

## Chapter 5

# Conditions (Predictor Variables): Theories Explaining Prosperity Differences (*B*), (*C*), (*D*), (*E*)



Numerous theories attempt to explain cross-country prosperity and corruption differences, which are empirically associated with a broad range of highly correlated factors (Acemoglu & Robinson, 2012; La Porta et al., 1999; Michalopoulos & Papaioannou, 2017; Rose-Ackerman, 2006). The main problem consists in isolating the underlying triggers of prosperity and corruption, as causes are often also consequences operating simultaneously in feedback loops (Lambdsdorff, 2006). Essentially, potential prosperity factors can be clustered into three groups: (1) cultural and religious values; (2) institutions and economic growth; (3) environment and geography (Fig. 2.1, Sect. 5.7, and Appendices 1–3 explain the theories, categories, variables, and sources used here in greater detail). This chapter will be limited to defining the conceptual scope of each of these groups of theories for this study (i.e. predictor variables—see Fig. 2.1). Part III (Theoretical Foundations) will further explain the relationships (arrows—see Fig. 2.1) between these groups of theories (predictor variables or conditions) and prosperity (criterion variables or outcome).

Culture and institutions are comprehensive, interdependent concepts and religion interacts as a subset within them both (see Fig. 2.1 and Chap. 10). Institutions and culture have evolved and interacted with mutual feedback effects, thus determining the prosperity of nations. Empirical evidence supports the claim that causality exists in both directions. Culture may change in different ways depending on the type of institutions, while institutions may work differently depending on the cultural context (Alesina & Giuliano, 2015, p. 938).

### 5.1 Culture (*C*)

Abundant empirical research demonstrates that cultural variables determine several economic choices (Alesina & Giuliano, 2015; Guiso et al., 2006; Volonté, 2015). Cultural variables “play an important role in corporate governance practices around the world” (Volonté, 2015, p. 78) and “they even affect the speed of development

and the wealth of nations” (Alesina & Giuliano, 2015, p. 898). However, culture is a vague concept with no agreed-upon definition. Moreover, culture is a notoriously difficult term to quantify (Paldam, 2001, p. 383), and “difficult to operationalize” (Volonté, 2015, p. 80). Similarly, Alesina and Giuliano contend that defining “culture is an arduous task” since theoretical and empirical definitions of culture are often not easily related (p. 899).

Theoretically, culture has been characterised in a myriad of forms, frequently being defined in relation to rituals, practices, customs, and ways of life (Droogers, 2004, p. 217). The author also observes the empirical challenges of culture as a concept. Anthropologists have concentrated on culture as a fundamental capacity, viewing people as “meaning-makers” (Crick as cited in Droogers, 2004, p.17). For Droogers, the human capacity to create meaning defines culture. Yet, meaning occurs in an intangible, supernatural reality, which is non-empirically verifiable (p. 218).

Comparably, other definitions of culture exhibit similar empirical challenges. For instance, Geertz (1973) defines culture as “a historically transmitted pattern of meanings embodied in symbols” (p. 89), while Greif (1994) observes

Cultural beliefs are the ideas and thoughts common to several people that govern interaction—between these people and among them, their gods, and other groups—and differ from knowledge in that they are not empirically discovered or analytically proved (Greif as cited in Alesina & Giuliano, 2015, p. 900).

In turn, Alesina and Giuliano refer to “culture as values and beliefs”, but they argue that the theoretical literature on culture has also been ambiguous in this regard. On the empirical (quantitative) side that links culture to economic/institutional outcomes, the authors observe that

...most papers (if not all) follow the definition adopted by Guiso et al. (2006), where culture is defined as “those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation.” Empirical papers, therefore, combine values and beliefs in the same definition. (Alesina & Giuliano, 2015, p. 900).

Nevertheless, there is no agreement on the empirical constitutive elements/variables of culture. For instance, Alesina and Giuliano explain the following “cultural traits”: *trust, family ties, individualism, generalised morality, work attitudes*, while Herskovits (1952, 1966) describes, among others, the following cultural elements: *technology, economic and social organisation, religion, magic, art, folklore, music, and language*. Meanwhile, the Global Leadership and Organizational Behavior Effectiveness Research Programme (GLOBE) further develops the proposal of Hofstede (2001), presenting the following “cultural dimensions”: *power distance, uncertainty avoidance, human orientation, collectivism, assertiveness, gender egalitarianism, future orientation, performance orientation* (House et al., 2004). Yet, measurements of cultural variables (e.g. GLOBE (House et al., 2004); Hofstede, 2001) often overlap with institutions (Volonté, 2015, p. 79) and lack data in many countries in Europe and the Americas. Therefore, this study has excluded GLOBE and Hofstede datasets from the empirical (quantitative and QCA) settings.

For Volonté (2015), attempts to measure culture face two challenges: First, it is problematic to isolate analytically cultural-specific effects given their identification with other national formal institutional characteristics (e.g. law). Intra-country cultural heterogeneity is thus often ignored. Second, no clearly observable variables constituting culture exist.

However, several empirical studies have identified three proxies of culture as appropriate: *religion* (the most prominent in the literature) (Acemoglu et al., 2001; Alesina et al., 2003; Granato et al., 1996; Guiso et al., 2006; Mazar, 2008; Paldam, 2001; Stulz & Williamson, 2003; Volonté, 2015), *language* (Alesina et al., 2003; Mazar, 2008; Volonté, 2015), and *ethnic measures* (Alesina et al., 2003; Guiso et al., 2006). Of course, other extraneous elements can also be present, but these three are the most operational. In fact, the combination of these three cultural proxies is consistent with the historical “cultural project” promoted by the Roman Catholic Church (i.e. Hispanicism in Latin America). This “cultural weapon” has specifically consisted of the triad “religion, language, and race” (Figuroa, 2016); (see Chap. 21). Thus, the integration of these three predominant proxies can empirically (quantitatively) define *culture* in this study. This empirical definition of culture is practical for this research since it can be easily operationalised (e.g. data availability) and does not directly overlap with institutions. Furthermore, this narrow approach has the advantage of reducing the risks of reverse causality (thus focusing on the causal arrow where culture affects prosperity, rather than the contrary) (Guiso et al., 2006, p. 25). Therefore, two-thirds of the empirical setting (correlations and QCA) include the proportion of the population that belongs to the main ethnicities, languages, and religions in each country in Europe and the Americas. Qualitatively, however, culture may be referred to in a broader sense in this study, to include other elements such as values (Alesina & Giuliano, 2015) or power distance (Hofstede, 2001).

### 5.1.1 Cultural Determinism of Prosperity

Despite the abundant empirical research demonstrating that cultural variables determine economic outcomes (Alesina & Giuliano, 2015; Guiso et al., 2006; Volonté, 2015; Hofstede, 2001; GLOBE (House et al., 2004)), culture has been heavily criticised as a theory that “does not work” as a determinant of prosperity (Acemoglu & Robinson, 2012; McSweeney, 2015).

Acemoglu and Robinson (2012) illustrate how cultural differences are not significant factors. For instance, while North Korea is one of the world’s poorest countries, South Korea is one of the most prosperous despite both countries sharing the same language and cultural background (p. 43). Likewise, the authors exemplify the vast prosperity differences between Nogales’s high quality of life (in Arizona, USA) and its poor southern neighbour (Nogales, Sonora, Mexico). The inhabitants of both Nogales—i.e. Arizona and Sonora—have the same cultural background. Yet, the Mexican Nogales face high crime rates, corruption, poor education and an inadequate health system (Acemoglu & Robinson, 2012, p. 13). Nevertheless, the

authors accept that cultural theory can be helpful as social and cultural standards matter, are difficult to change, and may support institutional differences.

In his critique, McSweeney (2015) argued that cultural determinism makes it impossible to define a “national culture” and that the quantitative approaches in cultural theory underestimate the subnational levels. The author highlights several inconsistencies in the main assumptions that ground the theoretical contributions in cultural and management theory (GLOBE, Hofstede, Hall, among others). McSweeney mentions the difficulties of defining “culture” and “national culture” within a geographical domain. Another issue concerns the misleading acceptance of an invariant or stable “culture”. Furthermore, citing numerous sources, McSweeney criticises the statistical or numerical approach of cultural studies.

Firstly, McSweeney discredits any notion claiming that culture permanently and predictably influences, affects, impacts, manifests, or has effects, consequences, or outcomes on the social behaviour of defined populations (McSweeney, 2015, p. 16). He maintains that such claims simply point to correlations, statistical associations, or relationships that provide no evidence for causality (p. 18). McSweeney’s objection is very valid. Generally, it has been wrongly and widely accepted in science that correlations are necessarily associated with causality. Indeed, a statistical correlation might be spurious, while causal inferencing is a more complicated process. This study approaches this problem by adopting a mixed methods approach consisting of qualitative and QCA methods to establish causal inference (see Methodology, Chap. 14).

Secondly, McSweeney challenges the notion of geographical boundaries as being appropriate for defining countries and culture (he cites various examples, including India, Turkey, or the former Czechoslovakia). Although these examples are historically accurate, they do not serve to generalise a theory that accounts for reality. For example, if we accept that no boundaries exist, how could we explain the institutional and regulatory differences that exist in every country? Why do some countries require a visa for citizens from other countries? Why can some countries provide higher levels of freedom to their citizens than others? In this sense, institutional theory and history provide better answers to these questions (Acemoglu & Robinson, 2012).

Thirdly, McSweeney claims that the link that GLOBE, Hofstede, Hall, and others establish between culture and actions on a national level provides zero empirical evidence and that their conclusions are biased. This strongly discredits the empirical work undertaken by GLOBE, Hofstede, Hall, and others. Despite McSweeney’s objections, Hofstede’s and GLOBE’s pioneering quantitative approaches have been helpful in a myriad of empirical (quantitative) studies (Staheli, 2003; Stulz & Williamson, 2003; Volonté, 2015). No single theory or science can devise a perfectly rigorous empirical model, including all possible variables and all the desired representativeness. It is essential to have at least one point of departure, which explains why these works are considered here.

Fourthly, related to the previous criticism, the importance of subnational heterogeneity is also a valid point raised by McSweeney. However, in practical terms, it would be virtually impossible to collect empirical information on a microlevel from

every single town and even community in the whole world in order to generate a satisfactory model in McSweeney's terms. Moreover, from an institutional point of view, (regulatory, political, and institutional) differences exist between countries as a whole (as discussed) and therefore produce different prosperity outcomes. This argument is discussed in the following sections and empirical findings of this study (see Sect. 8.3.2; Fig. 8.3 and Table 8.2; Parts V–VII; Appendix 4.2).

Finally, although McSweeney (2015) raises crucial issues and heavily criticises GLOBE, Hofstede, Hall, and other authors, he proposes neither a new model nor a better empirical approach. Citing Wagner (1975), he limits himself to asserting that speaking about national cultures is futile. However, it is better to have a point of departure than none. Science is about generating information and insights that allow us either to explain or to predict reality.

## 5.2 Institutions and Economic Growth (*D*)

Theoretically, institutions are “the rules of the game in a society” (North, 1990, p. 3). Institutions can be either formal, i.e. official and openly codified (e.g. constitutional laws), or informal, i.e. as an unwritten rule and socially shared values (Helmke & Levitsky, 2004). Informal institutions are frequently more persistent than formal ones (North, 1997) and pertain to how laws are enforced (Woodruff, 2006). Empirically, North (1990); Alesina and Giuliano (2015); and Volonté (2015) have defined *informal institutions* as a synonym of *culture* given the practical overlaps of these concepts. Consequently, isolating *institutions* empirically “would be possible only if one counts formal institutions (formal legal systems, formal regulation) as institutions” (Alesina & Giuliano, 2015, p. 902). In turn, Acemoglu et al. (2006) refer to political and economic institutions in their definition, considering institutions as mechanisms through which social choices are determined and implemented.

Institutional theory and other related approaches such as economic theory provide the most robust empirical and theoretical explanations of why some countries are more prosperous than others. For North, the radically different evolution of Anglo- and Latin America reflects the imposition of distinct metropolitan institutions on each colony (North, 1990). The main argument advanced by Acemoglu and Robinson (2012) is that institutions are decisive when explaining the differences and inequality among nations. For the authors, geographical or cultural theories can be influential, but they are useless in terms of clarifying why countries ultimately fail or thrive (Acemoglu & Robinson, 2012). Other economists such as Preston (2012) have also developed extensive theoretical approaches on this issue. Yet, different controversies remain regarding which, where, and how institutions matter for economic prosperity (Alesina & Giuliano, 2015; Glaeser et al., 2004; Woodruff, 2006), (for details, see Chap. 8).

### 5.2.1 *Colonialism as an Overarching Explanation and as the Overlapping of Cultural Proxies*

The attributes of the colonising countries have greatly determined present-day institutions in the former colonies, both informally (i.e. culture) and formally (i.e. laws) (Acemoglu et al., 2001, p. 21; North, 1990; Volonté, 2015). Therefore, the colonial legacy of such countries is associated with various factors (e.g. religion, language, and legislation). Typically, Spanish and Portuguese-speaking countries are historically Catholic and apply French civil law, whereas English-speaking countries are historically Protestant and apply common law (Volonté, 2015); (Mazar, 2008) (see Chaps. 8, 9, and 10).

Furthermore, most countries in Europe and the Americas were colonies themselves. Most Latin American countries are former Spanish and Portuguese colonies, while the USA and Canada are former British colonies. At the same time, European colonisers (e.g. Great Britain, Spain, Portugal, France, Germany, or Holland) were colonies of the Roman Empire. This colonial (rather than the indigenous) heritage has substantially shaped institutions in most of the colonised countries. Colonisers often transferred or imposed their solid institutions and *status quo* to their colonies. Thus, when “the conquerors colonised much of the world, they brought with them their culture (laws and institutions); they settled and shaped the present public administration” (Mazar, 2008, p. 176). While many former colonies revised their legislation after independence, only few have shifted far away from the original code (Mazar, 2008; Merryman & Pérez, 2015; World Bank, International Finance Corporation & Oxford University Press, 2004).

The Protestant Reformation led to an institutional deviation of the medieval *status quo* in its countries of influence (see below). Such deviation was transposed to the colonies. In turn, Spanish and Portuguese colonialism upheld the medieval *status quo* by emphasising the authoritarian and feudal-hierarchical roles of the Roman Church and the states (Andreski as cited in Grier, 1997, p.47; Acemoglu et al., 2001).

Religion and the state were united for the majority of colonial history. The state enforced religion, meaning that it was mostly not a matter of individual choice. However, the modern sovereign state system emerged from the Thirty Year War waged by Protestants against the imposition of Roman Catholicism by Ferdinand II (leading to The Peace of Westphalia in 1648). The separation of church and state occurred first and foremost in Protestant territories since the Reformation (Snyder, 2011; Wilson, 2009; Witte, 2002). This separation established itself as a driving force of prosperity (Grier, 1997; Fanfani, 1936).

Nonetheless, colonialism has largely been treated separately from religion (or even as a competing explanation). This conceptual error has led scholars to empirically test endogenous variables. On the one hand, religion is typically reduced to its proportion of adherents (which can normally result from the effect of historical institutions and more recent trends, such as Pentecostalism or Agnosticism) (Sect. 10.4.3). On the other, colonial institutions include the historical and institutional

influence of religion (which is more important than the number of adherents) (e.g. Protestant British colonies as against Roman Catholic Spanish/Portuguese colonies). Therefore, it is not surprising that empirical studies such as Grier (1997) find that Protestantism (adherents) does not significantly lessen the gap between the economic performance of former colonies notwithstanding an overwhelming correlation between Protestantism and economic growth (GDP). Thus, the weight of British colonial institutions (including Protestantism) in historically Protestant countries ought to be more decisive than the current Protestant (mostly Pentecostal) adherents within historically Catholic countries, for instance.

Furthermore, Woodberry's (2012) empirical findings also help better understand that religion and colonialism have been intervening and complementary mechanisms rather than competing explanations. Colonial institutions, including religion transported from Europe, were highly influential in the New World (Woodberry, 2012, p. 244). Thus, North America, for instance, inherited the same institutional outcomes that distinguished Great Britain from Spain or Portugal as far back as the Protestant Reformation (Sects. 8.2.2 and 8.3.4).

### 5.3 Religion (Cultural and Institutional Influences) (B)<sup>1</sup>

#### 5.3.1 *The Institutional Influence of Religion Has Been More Decisive to Prosperity than the Cultural Effect of Religious Affiliation (Adherents)*

At least two dimensions of the influence of religion need to be taken seriously: institutional and cultural (adherents) (Manow, 2004, p. 9). Yet, religion is mostly considered as an important expression of culture (Guiso et al., 2006; Mazar, 2008; Volonté, 2015). For Anderson (2007), "culture was historically shaped in large part by religion and because most religious traditions sat uneasily with democratic ideas and practices, it was hard to see democracy thriving outside the Anglo-Protestant world" (p.383).

Furthermore, religion is usually assumed to be central to economic development (Becker & Woessmann, 2009, p. 533). Thus, many empirical studies associating cultural variables with economic outcomes widely follow the Protestant ethics-based theory proposed by Max Weber. The work ethics Weberian theory is considered "...the most famous link between culture and economic development" (Acemoglu et al., 2006, p. 401).

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Accordingly, most empirical studies linking religion and economics associate variables of religious adherence and economic performance. The dominant research paradigm has centred on the influence of *the proportion of believers* (so-called *market share* or *cultural influence of religion*) on prosperity/corruption, but has mostly disregarded the *institutional influence of religion*. Consequently, sociological explanations of the prosperity–religion nexus are often either solely Weberian (work ethic) or sheer hypothesis. This means that they have not further developed or been related to other disciplines and historical sources (see Sect. 7.1).

Studies such as La Porta et al. (1999) and Barro (1997) have effectively isolated the effects of religion adherence (yet, not of religiosity) on political, economic, and legal outcomes (McCleary & Barro, 2006). However, the Weberian cultural argument that the beliefs of individual Protestants led to higher productivity has failed to work in several other cases (e.g. Acemoglu et al., 2001, 2006; Cantoni, 2015; Delacroix & Nielsen, 2001). Quantitative studies analysing the influence of institutions (Acemoglu et al., 2001, 2006) or cultural determinants (Hofstede, 2001) on prosperity have also reduced religion to its adherents' influence on institutions, culture, or prosperity. For instance, Acemoglu and Robinson (2012) dedicate an entire chapter to criticising Weberian Protestant ethics as a theory that is unable to explain prosperity differences across countries. Likewise, Hofstede (2001) states that industrialisation is what brings people to believe in more “inclusive” religious systems such as Protestantism, rather than vice versa. Such assertions result from empirically analysing the proportion of believers while disregarding the historical and institutional influence of religion. Thus, considering religion only as a cultural factor (i.e. adherents) results in trivialised or misunderstood relations between religion, institutions, and prosperity/transparency. Moreover, the difficulty of separating the effect of religious adherents from other possible (and varying) causes of prosperity (e.g. institutions and geography) adds endogeneity to cross-country studies (Becker & Woessmann, 2009, p. 533).

Nevertheless, the relationship between religious institutions and the state is identified as being the most important explanatory variable in the theory of Religious Competition (based on Rational Choice Theory; see Sect. 7.2) (Chaves & Cann, 1992; Wilde et al., 2010). Yet, the effect of religious institutions has been largely ignored, favouring religious pluralism as a means to measure competition (Olson, 1993; Wilde et al., 2010).

Undoubtedly, robust statistical data exists for nominal religion adherents in cross-country studies. Hence, most of the literature on religion as a corruption/prosperity determinant has only considered the proportion of adherents, even if religion cannot be reduced to this sole indicator. The ample data available on religious adherents may partly explain why most empirical literature utilises this variable as a proxy of the cultural effects of religion on prosperity/corruption.

The objective of this section (and book) is not to critique the mostly studied *cultural influence of religion* but to concentrate on the *institutional path of religion*, which the author believes is more crucial to prosperity in the long term. Indeed, the historical effect of religious institutions (i.e. state–church, law, education) is more lasting and pervasive than current individual religious choices based on “freewill”



(Becker & Woessmann, 2009; Inglehart & Baker, 2000; Merryman & Pérez, 2007; Witte, 2002). Guiso et al. (2006) observed in this regard

... people choose neither their parents nor the religion of their parents [...], parents have a natural tendency to teach their children what they have learned from their own parents, without a full reassessment of the current optimality of those beliefs. ... (p. 32, 25)

In fact, the individual's religious orientations are largely the resultant heritage of the historical institutional interactions of state and church. According to Vallier (1970), *this is not necessarily connected to the influence of individual's religious beliefs. Rather, it is related to the institutional repercussions that religious corporations have on the operation of civil power structures, social groups, and on the continuity of general ground rules that affect role processes and daily exchanges* (Vallier, 1970, pp. 157–58).

In the end, religion and politics were quite evidently integrated until the Protestant Reformation. Thus, institutional religion preceded and gave rise to the state (Snyder, 2011). Certainly, a key feature of various relevant studies (e.g. Becker et al., 2016; Becker & Woessmann, 2009; Gill, 1998; Woodberry, 2012) has been the identification of Protestantism as a destabilising element of institutional Roman Catholic hegemony. Such an element has proven more important than the effects of religious believers per se. The influence of institutional religion is pervasive to this day, both in Europe and in the Americas (Figs. 8.1, 8.2, and 8.3; Table 8.2).

Furthermore, the crucial element that determines the dominant religion in a country or region has been how the state has supported that religion. The fate of the Reformations was ultimately dictated by rulers' decisions on which religious denomination to follow, which causes to endorse, and how harshly to suppress the propagation of heterodox doctrines. These choices were so crucial that *no Protestant success has ever been achieved in Catholic-Protestant disputes without either state or foreign assistance*. The counter-reformation eventually regained territories with large Protestant communities that persisted under Catholic jurisdictions, such as Hungary, Bohemia, and parts of France (te Brake as cited in Nexon, 2011, p. 152).

However, it is not always easy to empirically differentiate between cultural and institutional influences of religion as they are well connected (Barro & McCleary, 2005). Barro and McCleary (2005) developed a close empirical approach to institutional religion in their classification of "*State religion*" (an independent indicator considered in the QCA analysis in Chap. 16). "*State religion*" is, however, mostly also related to population adherence and does not account, for instance, for the international agreements (concordats) between the Roman See and individual countries. My study brackets those indicators and thus lends theoretical and empirical weight both to the institutional (e.g. including concordats) and, to a lesser extent, the cultural (mainly operationalised as adherents) influences of religion.

Therefore, in this study, *religion* contains "institutional variables" (e.g. state religion, concordats) as a subset of institutions, and "cultural variables" (e.g. nominal religion adherents) as a subset of culture.

### 5.3.2 *Definitions of Protestantism and Roman Catholicism*

Engelhardt (2007) observes that Protestantism and Roman Catholicism have historically defined themselves as being set against each other in a “mutually defining dialectic” (p.28). The Protestants first defined themselves “in their protest against the heresies of Rome” (e.g. papal universal jurisdiction, purgatory, and indulgences) (p. 37) (see Sect. 10.4.1.3). The author continues, “[b]y default, Protestants thought themselves constrained to put the Bible in the place the church had traditionally held” (p. 37). In turn, the “Roman Church then defined itself against the Protestants in the Council of Trent (1545–1563) and through the Counter Reformation” (p. 29).

#### 5.3.2.1 **Definition of Protestantism**

Protestants are defined as being members or followers “of several church denominations denying the universal authority of the Pope and affirming the Reformation principles of justification by faith alone, the priesthood of all believers, and the primacy of the Bible as the only source of revealed truth” (Merriam-Webster, *n.d.-a*). Likewise, this study refers to Protestants as members of historical Protestant churches (e.g. Lutherans, Methodists, Baptists, Seventh-day Adventists, or Presbyterians) (Pew Research Center, 2014, p. 7). The Protestant Reformation is defined as a sixteenth century movement in Europe that rejected the Roman Church’s abuses, initially attempted to modify and improve the Catholic Church, and ultimately established the historical Protestant and Reformed Churches (Merriam-Webster, *n.d.-a*; Cambridge University Dictionary, 2014; Oxford University Press, 2016).

For his part, Köhrsen (2017) distinguishes three streams of Protestantism: (1) Historical Protestantism; (2) Non-charismatic forms of evangelicalism; and (3) Charismatic forms of evangelicalism (Pentecostalism). For Köhrsen, many historical and non-charismatic Protestant communities have undergone a charismatic turn, thus moving them closer to the Pentecostal movement today (pp. 3–5).

Although this book refers to the Pentecostal movements, this research often emphasises the historical streams of Protestantism, given their accumulated institutional influence (see Sect. 8.3 and Chap. 9). Therefore, historically Protestant countries are so defined according to their traditional religious heritage (Inglehart & Baker, 2000), which does not necessarily reflect whether the majority of their current population are Protestant adherents.

#### 5.3.2.2 **Definition of Roman Catholicism**

The Roman Catholic Church-State (Roman Catholicism or Romanism) is defined since the Reformation as “a Christian church having a hierarchy of priests and bishops under the pope, a liturgy centered in the Mass, veneration of the Virgin Mary and saints, clerical celibacy, and a body of dogma including transubstantiation

and papal infallibility” (Merriam-Webster, n.d.-b). Evidently, the Roman Church-State is not a monolithic entity, but differentiation exists within it (e.g. the Latin Rite and the Eastern Rites; or contrasting ideologies such as the extreme right (Opus Dei) and left (liberation theology) (Figueroa, 2016; Werz, 2008), (see Sect. 10.4.1.4). The Roman Church-State is a complex and diverse organisation (Gill, 1998). As Agnew (2010) observes

The Roman Catholic Church is perhaps an extreme case of a faith tradition with a highly organised hierarchical structure that operates worldwide but must adjust itself to local and world-regional contexts that can challenge and subvert its central doctrines, operational principles, and political compromises with secular authorities (p. 43).

However, regardless of the internal differentiation, Canon Law has defined the papacy as the “Supreme Authority of the Church” since the Middle Ages (i.e. including post-Vatican II) (Canons 330–367; Molano, 1983). Molano observes that according to Canon Law, the “Supreme Authority of the Church” is the head of both individual Churches and their congregations, including the Universal Church, structured as a communion of Churches or “*Corpus Ecclesiarum*” (Molano, 1983, p. 20).

Furthermore, the “Vatican is a centralized bureaucracy that oversees the various aspects of the international Church related to people, theology, education, law, missions, and ecumenism” (O’Reilly & Chalmers, 2014, p. 196). Since the Vatican State was created through the Lateran Treaty with Mussolini’s National Fascist Party, “the Church has, if anything expanded its presence as a unique ‘church-state’” (Agnew, 2010, p. 46). For instance, the number of states entertaining diplomatic relations with the Roman See almost quadrupled after Vatican II (from 46 to 177) (Ragazzi, 2009; The Permanent Observer Mission of the Holy See to the United Nations, 2020).

Therefore, this study considers the Roman Catholic Church not merely as a religious organisation, but as the oldest state that “inherited the mantle of the Roman Empire and its imperial territoriality” (Agnew, 2010, p. 41). As the author explains, “. . .when the Roman Empire collapsed in Western Europe, only the Church represented institutionally in perpetuity what little was left of the *pax romana*” (Ibid).

Although this book highlights the existence of less intransigent sectors, the research often emphasises the most conservative and intolerant wing of Roman Catholicism (which has been historically dominant, institutionally) (Figueroa, 2016). Thus, by focusing primarily on an institutional level, there is a risk of labelling the Roman Church-State a “black box”. However, as Gill (1998) argues, there are many compelling reasons to study the Roman Catholic Church as a single entity. Firstly, the Catholic Church’s hierarchical structure tends to limit internal divisiveness. Although there may be continuing discussion within the Church over policy direction, there is a general loyalty to authority with regard to taking action. The author illustrates such Catholic deference to authority with some bishops who may disagree with keeping the priesthood celibate, but they rarely ordain married priests in their dioceses. Likewise, Catholic Church leaders have a deep desire to

show and preserve a united front, especially regarding significant policy decisions. A fractured Church loses bargaining power as well as spiritual legitimacy. Crucial policy positions (such as openly rejecting a military regime) would almost certainly be disputed within the hierarchy, but bishops usually disregard any disagreement and defer to the final decision (pp. 9–10).

## 5.4 Dependency and World Systems Theories

According to dependency theory, local allies who control social, cultural, economic, and political institutions in developing countries implement policies and programmes designed by developed nations. Thus, in this view, the misery and inequality abounding in Latin America are, for instance, not fortuitous but a consequence of capitalist progress in the developed world (Levine, 1981). This dependency theory strand has been very influential in Latin America and corresponds to the Marxist version, one of whose leading advocates is Andre Gunder Frank (Drexler-Dreis, 2017, p. 275).

Such ideas inspired the Economic Commission for Latin America and the Caribbean (ECLAC) to explain Latin America's role in the global economy as being restricted to a primary product exporter (Prebisch, 1950). Later, the gradual failure of ECLAC reformism led to a revision of these views (Preston, 2012, p. 6). Indeed, traditional institutional approaches aiming to alleviate prosperity problems such as inequality, poverty, or corruption include the highly technically based and controversially discussed policy recipes of the ECLAC, the World Bank, or the International Monetary Fund (IMF). While aiming to guide governments in Latin America and the developing world, such policy recipes have often failed or even worsened the social situation in certain developing countries (Stiglitz, 2002). This observation suggests that the causes of structural prosperity have not been adequately addressed.

And yet, dependency theory is widely accepted a priori. Dependency theorists, liberation theologians, and leftist Latin American governments commonly accept US "imperialism" as a predominant cause of poverty in Latin America (Castañeda, 2006; Galeano, 1971; Gutiérrez, 1973). However, there is little empirical evidence to support this approach. For example, Venezuela and Bolivia are not wealthier since opposing the USA; in fact, the opposite is true. Likewise, Colombia and Costa Rica are not more impoverished for being US allies.

Dependency theories regard the core (prosperous) countries as so-called hegemons. Semi-peripheral and peripheral countries are usually former colonies. Such a division raises other crucial questions: Why does Spain, as the coloniser of Latin America, still face economic problems to this day? Why does the USA appear as a hegemon if it was once a British colony? Why did the USA achieve prosperity levels that other colonies could not? Dependency theory does not properly answer these questions and instead misleads analysis. For example, it mistakenly assumes

that US “hegemonical exploitation” has caused the poverty problems of Latin America, thereby disregarding other real structural problems.

However, dependency theory might be helpful in order to trace the hegemony of colonial institutions and elites. Empirical and historical evidence shows that after the former Spanish/Portuguese colonies gained independence, hegemony was handed to local elites. Consequently, the relative socio-economic situation of Latin America did not change much; instead, the extractivist tendency persisted (Acemoglu et al., 2001; Acemoglu & Robinson, 2012). Yet, “dependency” analyses typically exclude or deny the historical ties and dependency on the Roman Church-State. Nonetheless, this study reveals a clear tendency: the greater the Roman Catholic influence in a country (e.g. the Church’s substantial control over education), the worse the country’s conditions (see Sect. 8.3.2; Fig. 8.3 and Table 8.2; Parts III, V–VII; Appendix 4.2).

### ***5.4.1 World Systems Theory***

Dependency theory has led to further developments, including World Systems Theory, which divides the world into peripheral countries, semi-peripheral countries, and core countries.

This theory is only applicable on a global level (Papademetriou & Martin, 1991, p. 10). Therefore, world systems theory is criticised as:

a grand historical generalisation, a by-product of a univocal, reductionist and sense-loaded interpretation of history in which all countries pass through similar processes, as if following a grand script or some rigid laws of historical development (Arango, 2000, p. 291).

This theory suggests the existence of a global economic behaviour centred on capitalist penetration from industrialised countries to peripheral areas. Furthermore, peripheral countries provide a permanent flow of resources and migrant labour that most prosperous countries require (Wallerstein, 2006). The global system’s existence depends on international flows of capital, supply resources, markets, and labour.

## **5.5 Factor Endowments Theory (Institutions and Geography)**

Factor endowments theory extends institutional theory as it also considers various political and institutional insights along with geographical factors. Among such theorists, Engerman and Sokoloff (2002) explain differences in growth rates of per capita income in the New World. They found that the initial differences between the degree of inequality in the Americas can be mainly attributed to endowment factors:

...that great equality or homogeneity among the population led [in the North], over time, to more democratic political institutions, to more investment in public goods and infrastructure, and to institutions that offered relatively broad access to economic opportunities. In contrast, where there was extreme inequality, as in most of the societies of the Americas, political institutions were less democratic, investments in public goods and infrastructure were more limited, and the institutions that evolved tended to provide highly unbalanced access to economic opportunities and thereby greatly advantaged the elite” (Engerman & Sokoloff, 2002, p. 4).<sup>2</sup>

Accordingly, initial inequality and soil and climatic conditions on the equator led to the production of large quantities of high-value crops, such as sugar cane or tobacco in Central and South America. Such crops were characterised by extensive scale economies associated with the use of slaves and a self-enriching elite that perpetuated inequality over time. In contrast, the US and Canadian economies were developed based on a “free land” model, which provided plots suitable for family farms to all those who settled and worked the land for a specified period. This model led to an equal distribution of land and wealth (Engerman & Sokoloff, 2002).

Factor endowments theory is based on empirical research that correlates wealth inequality, human capital, and political power to account for divergent economic growth records. Consequently, this notion only partly explains countries’ failure or success by solely concentrating on their economic growth. Furthermore, this theory provides no comprehensive explanation that would in turn lead to a holistic understanding of countries’ prosperity, as the present study claims. It focuses exclusively on the macro-economic achievements of countries and fails to explain other related aspects such as corruption.

Like environmental and geographical theory, factor endowments theory does not consider the historical differences between the European colonisers of the Americas—i.e. the differing influence of the Iberian Peninsula and Great Britain on their respective colonies. European colonisers had different cultural backgrounds (e.g. Spanish or English). Thus, they did not merely “behave differently” in North America because it was not densely populated compared with South and Central America, where they found a densely concentrated population. This assumption would not explain the cases of Brazil or Argentina, which were not densely populated before European colonisation and currently display extractive institutions like the rest of Latin America.

Moreover, another related question is whether Canada and USA would be the countries they are today if the Spaniards and Portuguese had colonised North America. Huntington (2004) argues that they would most probably not; in turn, they would look like other Latin American countries, sharing similar vices, institutions, and cultural heritage. Great Britain built egalitarian societies in North America, whereas Spain and Portugal replicated their “extractive” and elitist models throughout Latin America (Acemoglu & Robinson, 2012). In sum, in tandem with

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environment and geography theories, factor endowments theory can be considered as another piece of the explanation puzzle.

## 5.6 Environment and Geography (*E*): The Environmental Performance Index (*EPI*)

Vast empirical information supports a strong association between environment/geography and prosperity. The theoretical explanations also make sense (see Chap. 12).

The *Environmental Performance Index (EPI)* is expressed in percentages and aggregates more than 20 indicators reflecting national-level environmental data (Hsu et al., 2016, p. 27). It comprises nine categories: health impacts, air quality, water and sanitation, water resources, agriculture, forests, fisheries, biodiversity and habitat, and climate and energy. The EPI is a comprehensive index and results from the transformation of “raw datasets into comparable performance indicators, which requires standardizing raw values according to population, land area, gross domestic product, and other common units of measurement” (Hsu et al., 2016, p. 28).

Previous studies have already found robust correlations between environment (EPI) and competitiveness (GCI), suggesting that the most competitive countries also have the best environmental conditions and performance (dos Santos & Siqueira Brandi, 2014; Kasimovskaya & Didenko, 2014). Moreover,

...there is no necessary trade-off between being competitive and being sustainable. On the contrary, many countries at the top of the competitiveness rankings are also the best performers in many areas of sustainability (World Economic Forum, 2012).

In Part V, the EPI is incorporated into regression analysis and QCA models on account of its precise and comprehensive nature. Such incorporation reflects the abundant empirical literature linking countries’ prosperity indicators to environmental and geographical variables (see Chap. 12).

## 5.7 Summary of Theories Explaining Differences in Prosperity and Insights from New Economic History

Table 5.1 summarises the leading prosperity theories, which are based on empirical (i.e. quantitative) research. The table shows postulates, issues, and authors in diverse fields approaching the difference of prosperity across countries.

Table 5.1 presents a non-exhaustive list of perspectives that shows why some countries are more prosperous than others. However, the listed theories do not address the prosperity phenomenon from a holistic perspective (i.e. in all its complexity). Likewise, this table mainly presents theories (and advocates) that base their empirical research on quantitative data and methods.

**Table 5.1** Prosperity theories in different fields (Author's figure)

<p>Leading determinist theories (based on quantitative empirical research)</p>	<p>Main postulates</p>	<p>Critical issues not addressed explicitly by the theory in question</p>	<p>Main advocates</p>	<p>Data restrictions or issues to model (this research)</p>
<p>Dependence; world systems</p>	<p>Divides the world into core countries (hegemons), semi-peripheral countries, and peripheral countries (former colonies)</p> <p>Hegemons are exploiters; the role of the former colonies in the world economy is restricted to being primary product exporters.</p>	<p>Why do the colonisers of Latin America (Spain and Portugal) face prosperity issues until today? Why could the USA achieve prosperity levels that the other colonies could not achieve? Why is a former British colony considered a hegemon?</p>	<p>(Wallerstein, 2006); (Prebisch, 1950); (ECLA; Prebisch; Singer; Furtado; Pinto; Baran; Gunder); (Preston, 2012); Liberation theologians.</p>	<p>Only around one-fourth of the countries in the database provide data on colonial power (binomial)</p>
<p>Institutions<sup>a</sup></p>	<p>Institutional feedback loops explain prosperity and inequality among nations.</p> <p>Although geographical or cultural theories can be compelling, they are useless.</p>	<p>Who has the power to mould institutions?</p> <p>Which ethical and moral principles are able to establish trustworthy institutions?</p>	<p>(North, 1990); (Acemoglu &amp; Robinson, 2012)</p>	<p>Endogeneity. GCI index already includes institutional indicators.</p>
<p>Legal origin<sup>b</sup></p>	<p>"The economic consequences of legal origins are pervasive". The differences between legal origins are profound enough for them to manifest themselves in different strategies for exercising social control over economic life, "even after centuries of legal and regulatory evolution".</p>	<p>Who has the power to develop the legal codes?</p> <p>Which ethical and moral principles are able to establish trustworthy legal codes?</p>	<p>(La Porta et al., 2008)</p>	<p>No issues (full access to comprehensive databases for all countries).</p>



Culture	Similarities and differences in norms, values, beliefs, and practices among societies may determine the prosperity of nations.	It is impossible to define a "national culture": Quantitative approaches to culture underestimate subnational levels.	Cultural theory fails to explain outliers (e.g. Nogales (US-Mexico) or North-South Korea).	(Hofstede, 2001); GLOBE (House et al., 2004)	Less than 20 countries in the database provide data for Europe and the Americas. Weak representativeness of the samples and categories utilised.
Religion and values <sup>b</sup>	The Protestant reformation ended the millennium-old hegemony of the Catholic Church in Western Europe and established the basis for prosperity, thus changing political and economic fortunes.	Failing the context of other theories (e.g. legal origin, environment), prosperity theory based on religion and values is unable to explain outliers. For example, why are Ireland or Austria, or subnationally (e.g. Bavaria in Germany, Lucerne in Switzerland) prosperous despite being predominantly Roman Catholic regions?		(Weber, 1905); (Huntington, 2004); (Fukuyama, 1995); (Becker et al., 2016)	No issues (full access to comprehensive databases for all countries).
Environment and geography <sup>a</sup>	Geography directly impacts prosperity. Favourable environmental and climate factors enabled European states to develop and conquer other lands.	Neither geography nor the environment are able to explain historical "reversals of fortune" (e.g. prosperity on the American continent before and after European colonisation), or why cases such as Russia or Argentina are outliers in a large continental trend. Climate theory has been criticised since the nineteenth century.		(Diamond, 1997); (Sachs, 2001); (Brown & Lall, 2006)	No issues (full access to comprehensive databases for all countries).

<sup>a</sup>One model linking postulates of both theories is "Factor Endowments" (Engerman & Sokoloff, 2002)

<sup>b</sup>Legal origin might be considered part of institutional theory and as such is also related to institutional religion (Chap. 8). However, its data is not directly included in the GCI, and thus resolves the endogeneity problem of institutional indices. Religion and values can be part of cultural theory; however, the respective datasets differ (i.e. neither the GLOBE nor Hofstede's database contains such data)

In contrast to the above theories, I approach the prosperity/corruption phenomenon holistically. This means that rather than excluding theoretical approaches (cultural, institutional, environmental), I regard those approaches as intervening triggers (not as competing explanations) from diverse disciplines. Therefore, all the theories listed here are considered valid and complementary. The next sections complement the identified prosperity triggers and interrelations with empirical and theoretical evidence from different disciplines (see research model, Fig. 2.1).

### 5.7.1 *Insights from New Economic History*

*New Economic History* is an interdisciplinary approach dedicated to analysing the causes of prosperity through integrating historical and other social sciences with mathematical models and econometric techniques. Such integration reconciles previously exclusivist disciplinary approaches through combining factors, theories, and disciplines, rather than offering mono-causal explanations. In contrast, the neo-classic economic approach considered history, geography/ecology, and culture (including religion and social norms) as “residuals”. The neo-classical approach left little room to explicitly model “residuals”, which has long been the dominant approach in the literature (Michalopoulos & Papaioannou, 2017).

Moreover, separate mono-causal prosperity theories tend to refute advances made in other research fields. For instance, Sachs (2001, 2003) claimed that environment and geography alone thoroughly explain prosperity variations among countries. Acemoglu and Robinson (2012) made the same case for institutions.

However, each of these distinct theories may contain “a grain of truth” about understanding prosperity imbalances between countries (Moran et al., 2007, p. 3). Ideally, prosperity theories should be complementary instead of competing explanations. For example, geography and environmental theories explain how seasonal lands can provide a society and its economy better conditions to prosper (Diamond, 1997); (Sachs, 2001). Institutional theory helps explain how institutions model social prosperity by perpetuating equality loops or by concentrating wealth (Acemoglu & Robinson, 2012; North, 1990). Cultural theory contributes to the understanding of the influence of cultural variables, such as religious beliefs and values, on prosperity (Alesina & Giuliano, 2015; Hofstede, 2001; Landes, 1999; Volonté, 2015). Some scholars, among others La Porta et al. (1999), Treisman (2000), and Michalopoulos and Papaioannou (2017), have therefore taken a systemic approach to prosperity theories.

The relations among environment/geography, culture, institutions, and prosperity are highly complex and involve massive historical dynamics which would normally far exceed the scope of empirical research (Paldam, 2001, p. 384). Nonetheless, La Porta et al.’s (1999) comprehensive study significantly advance research by examining potential determinants of government performance in up to 152 countries. The authors concluded that countries exhibiting inferior government performance are (1) poor, (2) close to the equator, (3) ethnolinguistically heterogeneous, (4) use

French or socialist laws, or (5) have high proportions of Catholics or Muslims (La Porta et al., 1999).

In a similarly ambitious empirical study, Treisman (2000) reached comparable conclusions. Prosperous economies are less corrupt countries with Protestant traditions, histories of British rule, and with prolonged exposure to democracy (short, present-day democracies are not statistically significant) (Treisman, 2000, p. 399).

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