

philippine studies

Ateneo de Manila University • Loyola Heights, Quezon City • 1108 Philippines

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Philippine Studies vol. 34, no. 2 (1986) 162–180

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Fri June 27 13:30:20 2008

Religion and Economic Development

ELLEN H. PALANCA

In theories of economic development factors such as human resources, natural resources, capital accumulation and technology form the core of the analysis. Noneconomic factors such as politics, culture, religion, ideology and institutions are treated as part of the background setting and are usually not included in the analysis. However, in most instances of development, a favorable noneconomic factor is necessarily present to provide the motivation and/or the proper institutional setting. Politics, religion or secular ideology usually provides this.

Very few economists take an interdisciplinary approach in the research and analysis of economic problems. Noneconomic factors are usually not included in economic analysis as they are difficult to quantify and are less subject to change. Religion and culture are almost impossible to change although they do transform with social change. Change in politics and ideology is usually the result of a change in the ruling class or a violent revolution. Even the evolution of institutions involves a long and usually painful process. However, the importance of these variables as constituting the basic framework in development studies cannot be neglected. In his textbook on basic economics intended for use in Third World countries, Michael Todaro makes the following caution:

... the achievement of development and the solution to development problems is a much more complicated task than some economists would lead us to believe. Increasing national production, raising levels of living and promoting widespread employment opportunities are as much a function of the values, incentives, attitudes and beliefs, and the institutional and power arrangements of a society, as they are the direct outcomes of the

manipulation of strategic economic variables such as savings, investment and export.¹

In this article we look at one noneconomic factor—religion—and see how it affects economic development. There is a strong empirical relationship between these two factors. Sociologists have attributed this relationship to the effects of religion on achievement motivation and structural transformation. In a few cases of development we observe that these effects of religion have been provided by other factors such as politics, ideology and more importantly, the government. In this respect the present article attempts to make reference to the Philippine situation.

RELIGION AND PER CAPITA INCOME: EMPIRICAL DATA

The influence of religion on economic development gained attention with Max Weber's well-known Protestant ethic thesis² which attributed the development of capitalism to the influence of Protestantism. Although this thesis has caused debate among social scientists, its impact on the social sciences, particularly in analyzing economic development and social progress, has remained strong. The general contention has been that there is a certain degree of validity to Weber's hypothesis. Development economists have recognized the role religion plays in the development of nations. Higgins observed a relationship between predominant religion and per capita income which he said is "too close for religion to be dismissed out of hand as a factor in past economic history."³

By convention and due to the absence of a comprehensive measure of development, per capita income has always been used as the indicator of development. But the use of per capita income as a measure of development is not without limitations. Increase in real per capita income is a means to the attainment of development goals such as reduction of poverty and increase in consumption and social welfare of the people. However while increase in real per capita income is necessary to the attainment of these

1. Michael Todaro, *Economics for a Developing World* (London: Longman Group Limited, 1977), p. 23.

2. Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Scribner, 1968).

3. Benjamin Higgins, *Economic Development* (New York: W. W. Norton & Co., Inc., 1968), p. 165.

goals, whether in fact such goals are achieved with higher real per capita income cannot be seen from this measure alone. The increase in the well-being of the majority in the presence of higher real per capita income also depends on what happens to the distribution of income, composition of output and the system of distribution of public services. However, while per capita income may not be a perfect index for measuring development, it is a more comprehensive measure compared with other alternative measures such as food consumption, life expectancy, literacy rate, etc. Each of these alternative measures is concerned only with one aspect of growth and development. Moreover, per capita income is still the most widely used as it is found to be highly correlated with almost all dimensions of development—not only measures of well-being but also qualitative changes such as changes in social conditions and institutions.

Using per capita income as a basis for international comparison of development involves even more difficulties. First of all there is the difficulty that difference in the distribution of income and composition of output between countries may mean that the difference in the level of "average" well-being between countries can be very different from that suggested by the per capita income figures. There are also statistical problems such as valuation of the output and the inadequacy of the exchange rate in reflecting purchasing power parity. However, despite these difficulties, economists generally agree that the differences of the order of magnitude (ranking) do give some indication of the existing real differences in welfare that exist between countries.

Using per capita income figures for 1961 (Table I), Todaro showed that

the six countries with the highest per capita incomes in 1961 were Christian and Protestant. Of the twenty-two countries with per capita incomes over \$600 per year (the "developed" countries in our definition), all but seven are predominantly Protestant, the others (except Israel) are predominantly Roman Catholic. Those with per capita incomes between \$250 and \$600 are mainly Roman Catholic; those between \$100 and \$250 are mainly Roman Catholic and Moslem; those below \$100 are mainly Hindu, Buddhist and pagan.⁴

4. Ibid.

Table 1. Gross National Product Per Capita, 1961
(In U.S. Dollars)

Country	GNP Per Capita	Country	GNP Per Capita
<i>Over (\$2,000)</i>			
United States	2,790	Canada	2,048
<i>\$1,000 to \$2,000</i>			
Sweden	1,557	Great Britain	1,345
Switzerland	1,555	Norway	1,223
Australia	1,475	France	1,203
New Zealand	1,470	Denmark	1,193
Belgium	1,470	West Germany	1,113
<i>\$500 to \$1,000</i>			
Netherlands	954	Czechoslovakia	650
Finland	893	Venezuela	644
Austria	830	Puerto Rico	643
Soviet Union	818	Italy	623
Israel	733	Ireland	570
East Germany	700	Argentina	533
<i>\$250 to \$500</i>			
Hungary	475	Chile	348
Uruguay	449	Spain	321
Bulgaria	440	Lebanon	319
Poland	440	Yugoslavia	306
Romania	440	Mexico	297
South Africa	427	Colombia	287
Cuba	413	Panama	283
Greece	383	Costa Rica	278
Japan	383	Brazil	268
Malaya	368	Dominican Republic	251
Jamaica	357		
<i>\$100 to \$250</i>			
Albania	240	Ecuador	159
Portugal	240	Egypt	150
Turkey	222	Ghana	140
Nicaragua	206	Morocco	140
El Salvador	191	Paraguay	129
Algeria	190	Jordan	126
Philippines	188	Ceylon	123

Country	GNP Per Capita	Country	GNP Per Capita
Guatemala	184	Iran	120
Honduras	180	Taiwan	116
Peru	179	South Vietnam	111
Syria	173	South Korea	106
Saudi Arabia	170	North Korea	105
Iraq	161	North Vietnam	105
Rhodesia & Nyasaland	161	Thailand	101
Tunisia	160		
<i>Below \$100</i>			
Haiti	99	Tanganyika	75
Indonesia	99	India	70
Kenya	94	Uganda	66
Bolivia	87	Pakistan	62
Liberia	85	Burma	61
Nigeria	84	Afghanistan	58
China	83	Togoland	55
Cambodia	77	Laos	52
Ethiopia	76	Nepal	47
Sudan	75		

Source: Benjamin Higgins, *Economic Development* (New York: W.W. Norton & Co., Inc., 1968).

The same information for 1981 is presented in Table 2. The table also presents the predominant religion of the countries. The same general pattern of relationship between religion and per capita income can be observed. Among those countries with very high per capita incomes (over \$7000), if we exclude the oil exporters, we see that most (13 out of 17) of these advanced countries are Protestant. Roman Catholicism is the religion for many of the high middle income countries (\$2000 to \$7000). The low middle income countries (\$500 to \$2000) are mostly Roman Catholic and Moslem. For the countries with very low per capita incomes (below \$500) we observe that Islam, Buddhism, Hinduism and the animistic tribal African religions are the predominant religions.

It is interesting to note the diverse religious background among the top high middle income countries (countries with per capita income between \$4000 and \$7000). In general, most of the religions in this group are Christian (Roman Catholicism, Orthodox

**Table 2. Gross National Product Per Capita
1981 and Predominant Religion**

Country	GNP Per Capita	Predom- inant Religion**	Country	GNP Per Capita	Predom- inant Religion
<i>High Income (Over \$7000)</i>					
<i>Oil Exporters</i>					
United Arab Emirates	\$26,000	I	Saudi Arabia	11,260	I
Kuwait	19,830	I	Libya	8,640	I
<i>Others</i>					
Switzerland	16,440	C	Austria	10,230	RC
	(50%P, 50%C)		Canada	10,130	C
Germany, Fed. Rep.	13,590	P		(45%P, 40%RC)	
	(50%P, 45%C)		Japan	9,890	S
Sweden	13,520	P	Australia	9,820	P
Denmark	12,950	P	Finland	9,720	P
Norway	12,650	RC	United Kingdom	7,920	P
Belgium	12,180	RC	Germany, Dem Rep	7,180	P
France	11,730	RC	New Zealand	7,090	P
Netherlands	11,470	P			
United States	11,360	P			
<i>High Middle Income (\$2,000-\$7,000)</i>					
Italy	6,480	RC	Poland	3,900	RC
Czechoslovakia	5,820	RC	Venezuela	3,630	RC
Spain	5,400	RC	Iraq	3,020	I
Ireland	4,880	RC	Iran	..	I
USSR	4,550	O	Suriname*	..	RC
Israel	4,500	J	Uruguay	2,810	RC
			Yugoslavia	2,620	C
				(40%O, 32%RC)	
Singapore	4,430	B	Argentina	2,390	RC
Greece	4,380	O	Portugal	2,370	RC
Puerto Rico*	..	RC	Romania	2,340	RC
Trinidad & Tobago	4,370	P	South Africa	2,300	P
Hong Kong	4,240	B	Chile	2,150	RC
Hungary	4,180	RC	Mexico	2,090	RC
Bulgaria	4,150	O	Brazil	2,050	RC

Country	GNP Per Capita	Predominant Religion	Country	GNP Per Capita	Predominant Religion
<i>Low Middle Income (\$500-\$2,000)</i>					
Algeria	1,870	I	Peru	930	RC
Costa Rica	1,730	RC	Albania	..	I
Panama	1,730	RC	Morocco	900	I
Malaysia	1,620	I	Congo	900	AR & C
Korea, Rep of	1,520	B	Botswana*	..	AR
Turkey	1,470	I	Papua New Guinea	780	P
Lebanon	..	I	Nicaragua	740	RC
Jordan	1,420	I	Philippines	690	RC
Syria Arab Rep.	1,340	I	Thailand	670	B
Korea, Dem. Rep.	1,340	I	Cameroon	670	AR
Tunisia	1,310	I	El Salvador	660	RC
Paraguay	1,300	RC	Zimbabwe	630	AR & C
Ecuador	1,270	RC	Egypt	580	I
Colombia	1,180	RC	Bolivia	570	RC
Dominican Rep	1,160	RC	Honduras	560	RC
Ivory Coast	1,150	AR	Zambia	560	AR
Guatemala	1,080	RC	Liberia	530	AR
Jamaica	1,040	P			
Nigeria	1,010	RC			
<i>Low Income (Below \$500)</i>					
Angola	470	AR	Pakistan	300	I
Senegal	450	I	Uganda	300	C
Mauritania	440	I		(30%P, 30%C)	
Indonesia	430	I	China	290	B
Yemen Arab Rep.	430	I	Guinea	290	I
Ghana	420	RC	Sieria Leone	280	AR
Kenya	420	AR	Haitt	270	RC
Lesotho	420	RC	Sri Lanka	270	B
Yemen, PDR	420	I	India	240	H
Sudan	410	I	Malawi	230	AR
Togo	410	AR	Mozambique	230	AR
Madagascar	350	AR	Zaire	220	AR
Niger	330	I	Upper Volta	210	AR
Benin	310	AR	Burundi	200	AR
Central African Rep.	300	AR	Rwanda	200	AR
			Mali	190	I
			Burma	170	B

Ethiopia	140	I	Bhutan	80	B
Nepal	140	H	Lao PDR	..	B
Bangladesh	130	I	Kampuchea, Dem	..	B
Chad	120	I			
(52%) & AR (43%)					

Source: Income figures are from International Bank for Reconstruction and Development, World Development Report 1982, Washington, World Bank, 1982; information on predominant religion is based on almanacs and encyclopedia.

*Not listed in the World Bank report. Relative position is based on position found in the UN Yearbook for 1975 GNP per capita.

****Abbreviations used:**

AR	- African Religions	J	- Judaism
B	- Buddhism	O	- Orthodox
C	- Christianity	P	- Protestantism
H	- Hinduism	RC	- Roman Catholicism
I	- Islam	S	- Shintoism

Christianity and Protestantism). However, we also have in this group some notable exceptions, namely, Israel, Singapore and Hong Kong. Israel is also high in the list in Table 1. This is not surprising as Judaism was believed to have been the primary source of the spirit of capitalism by Sombart, by whom the concept of "spirit of capitalism" was conceived.⁵ In the case of Singapore and Hongkong, we can say that Confucian teaching provides an economic ethic which encourages perseverance and accumulation. Whatever their religion is, most Chinese are still influenced by Confucianism. The same explanation applies to the economic success of Chinese in the Southeast Asian countries.

So we see that there is a general pattern between economic development and religion. This general pattern cannot be a definite conclusive evidence of cause and effect relationship. However it does indicate that religion is a factor, if not the cause, of economic growth. Moreover, the relationship between religion and growth is perhaps not a one-way causal relationship but a reciprocal one, as there seems to be a constant interaction between the two realms. Religion is a factor of growth to the extent it stimulates economic activities and evinces transformative change in

5. Robert Green, "Introduction" in Robert Green (ed.), *Protestantism, Capitalism and Social Science* (Massachusetts: D. C. Heath & Co., 1973), p. xi.

the societal and economic structures such that they become conducive to development and progress. On the other hand, we see that religion is not static but transforms with time as it is affected by social and economic development. Social environment and economic conditions influence the development of religious attitudes. One can compare the traditional and modern forms of any religion to realize how it has adapted to modern situations. Usually the religions which evince change are also the ones which adapt faster to change. Such a two-way relationship between religion and development was recognized by Tawney.⁶ He believed that the Protestant ethic had contributed to the rise in capitalism but at the same time Protestantism itself was being influenced by an increasingly capitalistic society. In this way Tawney differed from Weber who gave primacy to the spiritual factors.

MOTIVATION AND TRANSFORMATIVE EFFECTS OF RELIGION

In a noncommunist economy the increase in the national productive capacity is the result of work effort and the utilization of economic opportunities by individuals for material advancement. The sum total of such individual effort produces national economic growth. In many cases in history external factors such as foreign capital or trade provided economic opportunities and stimulated economic activities and even brought about social and cultural changes. It has been explained that the Protestant Reformation could have been the result of economic opportunities provided by the geographical discoveries in the fifteenth and sixteenth centuries. At any rate, growth and development can take place only if there are motivation for more work effort and the necessary institutional transformation conducive for development to take place. It is true that for individuals the variation in income and wealth cannot be explained solely by the amount of work exerted. Ability, connections, luck, chance and windfalls are also explanatory factors of economic success. However, for a society as a whole, unless its resource endowment is exceptional, economic

6. Richard Tawney, *Religion and the Rise of Capitalism* (New York: Harcourt, 1962).

development is the result of work and entrepreneurial ventures.

How does a religion affect development? What are the mechanisms involved? What characteristics of a religion determine the extent of relationship it has with the development of the country, particularly its economy? These are some questions which social scientists have addressed themselves to in the investigation of the relationship between religion and economic development.

The process by which religion affects development involves both motivational as well as institutional factors. Weber's thesis argues that by the motivational approach, economic growth is stimulated by the economic ethic provided by a religion to the extent it embodies achievement motivation. Weber believes that the Protestant ethic encourages entrepreneurial activities and accumulation of wealth. The other effect or mechanism by which religion affects development is through its institutional transformation capacities. By this institutional approach, it is meant that religion, through its effect on culture, behavior and mode of doing things, transforms the basic social and economic structures to a form necessary for development.

Both motivation and structural change are important factors in the development of countries. Development economists have recently put due emphasis on these factors. Proper attitudes such as "the desire and ability to modernize, the exaltation of individual self-interest, the motivation for material advancement, the quest for efficiency, etc."⁷ and important institutions such as "effective tax and credit systems, well-functioning, efficient and incorruptible bureaucratic and administrative structures, functional and relevant educational systems, the legal and cultural sanctity of private property, close linkages between various economic sectors, etc."⁸ are necessary to put available resources to full use. In Third World countries, the problem usually lies in the deficiency of such favorable institutional and attitudinal prerequisites rather than in resource availability. The most pronounced resource deficiency usually cited is perhaps capital. However, the generation and accumulation of capital depend a great deal on the motivation to earn and save and the institutional framework of the economy that facilitates earning and saving.

7. Michael Todaro, *Economics for a Developing World*, p. 62.

8. Ibid.

The motivational factors of religion are strongly emphasized in Weber's concept. From Weber's analysis we can gather and summarize that the motivation to economic activities was enhanced by the ethic code of Protestantism through its emphasis on 1) work as a way of life, 2) worldly asceticism and 3) rationalism.

Protestantism teaches that work is a calling and hence the pursuit of wealth is justified. In fact, following the ethic, man is made to feel that he has the moral duty and obligation to make money. A workman has the duty to make money not just enough for the provisions of his family but to work to such an extent as to make all the money he possibly can. A merchant should also do the most and best he can in carrying on commercial activities. Income and profits earned from such activities, as long as they are honestly earned, are justified and encouraged.

This attitude to work and sense of responsibility to earn money are important to development. They are absent in some due perhaps to cultural or religious factors in low-income countries. In a study⁹ on labor supply in an African country, it is observed that farm workers tend to just work for a certain income level which is just enough to sustain himself and his family. Hence they tend to decrease work hours when offered a higher wage rate or to value their leisure more. Given such a work force, it is difficult to increase the production of the economy. In a modern society where man is attracted by all sorts of consumer products and services, motivating him to work is less of a problem. Work as a way of life is generally accepted. This is in contrast to what Weber called traditionalism which condemned not only usury but any form of profitable activity. Medieval Christianity considered the merchant's calling or merchant as an occupation as something very incompatible with religious and pious living.

Let us now see how the ethic encourages capital formation. Capitalism cannot develop without people accumulating capital, i.e., saving part of what they earn. Honest money-earning is not sufficient. The ethic obliges man not only to work to his fullest capability and make as much money as possible but also that the money be saved and placed in productive investments. Indulgence and frivolous consumption are discouraged. This worldly ascet-

9. E. J. Berg, "Backward-Sloping Labor Supply Functions in Dual Economies—the Africa Case," *Quarterly Journal of Economics*, 1961.

icism leads to entrepreneurial activities and accumulation of wealth and capital.

We see that Protestantism exalts diligence and condemns idleness; it exalts saving and condemns spending. Weber pointed out that what happened in history was that the effect of this ethic extended to all other aspects of life. Christian values were applied to secular matters. Hence a new kind of middle-class morality and value system which stressed honesty, frugality, punctuality, risk-bearing, and equality of opportunity were developed. In this way more work and goal-oriented individuals were developed.

This Protestant attitude toward business and work is what Weber called rationalism, i.e., the careful, planned and calculating way of doing things. Weber believed that economic development was the result of having this rationalism applied to all aspects of life and throughout the social and economic system. This rationalism enhanced the development of knowledge and institutions which were so necessary for development. This will be discussed further when we look into the institutional approach of analyzing the effect of religion on development.

The motivation for achievement as a cause for economic development has been strongly expounded by David McClelland, a psychologist interested in economic matters. McClelland's hypothesis states that "a society with a generally high level of achievement will produce more energetic entrepreneurs who, in turn, produce more rapid economic development."¹⁰ Motivation for achievement through religion is considered merely as a special case. For groups of people, high need achievement may have been caused by failure factors. Examples are having been defeated in a war or feeling of being persecuted as a minority group. The remarkable rehabilitation of Japan and Germany after World War II and the economic success cases of Taiwan, the Jews and the Southeast Asian Chinese may be also explained by such factors. We have mentioned that the discipline of the Jews and the Chinese are similar to that of the Protestant ethic. In fact the motivational factors used to explain these minority groups had also been used to explain the impact of Protestantism on success as the Protestants were in the seventeenth century also a minority group, although not so much a persecuted group. Of course not all religious minority

10. David McClelland, *The Achieving Society* (Princeton: Princeton University Press, 1962), p. 205.

groups do better than the majority groups. Notable exceptions are the Catholics in Canada and the Moslems in India and the Philippines.

Another important impact of religion on development is its effect on the basic social and economic structures of the country. A few critics of Weber questioned the direct motivational effect of the Protestant ethic which Weber strongly stressed; instead, they maintained that the effect Protestantism had on modernization was made indirectly through its transformative capacities on the structures of society. The Protestant attitude in doing things is extended to all aspects of human life. The rationalism of Protestantism led to the development of new patterns of human relationships, the construction of new organizations and the institutionalization of education, law, science and technology. Hence the effect of Protestant Reformation was not only on its economy but also on its legal system, its political structure and also all fields of knowledge. The more efficient and impersonal system replaced the old system. The moral values and attitudes inculcated by the ethic was wide-spread as there was a tendency for its mystical contemplation to be secularized. This rationalism developed a middle-class morality which was the basis by which people related to each other. This kind of relationship led to more willingness to trade with strangers and hence the development of contractual relationships. Economic relations expanded as they moved increasingly to a more impersonal basis. Other institutions such as the use of money and the organization of marketing and finance also developed. Producing organizations became more complex and larger in scale. The search for knowledge through empiricism developed institutionalized science and technology and also the education system. All these together led to more liberalized institutions which facilitated more work effort and accumulation.

We see therefore that there is an interaction between institutions and development. New and favorable institutions promote development and at the same time they become more liberalized as development takes place. It is this interaction which makes it difficult for social scientists to determine whether Protestant Reformation was the result of economic opportunities or that theological changes led to economic changes.

The motivational approach and institutional approach of religious impact are also closely related. On the motivational level,

a religion which motivates does not only stimulate entrepreneurial activities but also stimulates the motivation to undertake other types of nonreligious roles. This leads to the development and improvement of secular institutions. However, this does not always happen. It happened with the Protestant ethic but did not happen with Confucianism. The development of institutions favorable to growth may at times be blocked by resistance from a larger group – the majority, the ruling class or the government as a whole. Economic progress is impeded to the extent such blockage exists.

Nevertheless, economic development also depends very much on the institutional channeling of motivation. For a country with a poor credit system and inefficient government, even with the presence of people with entrepreneurial inclinations, economic activities would still be at a minimum. Without the right setting, these people cannot develop their potentials. This can be said of China before the communists took over. Confucianism, although not really a religion in that it does not have a transcendental God, provides an economic ethic that emphasizes accumulation and thrift. It believes that accumulation of wealth is one sure way to ensure that one's parents would be comfortable. However, "the familial piety inculcated by Confucianism hindered the development of the impersonal economic ethic so necessary to rational calculation in business affairs."¹¹ Another reason why for a long time development did not take place in China was the overprotection of the literati stratum of society and the low social status of businessmen. In the order of importance in society, the literati occupied the highest order, followed by the farmers and artisans, with merchants occupying the lowest stratum. Hence without a favorable environment for them to operate in, many of the merchants migrated to other near-by countries and have been doing well for several generations.

We have seen how the direct economic ethic embodied in a given religion can influence the attitude of the religion followers toward business. Other aspects of the religion such as its transcendentalism, the extent of its this-world orientation and its social

11. R. Stephen Warner, "Weber's Sociology of Nonwestern Religions," in Robert Green (ed.), *Protestantism, Capitalism, and Social Science* (Massachusetts: D. C. Heath & Co., 1973), p. 37.

openness also affect its motivation and transformative capacities. All religions talk about a life after death. However, some religions concentrate only on the next life and neglect the present life. The next life is looked forward to with hope that it will compensate for whatever pains and hardships one suffers at present. An appropriate example is the case of Hinduism where the promise of reincarnation into a higher caste is reward for keeping dutifully to one's station in life. It is hard to imagine people with such fatalistic attitudes, to work hard to change their lot. For people with a strong other-world orientation, asceticism and accumulation concerning this-world material things are not emphasized.

Traditional religions which transform in order to adapt to modern times necessarily become more this-world oriented. Traditionally, the religious values of Buddhism put emphasis on the purification of human character and do not emphasize the material goal of society. However, Ames believes that Buddhism in Ceylon (now Sri Lanka) went through a reformation which has brought about orientations supporting social reforms. Comparing traditional Buddhism and modern Buddhism, Ames said, "modern Buddhists are more achievement-oriented than are their rural counterparts. Because salvation is felt to be closer or more immediate, reformers feel less need to pay attention to the round of rebirths and the many Buddhist pinkama rituals concerned with improving one's rebirth chances. It is how one performs here and now, in this life itself, that really counts."¹²

The other effect or mechanism by which religion affects its development is through its structural transformation capacities. Eisenstadt discusses the determinants of the transformative capacities of religions or ideological movements.¹³ The same characteristics of openness, transcendentalism and this-worldliness also define the transformative effect of a religion. A more this-world oriented religion has more commitment to and involvement in activities in the secular world. Such an involvement is more likely to bring about innovation or change in the institutions— cultural, juridical, legislative, economic — necessary for development. Con-

12. Michael Ames, "Ideological and Social Change in Ceylon," *Human Organization*, XXII, No. 1963, p. 48; also in S. N. Eisenstadt (ed.), *The Protestant Ethic and Modernization* (New York: Basic Books, Inc., 1968), pp. 271-288.

13. S. N. Eisenstadt, "The Protestant Ethic Thesis in an Analytical and Comparative Framework" in Eisenstadt (ed.), *The Protestant Ethic*, pp. 3-45.

versely, the more other-worldly are the activist tendencies within a religious value system, the less likely they would orient themselves to the structural reformation of society and the less would be their impact on affecting, much less transforming, the institutional structures of the country.

One characteristic of religion which Eisenstadt believes is important in the determination of its transformation-generating capacity is the degree of organizational autonomy of the religion in the country. The more autonomous the religious organizations are, the greater is their capacity to develop new political and cultural symbols or any system of reforms. In Islamic countries there is a very close identity between their politics and religion. This lack of autonomy greatly suppresses transformation movements in these countries. (Weber used this as an example of a religion which has been inhibited in initiating reform movements.).

RELEVANCE TO DEVELOPING COUNTRIES TODAY

As in most studies on social and economic situations it is difficult to use empirical information to pinpoint for sure the role the predominant religion of a country has played in its development. Firstly, the relationship between religion and development is more of a constant functional interaction rather than a one-way cause and effect relationship. This has been pointed out at the beginning of this paper. In Ames's study (discussed earlier), change in Ceylon is attributed to the structural transformation brought about by the modern Buddhist religion of the country. On the other hand, Ames also admitted to the possibility that westernization had started earlier in society and had brought about religious reforms which in turn helped in the development process.

The second difficulty in assessing the role of religion in development is that of realizing the *ceteris paribus* assumption, i.e., holding all other factors constant. Most of Weber's critics argued that other factors happened at the same time Protestant Reformation took place and any of these factors might have been the explanation for the rise of capitalism. Several events happened before and during the sixteenth century which might have contributed to the rise of capitalism. Among them were: the crusades which contributed to medieval commerce and finance, the scientific progress during the Renaissance, the new geographical discoveries and the

price revolution that followed them.

It has also been mentioned that in some cases historical circumstances which provided a psychological need to achieve might have contributed more to motivating accumulation than religious ethic alone. Moreover, other factors which fulfill the functions of providing proper motivation and appropriate institutional framework can also generate the necessary environment for growth to start. We have seen in more recent history the emergence of a few economically successful cases which are results of strong and responsible governments which cater to such developmental needs.

How do we apply these speculations of the relationship between religion and development to the situations of developing countries today? More specifically, how can we hasten the development process of the Philippines? A religious ethic cannot be imposed. Besides, in most countries today with the decreasing role of religion and the church in society, we cannot expect religious ethic to play as important a role as it did in the medieval times and during the Reformation.

In most developing countries today the psychological need to strive for material well-being is present. Like the people in the advanced countries, people in the developing countries do have the motivation to earn money. In fact, many people are perhaps guided by such a motivation in many of the decisions which they make. Some negative effect on such motivation is usually put on the extended family system. In such a system, a person does not really enjoy all the fruit of his labor as most of it has to be shared with his relatives which can extend to the whole clan. The dependents are also less motivated to work and earn money as the need is not that immediate. However institutions do change with progress. The extended family system is no longer as prevalent as before and small nuclear families have taken its place.

In the Philippines many people are faced with the economic problem of insufficient incomes although they do have the desire to work and make money. In fact for most middle class people, whether desirable or not, with the influence of western culture, such a desire determines their lives and thinking. However, does the system encourage work in the sense that work is justly rewarded? Or do people who have power, economic or political, and the right connection get better rewarded? Does the system encourage people to seek economic opportunities? Can an ordinary person

who sees opportunity in an agricultural crop simply venture into it? Will he be able to get the credit that he needs and can he avail himself easily of the system for marketing his product? Can a person with no connections whatsoever who sees opportunity in manufacture enter into the market without encountering barriers in finance and distribution created by the monopolistic elements. Such motivation problems are due to the lack of favorable institutions for entrepreneurship rather than the lack of motivation on a psychological level.

Without the generation of income, the generation of capital is impossible. If labor provided by the unskilled and semi-skilled laborers is not sufficiently rewarded, then such laborers will not be encouraged to work. Those who do work earn very low incomes. Many people live below the poverty line and most people have only subsistence income. Hence we can only talk of generating wealth and saving from the rich. For this group of people however there are many attractions to the imported luxury items of consumption and hence saving is low. Moreover, the investment done by this group of people is mostly made abroad or in the nonproductive and passive type of investments. This is because this type of investment is more rewarding than the productive type of investment. The risks and difficulties of starting a new business are numerous while it is easier and safer to speculate on lands and jewelries. For those who do go into productive economic ventures, some confront more odds than others as the system practises favoritism which means that some thrive and prosper while others do not. The Philippine government has launched several projects aimed at helping the low income class people to venture into small scale businesses. However, so far these have not succeeded in increasing the welfare of the public but have only succeeded in increasing the power and degree of bureaucracy of the government.

Recent history has shown a declining influence of religion on secular matters. Although religion still affects human attitudes through its ethic, the more direct and essential element of structural transformation can more quickly be instituted by governmental policies. The rise of Japan after the Second World War and later the impressive growth of Singapore, Korea, Taiwan and Hong Kong have demonstrated the importance of the government in providing favorable institutional mechanisms for saving and invest-

ment to take place. Singapore has practically no resources except human resources. However through its strong and responsible government it has enjoyed a high and stable growth rate and also a very low inflation rate. The government has in effect fulfilled the functions of providing incentives and institutions necessary for development. These functions were believed to have been provided by Protestantism in the development of capitalism which explained the growth of many countries in Europe and North America.