

**“The Norms, Beliefs, and Institutions of 21<sup>st</sup>-Century Capitalism:  
Celebrating Max Weber’s *The Protestant Ethic and the Spirit of Capitalism*”**

CENTER FOR THE STUDY OF  
**Economy & Society**

**CONFERENCE AGENDA**  
*Statler Hotel Amphitheater, Cornell University, Ithaca, NY*



**FRIDAY, OCTOBER 8, 2004**

- 8:30am *Coffee Reception - Amphitheater Foyer*
- 9:00 **Introduction** to Conference  
President Jeffrey Lehman, Cornell University
- 9:30-10:15 Keynote Address  
**“Good Governance and Normative Behavior”**  
Francis Fukuyama, Johns Hopkins University
- 10:15-10:55 **“Weberian Bureaucracy and the Corporation in the Global Economy”**  
Victor Nee, Cornell University
- 10:55-11:10 *Coffee Break*
- 11:10-11:50 **“State Religions”**  
Robert Barro *and* Rachel McCleary, Harvard University
- 11:50-2:00 *Buffet Lunch - Taylor/Rowe Room*
- 2:00-2:40 **“The Social Construction of Corruption”**  
Mark Granovetter, Stanford University
- 2:40-3:20 **“Our Franklins, Our Selves: Benjamin Franklin, the Protestant Ethic, and Economic Sociology”**  
Paul DiMaggio, Princeton University
- 3:20-3:35 *Coffee Break*
- 3:35-4:15 **“Tocqueville on the Spirit of Capitalism”**  
Richard Swedberg, Cornell University
- 4:15-4:55 **“Spiritual Capital and Economic Behaviour”**  
Barnaby Marsh, John Templeton Foundation *and* Oxford University
- 4:55-5:35 **“The Systemic Anti-Culture of Capitalism”**  
Russell Hardin, New York University
- 5:35 *Jazz Reception - Amphitheater Foyer*

\*\*\* highlighted papers are hyperlinked to .pdf file



**Jazz Reception** - Friday, 5:30pm

Join us in the foyer to unwind, mingle, kick up your heels, enjoy *Don Slatoff's Jazz Circus*, hors d'oeuvres, wine, good company.....

**“The Norms, Beliefs, and Institutions of 21<sup>st</sup>-Century Capitalism:  
Celebrating Max Weber’s *The Protestant Ethic and the Spirit of Capitalism*”**



**CONFERENCE AGENDA**  
*Statler Hotel Amphitheater, Cornell University, Ithaca, NY*

**CORNELL**

**SATURDAY, OCTOBER 9, 2004**

- 8:00-9:00am *Breakfast - Amphitheater Foyer*
- 9:00-9:40 **“Income Inequality, Tax Policy, and the Protestant Ethic”**  
Robert Frank, Cornell University
- 9:40-10:20 **“Reaching up to Weber -- and Beyond: The Moral Ecology of Liberty”**  
Michael Novak, American Enterprise Institute
- 10:20-10:35 *Coffee Break*
- 10:35-11:15 **“The Long-Term Monetary Effects of Religious Programs on Prisoner Recidivism”**  
Byron Johnson, University of Pennsylvania
- 11:15-11:55 **“Religion, Culture, and the Market in the Age of Globalization”**  
Brian Spooner, University of Pennsylvania
- 11:55-1:30pm *Lunch Buffet - Taylor/Rowe Room*
- 1:30-2:10 **“Is Christianity an ‘Iron Cage’ for Capitalism?”**  
John Schneider, Calvin College
- 2:10-2:50 **“Collective Dynamics of Belief”**  
Duncan Watts, Columbia University
- 2:50-3:05 *Coffee Break*
- 3:05-3:45 **“Deliberate Choices, Not Blessed Endowment: Rethinking Weber’s *Protestant Ethic and the Spirit of Capitalism* in Light of the Missteps and Promising Leads in Research on Economic Development”**  
Charles Sabel, Columbia University
- 3:45-4:25 **“The Multiple Linkages between Institutional Frameworks and Economic Development”**  
John Meyer, Stanford University *and*  
Ronald Jepperson, University of Tulsa
- 4:25-5:30 **Future Directions Panel**  
Facilitators: Victor Nee and Richard Swedberg
- 6:00 **Closing** of the conference

## ABSTRACTS

**Barro, Robert (Harvard) & McCleary, Rachel (Harvard)**

***"State Religions"***

State religion plays a central role in Adam Smith's vision of the religion market (Smith [1791, Book V, Article III]). According to Smith, the key aspect of state religion is its promotion of the monopoly position of the favored religion. This promotion works partly through limitations on entry of competitors and partly through subsidies. Smith's argument has been broadened in modern analyses of the "religion-market model" by Stark and Bainbridge (1987), Finke and Stark (1992), Iannaccone (1991), and Finke and Iannaccone (1993).

In ongoing research, we try to explain why countries choose to have a state religion. This choice is a political calculus that involves interactions between the government and the religion sector. Thus, we can analyze establishment as a political-institutional decision that involves the net benefits from the existence of a monopoly religion. Our analysis accords in spirit with Gill's (2002), who argued that studies of religious liberty should take the form of positive analyses of why the government regulates religious organizations in a particular way.

At present, our empirical analysis categorizes official state religion as an all-or-nothing choice. The designations come primarily from Barrett (1982, pp. 800-801) and Barrett, Kurian, and Johnson (2001, pp. 834-835). (We made a number of corrections and additions to these sources.) The Barrett data have the advantage of providing global coverage over time on a reasonably consistent basis. Although the classifications are influenced by a country's legal provisions, including statements about religion in constitutions, the concept employed is ultimately *de facto*. We used information for the years 2000, 1970, and 1900. We treated a country as having a state religion only if Barrett, et al reported the existence of a single official religion, not if the government favored two or more religions. Our sample consists of 188 countries that were independent in 2000. For countries that were not independent in the earlier years, the state-religion variable refers to the regime applying to the comparable region.

Among the 188 countries, 72 had no state religion in 2000, 1970, and 1900; 58 had a state religion at all three dates; and 58 had some kind of transition. Among the 58 transitional countries, 12 had 2 transitions, 4 of which (former Soviet Republics in Asia) involved different forms of state religion.

For given values of religion concentration and other explanatory variables, the probability of having a state religion in 2000 or 1970 depends strongly on the status of state religion in 1900. We view this persistence as reflecting the costs of making changes in political and legal institutions. Consistent with this viewpoint, the persistence effect is much stronger for countries that experienced no major change since 1900 in political regime than for countries that did experience such a change.

**Berger, Peter (Boston Univ.)**

***"Max Weber is Alive and Well, and Living in Guatemala: The Protestant Ethic Today"***

The paper will address the question of whether Weber's core insights regarding the "Protestant ethic" are useful in understanding some contemporary realities. It will first discuss developments, worldwide, in Protestantism itself. It will then explore functional equivalents of such an ethic outside the Protestant tradition. Finally, the paper will discuss whether this type of ethic is equally applicable to earlier and later phases of modern capitalism. *[Professor Berger will be unable to attend the conference -- copies of his paper will be available online and at the conference proceedings]*

**DiMaggio, Paul (Princeton)**

***"Our Franklins, Our Selves: Benjamin Franklin, the Protestant Ethic, and Economic Sociology"***

In *The Protestant Ethic and the Spirit of Capitalism*, Max Weber chose Benjamin Franklin as an exemplar of the Protestant Ethic in action. Franklin, of course, was a free-thinker, not a Calvinist; but in this, he demonstrated one of Weber's key points, the independence of the Protestant Ethic *habitus* from the conditions and belief-systems out of which it emerged. Indeed, the pithy aphorisms of *Poor Richard's*

*Almanac* and the autobiographical reconstruction of Franklin's *Autobiography* epitomize the systematic, rational approach to commercial success that Weber associated with the Protestant Ethic. Yet, just as an explanation of the rise of capitalism based solely on the *Protestant Ethic* proves incomplete, so an understanding of Franklin as economic actor based solely on his best-known writings is thoroughly misleading. Franklin's early career exemplifies two major themes of contemporary economic sociology. First, he was a consummate investor in social capital, building mutual-assistance networks that contributed materially to his commercial success. Second, Franklin owed much of his business success to his cultivation of what economic sociologists call the state (rudimentary as that was in colonial Pennsylvania): printing contracts with Pennsylvania's legislature and his position as colonial postmaster provided an important foundation for his printing business. The historical Franklin also diverges from Weber's version on another dimension to which economic sociologists have devoted less attention -- his possession of a modern form of commercial *habitus*. In contrast both to Weber's Calvinists, whose obsessive efforts in the commercial realm represented a displacement of anxiety generated by an intolerable eschatology, and to Franklin's own self-presentation as a simple, plain-spoken craftsman of consistent and honorable character, Franklin was notable for his strategic manipulation of his own public identity and reputation, a form of social *self-production* that foreshadows a type of entrepreneurial *habitus* that may be as important to the development of capitalism as the Protestant Ethic itself. This observation has at least two broader implications: First, cultural historians who have associated the rise of personality (as distinct from character) as a form of self-understanding with the emergence of consumerism may need to reconsider both the timing and the etiology of this shift. Second, economic sociologists must develop a richer and more complex understanding of the relationship between character structure and economic action -- a subject that was Weber's theme in *The Protestant Ethic and the Spirit of Capitalism*, but to which contemporary economic sociologists have devoted remarkably little attention.

**Frank, Robert (Cornell)**

***"Income Inequality, Tax Policy, and the Protestant Ethic"***

Working hard and abiding by the rules was once a reliable formula for success for middle-class citizens. In recent decades, however, real incomes have stagnated or even declined among adherents to this formula. In this paper, I discuss why only those near the top of the economic pyramid have experienced significant income and wealth growth since the early 1970s and how the resulting changes in spending patterns have created new economic burdens for the middle class. I conclude by suggesting why rich and poor should favor tax policies that would restore the efficacy of the Protestant ethic.

**Fukuyama, Francis (Johns Hopkins)**

***"Good Governance and Normative Behavior"***

Much of the modern project to establish a rule of law state is designed to eliminate individual discretion and informal social norms, and to replace them with formal institutions built out of clear, transparent rules. Much contemporary conceptualizing about good governance, both corporate and in public administration has relied on principal-agent models coming out of microeconomics. Bad governance is seen as misaligned principal and agent incentives; to deal with corruption institutions must be structured to give agents incentives to do the bidding of principals. This paper will argue that while such formal monitoring-and-accountability systems will solve a certain class of governance problems, there are many that can be solved only through changes in the norms. Any approach to fixing problems of corporate or public governance that ignores this normative dimension will ultimately fail.

**Granovetter, Mark (Stanford)**

***"The Social Construction of Corruption"***

Most literature on corruption treats it as a well-defined social fact. But the concept is meaningless except when defined as a breach of some set of rules as to what is legitimate in relation to economic or political action. This means that any discussion of corruption should begin from an argument about how such rules are established and interpreted, how they change over time, and how the appropriateness of the

rules may be Supported or challenged as the result of conflicts among different social groups. At the local level, this means that what is defined as corruption depends heavily on normative ideas about what is appropriate vs. excessive return for favors conferred on an economic or political actor. When there are numerous levels of political authority, action that is formally defined as economic corruption may be understood and defended as legitimate resistance of local actors to political authorities at higher levels, as when import duties are not collected by local authorities and turned over to a central political agency. Definitions of appropriate and legitimate action are constructed and enforced in local networks of actors, whose understandings must be analyzed as the product of political interaction between local actors' goals and those of more comprehensive organizational structures. The proposed sociological analysis of corruption complements a more purely economic analysis which takes understandings for granted and focuses solely on aligning incentives so as to avoid corrupt behavior.

**Hardin, Russell (NYU)**

***"The Systemic Anti-Culture of Capitalism "***

Much of Weber's *The Protestant Ethic and the Spirit of Capitalism* can be read as an account of the culture of capitalism, indeed the Protestant culture of capitalism. I think instead that such a reading is a distortion, that what Weber gives us is rather an account of the rise of capitalism and not of the content or culture of it once it is underway. Once it is underway, it is driven by its own incentive structures as defined by interests as these serve the profits of capitalist firms. Interests and profits can generally be defined as money, which can readily be measured and compared. Protestants might have been driven to create capitalist enterprises in a past era, but the drive for corporate profits is not a Protestant drive. Indeed, it is a systemic drive and not strictly an individual drive at all. It is a mistake therefore to focus on capitalists and their motivations rather than on capitalism and what it forces firms to do if they are to survive.

**Johnson, Byron (University of Pennsylvania)**

***"The Long-Term Monetary Effects of Religious Programs on Prisoner Recidivism"***

The United States is in the midst of a prisoner reentry crisis. Significant increases in the country's prison population during the 1980s and 1990s, has resulted in a long-term problem now facing communities throughout the Nation. Over the last several years more than 600,000 prisoners have been released in the United States. This unprecedented trend, one that will likely continue for some time, has key decision-makers scrambling for ways to meet this challenge while insuring public safety. Recent research on prisoner reentry indicates that religious institutions and other faith-based organizations should not be overlooked as important pieces of a more comprehensive strategy in achieving a successful aftercare transition for former prisoners. Using data from several studies examining the impact of faith-based prison programs on recidivism reduction, I estimate the potential cost-savings to taxpayers as a result of these faith-based interventions.

**Marsh, Barnaby (Oxford)**

***"Spiritual Capital and Economic Behaviour"***

The behaviour of social agents can be understood from two perspectives: in terms of the nature of the environment (via contextual situatedness in terms of payoff distributions, social norms, and institutional structures), or in terms of the internal representation and motivations of the individual (this entails an understanding of individual needs, beliefs, fears and motivations). Here I will discuss the role of ideology as a bridge between these two perspectives, and examine the powerful but often neglected role of "spiritual" capital from the perspective of social identity, social aggregation of action, and economic and institutional progress. I will compare and contrast the use of the concept of "spiritual capital" with other concepts of "capital" in economic contexts and discuss the practical implications of these differences for different models of economic and social behaviour.

**Meyer, John (Stanford) & Ronald Jepperson (University of Tulsa)**

***"The Multiple Linkages Between Institutional Frameworks and Economic Development"***

There is a recent wave of attention to the role of cultural and institutional factors in economic development. We argue that much current discussion remains too individualist in causal imagery, emphasizing psychological and social-psychological linkages that are implausible and that have fared poorly in the empirical macrosociological literature. We review some alternative formulations of cultural and institutional effects that better reflect, we think, the evolution of the empirical and theoretical literature (from Weber through Parsons to the present). We concentrate upon the institutionalization of broad religious and political models and upon collective-level linkages between such models and economic development (e.g., linkages featuring changes in economic doctrines, law, and status systems). Consideration of a broader causal imagery can facilitate the discussion of both early European and contemporary global economic development, in ways that we illustrate.

**Nee, Victor (Cornell)**

***"Weberian Bureaucracy and the Corporation in the Global Economy"***

The state governed institutions play an essential role in sustaining free markets and private enterprises. In this paper, I will specify the institutional arrangements of state institutions that best support the organizational form of modern corporations in the global economy. I argue that "Weberian" institutional arrangements and practices—the quality of modern state bureaucracy, honesty of firms and government, reliable enforcement of property rights, and predictability of government action—contribute to an institutional environment favorable to modern forms of wealth-making. Corporate governance as an institutional arrangement requires the capacity to routinely engage in arms-length transactions. Formal rules and their enforcement matter for modern corporations. Investors need to have confidence in management's credible commitment to serving shareholders' interests, even if they have never met a single member of the management team. Shareholders need to trust that the corporation's accounting practices are conducted according to the highest standard of honesty and transparency. By contrast, the problem of trust in family businesses and traditional partnerships is solved by the strength of personal relations, often based on kinship ties. Hence traditional forms of private enterprise (e.g. family-ownership) have a comparative advantage in an institutional ecology where formal institutions governing private property rights are weak and informal institutional elements are needed to secure trust and property rights. I will examine through comparative institutional analysis of the World Business Environment Survey (WBES), conducted by the World Bank in 2000, contrasting views of the role of the state. The WBES data set offers multiple measures of state intervention, which allows for the construction of robust indexes measuring the helping hand, grabbing hand and state capture concepts. Using the WBES data, I will be able to closely attend to the details of government intervention, and scrutinize the nature of interactions between firms and governments.

**Novak, Michael (Amer. Enterprise Inst)**

***"Reaching up to Weber -- and Beyond: The Moral Ecology of Liberty"***

Max Weber won scholarly immortality for his brilliant work on the dynamics of economic theory. In particular, when many intellectuals were captivated by the economic determinism and materialism of Karl Marx, Weber insisted that the cause of wealth lay in the human spirit, and in biblical religion specifically. Events during the last hundred years have vindicated the primacy of spirit, and David Landes in *The Wealth and Poverty of Nations* seems to have vindicated the role of certain biblical themes--creativity, the work ethic, joy in discovery and others--in shaping the human spirit for economic success. While being vindicated on the larger point, Weber misidentified some of these vital elements, and too heavily weighted others. In 1904, few democracies coexisted with capitalist economies, and so Weber did not fully explore the relations among economy, polity, and culture. After a century of economic and political experimentation, scholars need to advance Weber's insights (properly amended by experience) along the whole front of an appropriate "moral ecology of liberty."

**Sabel, Charles (Columbia)**

***"Deliberate Choices, Not Blessed Endowment: Rethinking Weber's 'Protestant Ethic and the Spirit of Capitalism' in Light of the Miststeps and Promising Leads in Research on Economic Development"***

Weber famously makes capitalist development depended on a fortuitous spiritual orientation. Much current research in economic development follows his lead in seeing as preconditions of growth institutions such as the rule of law, which embody and safeguard secular offshoots of this accidentally materialist otherworldly orientation. Thus for many contemporary economists, as for Weber, historical endowments determine development. But much evidence from historical sociology and some important countercurrents in current research on economic development suggest that growth-promoting values and institutions are at least as the outcome of deliberate, collective social problem solving as their precondition. This paper develops this general argument with particular attention to the distinctive features of the forms of public problem solving likely to produce this outcome under current conditions.

**Schneider, John (Calvin)**

***"Is Christianity an 'Iron Cage' for Capitalism?"***

The context for this paper is Max Weber's famous judgment that capitalism, which (so he argued) American Puritans brought to life in the first place, inevitably became for these sincere, but unwitting Christians an "iron cage." Aside from need for a sharper translation of Weber's phrase, the focus of discussion is upon his (essentially) theological assumption that Christianity is intellectually powerless to engage and to give moral shape to cultures of capitalism. Unlike his larger thesis on the Protestant origins of capitalism, this assumption about the nature of Christianity has but rarely been subjected to serious criticism, but has instead been treated by most Christian moral theorists (especially Protestants) as nearly uncontroversial. In consequence, they have typically represented Christianity as being, likewise, an "iron cage" for people aspiring to become involved in entrepreneurial capitalism. However, fortunately, good prima facie reasons exist for doubting that Weber's judgment holds, and for suspecting that he underestimated the "deep materiality" of the religious metaphysics of Puritan theology and its "worldly asceticism," as he called it. At any rate, putting assessments of Weber and Puritanism to the side, fresh exploration of Old Testament narratives shows that, at very least, potent theological resources do exist, in this ancient Hebrew canon, for constructive religious engagement of modern capitalism. It remains for distinctly Christian theorists, to make better hermeneutical use of these Old Testament resources than they typically have done.

**Spooner, Brian (U Penn)**

***"Religion, Culture, and the Market in the Age of Globalization"***

A hundred years ago Weber's "Protestant Ethic..." used the subject of capitalism to launch a debate that remains central to social science today: what is the relative significance of social and cultural forces in human history? Is the modern world primarily the result of demographic, economic and general social processes, or of ideological, religious and general cultural trends? Since Weber's detailed treatment the issues have increased not only in importance but in complexity. The subject matter has changed in quality as well as quantity. In place of the frugality of Calvinist entrepreneurs we see the personality cults of CEOs. Wealth is used unashamedly as much for display as for investment. Subconscious protestant morality no longer plays a role among the checks and balances. Adequate principles and mechanisms for regulating the market continue to elude us, while the need for them becomes ever more desperate. Finally, the cultural basis for formulating such principles can no longer be supplied unconsciously from Western culture, let alone Western religion. Instead, as globalization takes hold, the basis for regulation must be negotiated among the heirs of different historical traditions and explicitly formulated in language acceptable to all, this process is complicated by the history of past relationships, especially between the West and the Islamic world.

Since the beginnings of modern capitalism developments in the ability to make wealth have always forged ahead of our ability to regulate the consequences. Over the past half-century we have learned that on the one hand socio-economic progress must be spread more evenly, but attempts to spread it generate reaction in the modern form of religious and ideological resistance. The international scale of the current consequences is new, as is the nature of both the social and the cultural phenomena. If Weber were writing today would he have taken on "the fundamentalist ethic?" And what of the "spirit" of terrorism?

If the market is the best regulator in general, how can the market be regulated so that the results satisfy the various competing ideas of social justice? The ideological search for social justice in the modern world has intensified and become the major underlying cause of global conflict, which disrupts the market. Religion has returned to provide the rationale for resistance.

This paper explores the economic basis of religious resistance to social change in a globalizing world, with special reference to Islamist initiatives.

**Swedberg, Richard (Cornell)**

***"Tocqueville on the Spirit of American Capitalism"***

This paper argues that "Democracy in America" contains an important but neglected picture of the U.S. economy, in which the role of cultural factors ("spirit" in Max Weber's terminology) plays a central role. "The Protestant Ethic" discusses the spirit of American capitalism in the 18th century (as exemplified by Benjamin Franklin), and "Democracy in America" contains a very similar analysis of the situation in the United States in the early 1800s. From a theoretical perspective, Tocqueville can be said to have complemented and updated Weber's picture of the spirit of capitalism in different ways. While Weber emphasizes the methodical and ascetic dimensions of the spirit of capitalism, Tocqueville discusses, among other things, its emotional and non-rational dimension ("passion for money-making") and the general desire among Americans for new goods (consumerism).

**Watts, Duncan (Columbia)**

***"Collective Dynamics of Belief"***

One of Weber's central points in The Protestant Ethic is that belief precedes rationality; specifically that the values by which one economic order can be judged superior to another are neither universal nor exogenous, but arise endogenously within a specific historical and social context. Furthermore, it is clear from Weber's account of the origins of the spirit of capitalism not only that very different kinds of beliefs may arise in more-or-less similar circumstances, but that the manner in which those beliefs are related to the very doctrines and institutions that inspire them is deeply ambiguous. All of which leads us to a question that Weber himself addresses only in the narrowest sense of his specific case: How is that people, both individually and collectively, come to believe the things that they do? In this paper, I shall first argue that in complex or ambiguous decision making scenarios (i.e. most of real life), individuals solve problems by learning from, or otherwise paying attention to, the behavior of others. Second, I shall discuss how the resulting decision rules, while simple, intuitive, and often entirely sensible from an individual's perspective, can generate collective dynamics that are complex, counter-intuitive, and result in outcomes that are at best not superior to any number of ex-ante alternatives. Third, however, such collective decisions are rarely perceived as arbitrary; thus they tend to get locked in through the very kind of ex-post rationalization that Weber discusses in the context of capitalism.