Economic Development

Religion, Development & Econ Growth, and
Poverty

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Max Weber

THE PROTESTANT ETHICS AND THE SPRIT OF CAPITALISM

Fact (Luther's Prescription)

Fulfillment of duties in worldly affairs [is] the highest form which the moral activity of the individual could assume.

Karl Marx

'Man made God, God did not make man'

Fact (Religion is the people's opium!)

Religious misery is, by one side, an expression of the real misery. Religion is exhausted creature's sigh, the state of animus of a heartless world, the spirit of sporotless situations. Religion is the people's opium.

Criticism of Hegel's Law (1844)

Economic Theories of Religion

- ▶ Secularisation Hypothesis
- ▶ Religious Competition Theory

Causality

Fact (Economic Perspective)

Religion affects economic outcomes mainly by fostering religious believes that influence individual traits such as honesty, work ethic, thrift, and openness to 'others'.

Definition

Transformative potential is the capacity to legitimise, in religious or ideological terms, the development of new motivations, activities, and institutions which are not encompassed by the original impulses and views.

Barro & McCleary (2003)

Fact

Increases in some religious beliefs - notably belief in hell, heaven, and an afterlife - tend to increase economic growth. There is some indication that the fear of hell is more potent for economic growth than is the prospect of heaven. [...] Beliefs stimulate growth because they help sustain specific individual behaviours that enhance productivity.

Barro & McCleary (2003)

Fact
[H]igher level of church attendance depress economic growth because greater attendance signifies a larger use of resources by the religion sector.

Fact
The net effect depends on the extent to which an increase in attendance leads to stronger beliefs.

Guiso, Spanieza, & Zingales (2003)

Analysis based on micro survey data to relate religion to individual traits.

Guiso, Spanieza, & Zingales (2003)

Fact
Convienced atheists are more tolerant, have more progressive attitudes toward women, less trusting of the government and the police, trust the legal system less, are more willing to break the law, and have worse attitudes toward the market and its percived fairness.

Guiso, Spanieza, & Zingales (2003)

Fact
'Trust toward others' is affected mostly by religious participation, not by being brought up religiously.

Fact
Intolerance is mostly an outcome of being raised religiously.

Fact
Religious upbringing has a negative impact on trust. By contrast, a higher attendance at religious services is associated with a higher level of trust toward others (except of Hindus).

Guiso, Spanieza, & Zingales (2003)

Fact
Religious participation increases trust in the government, trust in the legal system and reduces willingness to break legal rules for all religious denominations (except Buddhists).

Fact
Judaism has the strongest negative impact on willingness to cheat on taxes, Protestantism second, Catholicism and Hinduism third, and Islam fourth. (Orthodox Christians are not observed).

Fact
Religious Jews trust the government less in a Catholic-dominated country. [...] Catholics are more probable to accept a bribe.

Guiso, Spanieza, & Zingales (2003)

Fact

Religious people of all denominations (except Buddhists) are more inclined to believe that people in need are lazy and lack will power.

Matthew 26:11

Jesus told them...

"You will always have the poor among you.

- Concept of Poverty
- Correlates of Poverty
- Functional Role of Poverty

- Leo Tolstoy,

- Leo Tolstoy,
- "Anna Karenina",

- Leo Tolstoy,
- "Anna Karenina",
- Part 1, Chapter 1, Line 1

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- All happy families are alike, each unhappy family is unique.

*Poverty - the state of one who lacks a usual or socially
acceptable amount of money or material possetions.*

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Absolute or Relative?

Poverty Measures

- Denote i^{th} person's income by y_i
- WOLG assume

$$y_1 > y_2 > ... > y_i > ... > y_n$$

- denote the poverty line by p (people below this threshold will be said to be poor)
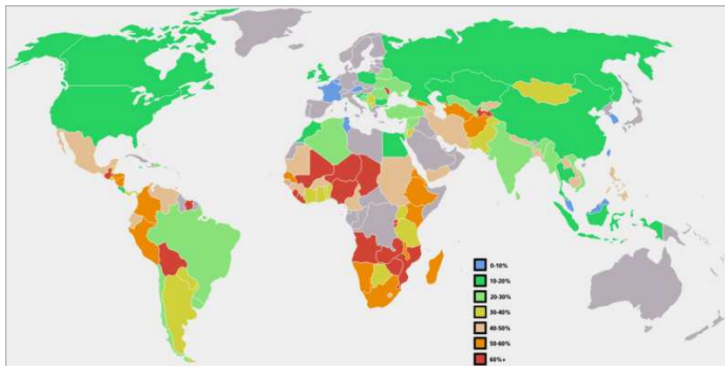- the mean income in the economy is m

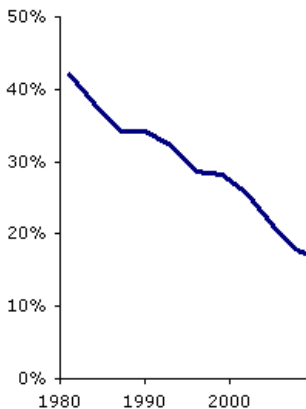- Head count

$$HC = \{i : y_i \leq p\}$$

- Head count

$$HC = \{i : y_i \leq p\}$$

- Head count ratio

$$HCR = \frac{HC}{n}$$

Percentage of Poor in Total Population

The percentage of the world's population living in extreme poverty has halved since 1981. The graph shows estimates and projections from the World Bank 1981–2009. Most of this improvement has occurred in East and South Asia.

What's the easiest way for a government official to minimise the poverty rate?

$$\min HCR = \frac{HC = \{i : y_i \leq p\}}{n}$$

Other poverty measures

- Poverty Gap Ratio

$$PGR = \frac{\Sigma_{y_i < p}\left(p - y_i\right)}{nm}$$

- Income Gap Ratio

$$IGR = \frac{\Sigma_{y_i < p}\left(p - y_i\right)}{pHC}$$

Important correlates to poverty are

- ► Nutrition
- ► Family size

- Financial markets

- ▶ Financial markets
- ▶ Nutrition and labour markets

  (energy input) + Δ(Energy storage)=(resting metabolism) + (work

  Sustained deficit of energy leads to illness, debility, or death

- Financial markets
- Nutrition and labour markets

  (energy input) $+ \Delta$(Energy storage)=(resting metabolism) $+$ (work

  Sustained deficit of energy leads to illness, debility, or death
- Poverty and generations

- Poverty and Diseases (Malaria)
- No R&D
- No copyright
- UN support