Abstracts

The Economic Effects of the Protestant Reformation: Testing the Weber Hypothesis in the German Lands

Davide Cantoni, University of Munich

Following Max Weber, many theories have hypothesized that Protestantism should have favored economic development. With its religious heterogeneity, the Holy Roman Empire presents an ideal testing ground for this hypothesis. Using population figures of 272 cities in the years 1300–1900, I find no effects of Protestantism on economic growth. The finding is precisely estimated, robust to the inclusion of various controls, and does not depend on data selection or small sample size. Denominational differences in fertility behavior and literacy are unlikely to be major confounding factors. Protestantism has no effect when interacted with other likely determinants of economic development. Instrumental variables estimates, considering the potential endogeneity of religious choice, are similar to the OLS results. (JEL: N13, N33, O11, Z12)

Family Values and the Regulation of Labor

Alberto Alesina, Harvard University, Yann Algan, Science Po, Pierre Cahuc, Ecole Polytechnique and Paola Giuliano, UCLA Anderson School of Management

To be efficient, flexible labor markets require geographically mobile workers. Otherwise firms can take advantage of workers' immobility and extract rents at their expense. In cultures with strong family ties, moving away from home is costly. Thus, to limit the rents of firms and to avoid moving, individuals with strong family ties rationally choose regulated labor markets, even though regulation generates higher unemployment and lower incomes. Empirically, we find that individuals who inherit stronger family ties are less mobile, have lower wages and higher unemployment, and support more stringent labor market regulations. We find a positive association between labor market rigidities at the beginning of the 21st century and family values prevailing before World War II, and between family structures in the Middle Ages and current desire for labor market regulation. Both results suggest that labor market regulations have deep cultural roots. (JEL: J2, K2, Z0)

Political Selection in China: The Complementary Roles of Connections and Performance

Ruixue Jia, School of International Relations and Pacific Studies, University of California San Diego, Masayuki Kudamatsu, Institute for International Economic Studies, Stockholm University and David Seim, Department of Economics, University of Toronto

Who becomes a top politician in China? We focus on provincial leaders -- a pool of candidates for top political office - and examine how their chances of promotion depend on their performance in office and connections with top politicians. Our empirical analysis, based on the curriculum vitae of Chinese politicians, shows that connections and performance are complements in the Chinese political selection process. This complementarity is stronger the younger provincial leaders are relative to their connected top leaders. To provide one plausible interpretation of these empirical findings, we propose a simple theory in which the complementarity arises because connections foster loyalty of junior officials to senior ones, thereby allowing incumbent top politicians to select competent provincial leaders without risking being ousted. Our findings shed some light on why a political system known for patronage can still select competent leaders. (JEL: H11, H77, O12, O43, P26, P27)
Diffusing Knowledge While Spreading God's Message: Protestantism and Economic Prosperity in China, 1840-1920

Ying Bai, Hong Kong University of Science and Technology and James Kai-sing Kung, Hong Kong University of Science and Technology

We provide an account of how Protestantism promoted economic prosperity in China—a country in which Protestant missionaries penetrated far and wide during 1840–1920, but only a tiny fraction of the population had converted to Christianity. By exploiting the spatial variation in the missionaries’ retreat due to the Boxer Uprising to identify the diffusion of Protestantism, we find that the conversion of an additional communicant per 10,000 people increases the overall urbanization rate by 18.8% when evaluated at the mean. Moreover, 90% of this effect comes from knowledge diffusion activities associated with schools and hospitals erected by the missionaries. (JEL: N35, Z12, O18)

Railroads and Growth in Prussia

Erik Hornung, Max Planck Institute for Tax Law and Public Finance

We study the effect of railroad access on urban population growth. Using GIS techniques, we match triennial population data for roughly 1,000 cities in nineteenth-century Prussia to georeferenced maps of the German railroad network. We find positive short- and long-term effects of having a station on urban growth for different periods during 1840–1871. Causal effects of (potentially endogenous) railroad access on city growth are identified using propensity score matching, instrumental variables, and fixed-effects estimation techniques. Our instrument identifies exogenous variation in railroad access by constructing straight-line corridors between nodes. Counterfactual models using pre-railroad growth yield no evidence to support the hypothesis that railroads appeared as a consequence of a previous growth spurt. (JEL: O18, O33, N73)