Simonian thought which was disseminated by Saint-Simon's disciples after their master's death in 1825 argues that the objective of society should be the moral, intellectual and physical progress of individuals. This thought has both an economic dimension, as it strives to find the organisation most suited to improving the material situation of individuals, and a religious dimension since it is concerned with spirituality. In the organisation of society put forward by the Saint-Simonists, industrialists have an essential role to play, as have the banks which finance them, as they ensure the industrial progress which improves the material lot of the population. But society should be not only enriched, but also enlightened. The priest too has a role to play. This priest, as imagined by the Saint-Simonian thought, helps in uniting the members of the social body and in linking the spiritual to the temporal. The object of this work is to show that Saint-Simonism develops both economic and religious thought and advocates a new society in which industrial organisation is closely linked to religious organisation.

12:45 – 14:00 Lunch

14:00 - 15:45 Session III: Community Work

1. (14:00 - 14:35)

John Martin Evans - Gweini: Council of the Christian Voluntary Sector in Wales (johnmartinevans@gweini.org.uk)

Measuring the contribution of faith communities to civil society: an example from Wales, United Kingdom

Abstract: In the United Kingdom, a number of recent studies have attempted partial measurements of the positive contribution of faith communities to civil society, in an atmosphere where faith communities are both challenged to prove they are of public benefits and wish to understand how best to engage with contemporary society. This paper outlines the methods used in one of the most comprehensive of those studies, Faith in Wales: Counting for Communities and discusses how they might be improved and extended. The study was based on a large-scale survey of 4,400 faith communities identified in Wales which achieved a 49% response rate, and benefited from funding from various government bodies. While its estimates are acknowledged to be partial and capable of improvement in many respects, its impact on public debate in Wales appears to have been significant.

2. (14:35 - 15:10)

John Gorlorwulu - George Fox University (jgorlorwulu@georgefox.edu)

Faith-based Economic Assistance Provision: Has the Practice Emerged in Developing Countries?

Abstract: Whether by default or design, the poor often approach communities of faith for economic assistance and other services. In the last decade or so, efforts toward systematically providing social services through faith-based groups have expanded significantly in the developed world due largely to changes in government policy to involve faith-based groups in the provision of social services. Given the close links between the church in the developed world and the church in the developing world, is this new trend also emerging in the developing world? Has the involvement of faith-based organizations in economic development projects expanded over the last 10 years or so? Do bilateral foreign assistance programs of countries with policies encouraging the use of faith-based groups as channels of social change reflect this trend in the developing world? Drawing on policy documents and funding data of the United States Agency for International Development (USAID), the primary implementing agency for US foreign aid programs, this paper examines the flow of funds to faith-based groups relative to secular groups in the area of international development. The paper concludes with discussions of the implications of the trends for faith-based international economic development policy in the developing world.

15:10 – 15:30 Coffee break

15:30 – 16:30 Keynote lecture

Daniel Hungerman - University of Notre Dame (dhungerm@nd.edu)

Rethinking Religious Competition

20:00 Conference dinner at APEX Hotel

Saturday, October 4th

09:00 - 10:45 Session IV: Economic Theory 2

1. (09:00 - 09:35)

Francois Facchini - University of Reims, OMI and CES (LAEP-MATISSE), Paris 1 (facchini@univ-paris1.fr)

Political freedoms in the Muslim area: four explanations

Abstract: This article explains the absence of democratic transition in Muslim area. It discusses four explanations. Muslim countries are usually not democracy because their road ethics is Islam (Lewis) (1), because they are under-developed (Inglehart) (2), because they are "rentier state" in Ross's meaning, (3) because they are unequal (Acemoglu and Rodinson) (4). The explanations given by the development and inequality do not appear good for Muslim area. However the explanations by the being of "rentier state" and Islam are most relevant. Then, the article articulates an explanation by the instrumental reasons for the action of elites who refuse democracy to protect their public rent and an explanation by the ethical reasons for the action where the elites are

blocking the democratic transition because they do not share the values of political liberalism or because they fear that democracy will lead to the establishment of an Islamic state.

2. (09:35 - 10:10)

Paul Fudulu - University of Bucharest (fudulup@yahoo.com)

The Economic Performance of Great Religions

Abstract: Ultimately, institutions and cultural preferences are opportunity cost patterns in terms of all-inclusive mega-goods wealth and power while cultural preferences are preference rankings of collectivities for the same mega-goods. It is this trans-cultural perspective on institutions and cultures which makes possible that the consistency of a religion with economic performance to be looked at by taking into account religious rules and values that directly characterize mega-good power and only indirectly mega-good wealth. Consequently, besides criteria that have a direct bearing on the easiness to get wealth – the preference for absolute wealth, the type of asceticism, encouragement of saving and productive investment, the level of prohibition for interest - more numerous and better depicted criteria related to power can be employed such as: priests and churches as salvation mediators, encouragement of obedience, the nature of divinity, the type of social justice which is encouraged, man's power over woman, the kind of ecclesiastical organization. All of the five religions which are analyzed - Protestantism, Catholicism, Orthodoxism, Islamism, Confucianism and Buddhism - show almost the same rankings of consistency with economic performance for all direct and indirect criteria which are employed.

3. (10:10 - 10:45)

Anja Klaubert – University of Lüneburg (klaubert@leuphana.de)

In search of an integrated approach to explain the role of religion with respect to economic growth

Abstract: Studies of the relationship between religion and economics can be divided into three major lines of research: behavioral economics of religion (microeconomic approach), macroeconomic consequences of religion and religious explanations of economic phenomena. Apart from the third line on the one hand there has been found strong evidence at the microeconomic level of individuals and households that economic behavior and outcomes correlate with religion. On the other hand the role of religion at the macroeconomic level, e.g. the impact on economic growth, was analyzed. However, to my knowledge, so far there exist only a few models, that integrate the two levels. In order to develop such a model, the first step of the analysis of the relationship between religion and economic growth is to examine the microeconomic level. For this purpose I focus on the question if there are rational economic incentives to be religious apart from the benefits derived from religious beliefs itself. This paper aims to develop an approach to describe how individuals do benefit economically from religion, e.g. by signalling ones confession.

10:45 – 11:00 Coffee break

11:00 - 12:10 Session V: Empirical Economics

1. (11:00 - 11:35)

Robbert Maseland – Radboud University Nijmegen and Max Planck Institute for the Study of Societies, Cologne (rb@mpifg.de)

Weber, Work Ethic and Well-Being

Abstract: Ever since Weber published his seminal work on the relation between a Protestant ethic and capitalism, people have been trying to validate his thesis empirically. A large stream of recent work has turned to religious values to explain social and economic developments. Generally this work suffers from important weaknesses: it ignores fundamental criticism of values survey data and pays only scant attention to the mechanisms through which religion is supposed to affect socio-economic outcomes. This paper presents a test of Weber's original thesis that addresses both limitations of previous research.

We note that Weber's thesis is about a relation between a Protestant ethic and a capitalist spirit, rather than economic performance directly. This paper establishes such a relation between individual Protestantism, the historical dominance of Protestantism in a country, and work ethic. To address problems associated with values surveys data, we build on the large literature that finds work matters for mental welfare to develop an alternative procedure for measuring a work ethic.

Specifically, we use subjective well-being data from the World Values Survey to assess the religion specific psychic costs of unemployment. Our analysis provides strong support for Weber's original thesis: for individual Protestants as well as Protestant countries, not having a job is associated with substantially larger negative well-being effects than for other religious denominations. This provides a clear channel through which religion is related to socio-economic and social and economic outcomes.

2. (11:35 - 12:10)

Carlo Reggiani – University of York (cr154@york.ac.uk)

Religious Attitudes and Home Bias

Abstract: Home bias affects trade in goods, services and financial assets. It is mostly generated by "natural" trade barriers. Among these dividers we may list many behavioral and sociological factors, such as status quo biases and a few kind of 'embeddedness'. Unfortunately these factors are difficult to measure. An important part of 'embeddedness' may be related to religious attitudes. Is there any relation between economic home bias and religious attitudes at the individual tier? Our aim is to provide a first answer to this question, by going through the econometric analysis of data from a survey conducted among in 11 European universities.

12:10 – 13:30 Lunch, Closing and Departure