

# **Religious Freedom and Economic Development. A Conceptual and Empirical Review**

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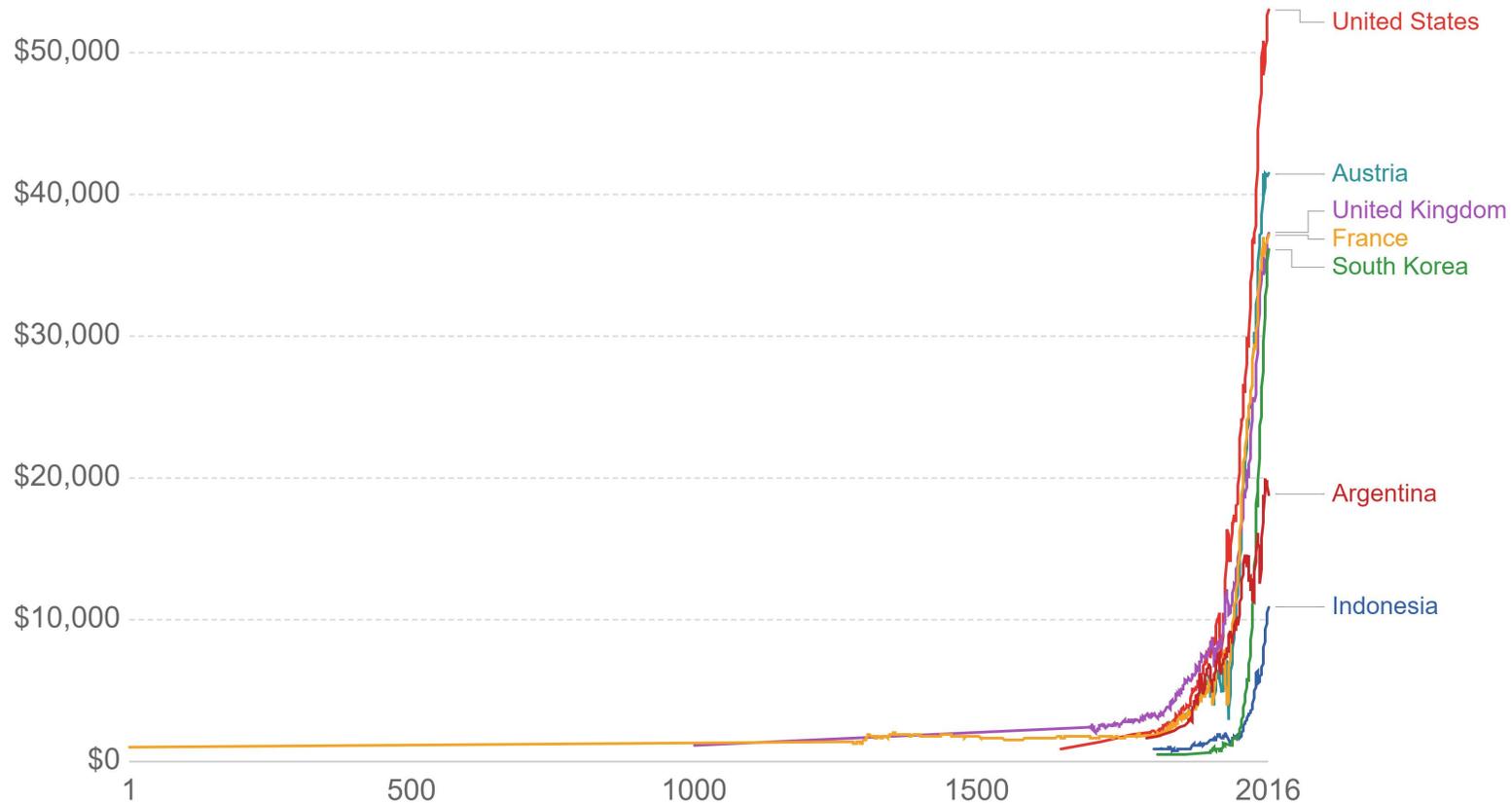
# Outline

- Economic growth and Development (Industrial revolution)
- Religious freedom and economic development.
- Theoretical links
- Empirical evidence
- Conclusion

# Economic Growth Since Industrial revolution

## GDP per capita

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database (2018)

[OurWorldInData.org/economic-growth](https://OurWorldInData.org/economic-growth) • CC BY

Note: These series are adjusted for price differences between countries based on only a single benchmark year, in 2011. This makes them suitable for studying the growth of incomes over time but not for comparing income levels between countries.

# Causes of the rise of “*The West*”

- Economist has been grappling with questions of economic growth and development since Adam Smith's seminal work *Wealth of Nation* Published in 1776.
- Scientific to Industrial Revolution. *Nicolaus Copernicus* (1473-1543) and *Isaac Newton* (1642-1727)
- Improvement in technology and constant innovations and process of industrialization (Landes 1969 and 1990; Mokyr, 1990 and 2002).
- Availability of cheap sources of energy

- Financial Innovation, Limited liability, Shares and Bonds.
- Growth Models;
- Exogenous (Solow 1956) postulate that productivity growth can only be explained through direct investment, population growth and technological progress
- Endogenous (Romer 1990a) Endogenous growth theory holds that investment in human capital, innovation, and knowledge are significant contributors to economic growth.
- The role of institution in economic growth and development has first identified by North (1990) latter expended by Acemoglu and Johnson (2005)

- **Going beyond the traditional factors**
- McCloskey trilogy (2006, 2010 and 2016) the *bourgeois spirit* – a quieter understanding of labor, tinkering, improving one's lot through selling and buying – at some point took off and became part of the mainstream culture.
- McCloskey stresses the importance of “dignified” trades in building the great enrichment; it was, indeed, a process of “equalization” of dignity,
- Mokyr (2016) the drivers of technological transformation is attitude and aptitude of the general public. Culture defined as “*a set of beliefs, values, and preferences, capable of affecting behavior, that are socially (not genetically) transmitted and that are shared by some subset of society*”
- affects the economic in two broad ways, directly it changing attitude towards natural world, and indirectly by creating and sustaining institution which spread the “useful knowledge’.

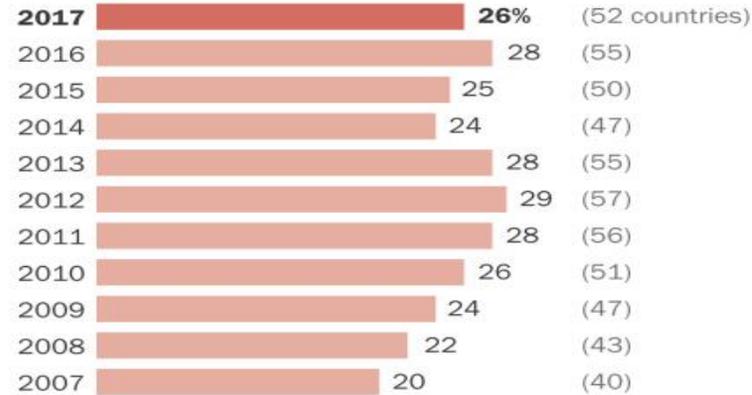
# Religious Freedom, define

- “Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance” United Nation Declaration of Human Rights
- Shah and Gill (2013) defines religious freedom as “the freedom to engage in public life (as well as private life) on the basis of one’s religious convictions and identity”.
- They also include any increase in cost of practicing religion as indication of decreasing religious freedom and vice versa.

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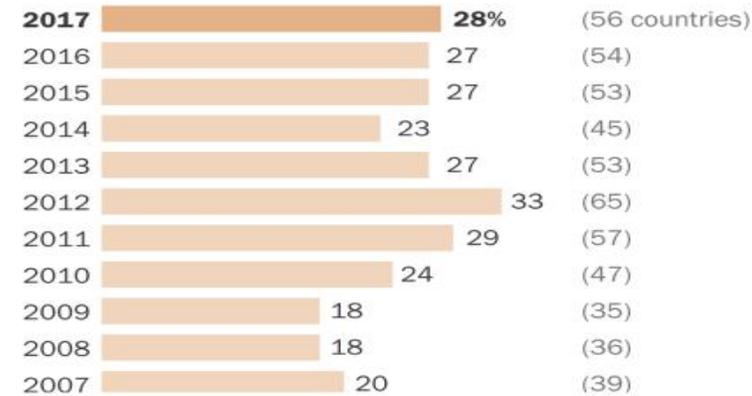
## Since 2007, increasing number of countries have high/very high levels of government restrictions on religion, social hostilities involving religion

*% of countries with high or very high levels of ...*  
**... government restrictions on religion**  
(Scores of 4.5 and higher)



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**... social hostilities involving religion**  
(Scores of 3.6 and higher)



Source: Pew Research Center analysis of external data.

See Methodology for details.

"A Closer Look at How Religious Restrictions Have Risen Around the World"

- Pew Research Center (2019).
- (a) The restrictions imposed by the government on all the four areas: favoritism of particular religious group, harassment of religious group, general law on restricting religious freedom, and limit on religious activity has been increased in last ten years.
- (b) the societal hostilities involving religion has increased, although communal violence has decreased.
- (c) The level of religious restriction is highest in Middle East and North Africa region and finally
- (d) Some of the biggest increase in religious restrictions in certain categories is in Europe and North Africa

- Grim and Finke (2006) found that although 91 percent of the countries provide assurance of religious freedom in their constitutions but 86 percent of nations have at least one law restricting religious activities and 38 percent has four or more laws restricting religious freedom.
- Gill (2008) explain in his book *Political Origins of Religious Liberty* that state sometime favors particular religion for political stability and ideological compliance. State don't have capacities and incentive to protect the freedom of minorities because their low electoral weightage

# Economic Freedom to Religious Freedom

- The basic economy theory indicates the power of division of labour, specialization and trade are drivers of economic growth. Trade requires trust and protection of rights of parties involved. In case of discrimination based on religious grounds, the exchange of both ideas and goods would be disturbed thus resulting in sub-optimal outcomes for society at large.
- Economic freedom is the idea that employees can choose and change their employers, start their ventures and that business can fail. The process is what Schumpeter (1942) called *creative destruction* can lead to innovation, improved productivity and higher economic growth.

- Gill and Shah (2013) has identified causal pathways, which provide theoretical underpinning between religious freedom and economic flourishing.
- (a) **The idea connection.** Ideas are central to economic growth and development. Unlike physical product, ideas are nonrival and can be used by many people without their depletion. In endogenous growth model for which Romer(1990a) won Nobel prize in 2018, economic growth is result of technological change, which itself is due to efforts of researchers and entrepreneurs responding to economic incentive.
- There are certain religious ideas, which are not conducive for economic development. The religious liberty provides a market place of religious idea, where they are tried and tested and eventually growth enhancing ideas will survive. The competition in market for religious ideas is good as it is in product market.

- (b) **Skill development.** Most of the religions not only focus on ideas but they also require organizing religious and charitable activities at large scale. These managerial skills can be transferred into commercial ventures, thus improving their productivity.
- (c) **Charitable activities.** Many of the largest charities around the world are inspired by religious ideas and sometime managed by religious institutions. (Akuwat Pakistan)
- (d) **Migration.** People with skills would be more likely to migrate to areas with high religious freedom. In the knowledge based modern economy, human capital is key ingredient of any recipe of growth. Human capital is education, training and overall learning of individual, which facilitate their contribution in economic development (Becker 1964). . Historically, William Pen allow religious freedom in this new colony called *Pennsylvania* on economic ground.

(e) **Bundled Flourishing**. The religious freedom can facilitate human flourishing by enhancing capabilities, well-being and overall utility of human being. The religious market economy would be best when different religions are allowed to compete. The increased religious freedom not only led to pluralism but also increased religious participations (Finke 1990; Stark and Iannaccone 1994; Gill 1999).

(f) **Bundled Liberties**. Religious liberty is not possible in isolation, it is related to other form of religious freedom like political, civil and economic freedom. These freedoms are mutually reinforcing. The importance of political and civil liberties is considered an important factor in addition to other technological and cultural factors for explaining the *rise of west*.

(g) **Stability**. The political stability is primary prerequisite for sustainable long-term economic growth. The countries with religiously induced violence are mostly those who have low level of religious freedom. The restriction on religious practices often led to violence, religious extremism and even civil war.

Grim (2012) documents that in countries with high religious restrictions, 83 percent of these countries has social hostilities, while in the presence of religious freedom, this number dropped to 19 percent.

# Empirical Evidence

- Religious freedom has implications for investment climate and business opportunities. Alon and Spitzer (2003) analyzed the impact of religious freedom along with other risk on country risk. Their result indicates that business perceived lack of religious freedom as risk
- Alon and Chase (2005) analyze how much of cross-country variation in per capita GDP in term of PPP can be explained by religious and other kind of freedom for 123 countries using Fraser Institute measure of economic freedom comprising five major components. security of property right, size of government, stable currency, regulatory framework and freedom to trade with foreigner. Religious freedom is measured by using Marshall (2000).
- RESULT The coefficient of economic freedom has significant positive relation with GDP per capita. The coefficient of religious freedom in all the models has predicted sign, in three out total four model, coefficient is statistically significant as well

- Corruption is one major challenge faced by many developing countries. It turns out that religious freedom lead to lower corruption. Lipset and Lenz (2000) high regulation and restriction on religious activities lead to higher level of corruption. If we look at the top ten most corrupt countries, eight out of these ten countries also have very high level of religious restriction (Grim et al 2014).
- North and Carl (2004) look at the implications of state religion and of constitutional protection for religious freedom for the cross-section of 59 countries. In countries with state religion, religiosity measured through prayer attendance decreased by 15 percent. While, each decade of constitutional protection of religion increased religiosity by 1.2 percent.

## Conclusion

- Gill and Owen (2017) argue that the benefit of religious freedom can be categorized into four broad ways;
- *Firstly* is the Promotion of religious diversity, security and prosperity. The idea of religious diversity can increase the market size, resulting in specialization and increased productivity.
- *Secondly*, religious freedom attracts smart, intelligent and risk-taking individuals from other countries with repressive regime thus resulting in high economic dynamism and growth. These entrepreneurs fuel the engine the economic growth and create positive externalities

- *Thirdly*, the basis of commercial society is on toleration and mutual respect. Commerce required interactions with people of different ethnicities, cultural and religious background. The presence of religious freedom thus encourages trade and commercial activities leading to economic prosperity.
- *Finally*, religious freedom is intertwined with other kind of freedom like civil liberties, political and economic freedom. The presence of religious freedom provides conducive environment for human flourishing.
- In the case of Muslim world, religious freedom situation is not encouraging, as per recent report published by Pew Research Center (2019), Although Muslim majority consist twenty five percent of the sample, they constitute more than seventy five percent of countries “with most restrictive laws and policies towards religion”.

- Despite the constitutional provision (in 22 out of 49 Muslim majority countries) of protection of religious freedom, these provisions are not protected by the state in most of the Muslim majority countries.
- Kuru (2019) tackles the issue of authoritarianism and underdevelopment in Muslim world. He argues that in early Islamic history up till mid of eleventh century, Islamic scholars were funded by trade and charitable institutions thus separated from state. The alliance of state and religious establishment lead to suppression of dissenting voices within the tradition and general lack of religious liberty.
- Asserting secularism of using state power to undermine the power of traditional scholars like has not worked in Ataturk's Turkey, Shah's Iran and Nasser's Egypt. This top down modernist approach of religious reform and liberty has no backing from the masses