

Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan*

Filipe Campante[†] David Yanagizawa-Drott[‡]

September 2013

Abstract

We study the economic effects of religious practices in the context of the observance of Ramadan fasting, one of the central tenets of Islam. To establish causality, we exploit variation in the length of the fasting period due to the rotating Islamic calendar. We report two key, quantitatively meaningful results: 1) longer Ramadan fasting has a negative effect on output growth in Muslim countries, and 2) it increases subjective well-being among Muslims. We then examine labor market outcomes, and find that these results cannot be primarily explained by a direct reduction in labor productivity due to fasting. Instead, the evidence indicates that Ramadan affects Muslims' relative preferences regarding work and religiosity, suggesting that the mechanism operates at least partly by changing beliefs and values that influence labor supply and occupational choices beyond the month of Ramadan itself. Together, our results indicate that religious practices can affect labor supply choices in ways that have negative implications for economic performance, but that nevertheless increase subjective well-being among followers.

Keywords: Religion; Economic Growth; Subjective Well-Being; Happiness; Ramadan; Islam; Culture; Labor Markets; Values.

JEL Classification: E20, J20, O40, O43, Z12.

*We thank Alberto Alesina, Davin Chor, John Friedman, Paola Giuliano, Ed Glaeser, Asim Khwaja, and Andrei Shleifer for very helpful conversations, participants at the “Institutional Challenges in Emerging Economies” conference at SITE (Stockholm) for useful comments, and Aletheia Donald for superb research assistance.

[†]Harvard Kennedy School and NBER. Email: Filipe.Campante@harvard.edu

[‡]Harvard Kennedy School. Email: David.Yanagizawa-Drott@harvard.edu

1 Introduction

Religion is an evidently important social phenomenon, essentially ubiquitous across human societies. It is thus natural to speculate that it may affect important economic outcomes, such as economic growth – as many have done dating at the very least to Weber’s (1905) celebrated work. While this possibility is certainly appealing, assessing its prevalence and importance is a rather complicated task, both conceptually and empirically, not the least because religions are multi-faceted phenomena whose different aspects could most likely have different effects.

That said, one fundamental aspect that is common to all forms of religion is that they prescribe rules and practices that constrain the economic behavior of followers. These constraints can obviously affect economic growth. First, religious practices impose an immediate trade-off, as they require time and resources that are then unavailable for production. Going to church or to pilgrimages, taking time to pray or to meditate or to study sacred books, spending money on religious rituals, not working on Sundays or Shabbats: these will all take away from what is devoted to (materially) productive work. Second, they could also directly affect productivity, for instance by imposing dietary restrictions or limiting social interactions with non-believers.

In sum, to the extent that religious practices impose constraints on the decisions of individuals, we might expect that they would have a negative impact on output and growth – at least in the short term, leaving aside potential long-run benefits that they might have. Consistent with that, the recent literature that has studied the relationship between religion and economic outcomes – after years of relative neglect from economists – has found a negative correlation between religiosity and income at the cross-country and individual levels (e.g. Barro and McCleary 2003, Deaton and Stone 2013), and a negative relationship between religious practices (e.g. attendance at religious services) and economic growth (Barro and McCleary 2003, McCleary and Barro 2006). However, as religiosity and religious practices are endogenous and affected by economic growth itself, convincing evidence that there is a causal effect driving these relationships has proved elusive.¹

Against this background, we present in this paper what is, to the best of our knowledge, the first causal estimate of an effect of religious practices on economic growth. We do so by focusing on the specific example of fasting in observance of the Islamic holy month of Ramadan. Ramadan fasting is surely a very prominent example of religious practice: as one of the Five Pillars of Islam, its observance is understood to be obligatory for all billion-plus Muslim believers. It also provides us with an ideal context for dealing with the causal identification issues that confound the study of the links between religion and economic outcomes.

Specifically, Islam stipulates that believers refrain from eating and drinking from sunrise to

¹The causal identification challenge was obviously acknowledged by the literature. For instance, Barro and McCleary (2003) try to address it using instrumental variables (e.g. presence of a state religion), within the limitations of their empirical setting.

sundown, during the entire holy month. The rotating lunar Islamic calendar means that over time Ramadan will fall in different seasons, and as such the amount of hours of fasting that will be required in a given place will vary accordingly. Put simply, the daily fasting period will be longer when it falls in summer than in winter; the variation will be greater, of course, the greater is the latitude. To the extent that the vagaries of the lunar calendar are exogenous to our outcomes of interest, this provides us with an ideal source of exogenous variation in the intensity of the practice.

Using country-level panel data, we show that prescribed Ramadan fasting has a robust negative effect, in Muslim countries, on year-on-year output growth, whether measured by GDP, GDP per capita, or GDP per worker. Most reassuringly, we find no effect whatsoever on GDP growth in non-Muslim countries, underscoring that the result is unlikely to be spurious.

The quantitative significance of our estimates can be illustrated with a simple example. If we consider Bangladesh, which has fasting hours that are representative of the average Muslim country, the difference in per capita income coming from lower growth rates, when comparing years with Ramadan in June (longest fasting hours) versus December (shortest fasting hours), corresponds to roughly \$36. This is small but, when contrasted with an income per capita of just over \$1500, certainly far from trivial.

We then use the same empirical strategy to establish the first credible estimation, again to the best of our knowledge, of a significant causal effect of a religious practice on another aspect of well-being: self-reported happiness and life satisfaction, or more generally, subjective well-being (SWB).² Specifically, using data from the World Values Survey, we find that Ramadan fasting leads Muslim individuals to report greater levels of both happiness and life satisfaction. Once again, we find no effect whatsoever on the SWB of non-Muslim individuals in non-Muslim countries.

This result can be interpreted, on the one hand, as a way to make sense of the obvious fact that religious practices manage to get sustained so durably and ubiquitously, in spite of the negative effects we find on economic growth.³ It is nevertheless in evident tension with the latter. Put simply, our evidence indicates that exogenously inducing Muslims to fast longer, for religious reasons, makes them relatively poorer, but also happier. However, one of the strongest results from the SWB literature is its positive association with income at the individual level, and recent research has provided evidence that the link between economic growth and SWB does carry over to the cross-country level (Stevenson and Wolfers 2008), in contrast with the well-known “Easterlin paradox” (Easterlin 1974).

²Clingingsmith, Khwaja, and Kremer (2009) document that the *Haji* pilgrimage to Mecca, another of the Five Pillars of Islam, leads to an increase in negative feelings suggesting distress (for women only). However, they find no effect on self-reported life satisfaction.

³Another (complementary) explanation, of course, is that short-term costs are compensated by long-term effects – say, coming from increased intra-group trust, or social capital, or from fostering accumulation-friendly attitudes. Our empirical strategy using year-on-year variation does not let us pick up these long-term effects.

To shed additional light on how to reconcile these patterns, we turn to the mechanisms that might be driving the effect on economic growth. In particular, we focus on an arena that we would expect to be of first-order importance: labor markets.

The key insight is that different mechanisms would have distinct implications in this domain. On the one hand, if labor productivity goes down because of fasting, this would lead to a downward shift in labor demand. On the other hand, if what is happening is that workers are simply choosing to work less – whether because of the direct competition from religious activities or of an indirect effect through changed attitudes towards work in general – this should correspond to a leftward shift in labor supply.

Using country-level panel data on manufacturing sectors, we show that longer Ramadan fasting is associated with lower employment growth, and with higher growth in wages, again in Muslim-majority countries only. This suggests that the supply factors outweigh demand. We also find from individual survey evidence on Muslim individuals that Ramadan leads to increased satisfaction with their financial situation – corroborating the idea of a voluntary shift in labor supply – and to an increased likelihood of self-employment. Since self-employment in developing countries is generally associated with informality and lower productivity (La Porta and Shleifer 2008), we conclude that the negative effect on GDP growth seems mostly driven by occupational choice into the informal sector, rather than simply by a decreased productivity directly associated with fasting.

In addition, we find suggestive evidence that those shifts in labor supply and occupational choice decisions are at least partly due to an indirect impact of Ramadan fasting on individual beliefs and values. Specifically, Ramadan leads Muslim men to report that they care relatively more about religion and less about work and material rewards. More generally, this finding underscores the view that religious practices affect the formation of beliefs and values that are economically relevant, and whose impact goes well beyond the month of Ramadan itself.

This evidence on mechanisms is illuminating in two crucial ways. First, it helps reconcile the results linking religion, growth, and happiness. If the growth effect works at least partly through labor supply choices – that is, individuals choosing to work less or in more flexible, if less productive, occupations – that seems consistent with any potential impact of reduced growth on SWB being relatively muted. In other words, to the extent that religious practices affect individual preferences, it is less surprising that negative effects on growth could co-exist with a net positive effect on perceived individual well-being, in spite of the generally positive correlation between the latter and the former.

Second, and just as important, that the effect is not driven simply by the impact of fasting on productivity suggests that it is not specific to Ramadan, but rather an indication of the potential effects of religious practices in general. In short, what we find are not the effects of fasting per se, but rather those of its more subtle impact on individual beliefs and values. More generally, this is

consistent with the view of religious practices as an input into the production of beliefs and values (Barro and McCleary 2003), such as attitudes towards work, thrift, trust, etc., which can in turn enduringly affect economically relevant decisions.

To be sure, neither our results nor those of the extant literature should be interpreted as implying that religion, broadly understood, is necessarily associated with poor economic performance. First, it is entirely possible that, beyond the short-term economic performance we focus on, religious practices in general, as well as Ramadan specifically, could have different impacts on long-run growth. Just as importantly, we focus on religious practices, and other aspects of religion could have much different effects.⁴

Besides the aforementioned literature studying religion and income and growth, another strand of social science research has instead focused on the links between religion and SWB. There is strong evidence of a positive correlation at the individual level (e.g. Dolan, Peasgood, and White 2008), but the evidence for a causal effect of religion is also far from established in this domain (Argyle 2003, Francis 2010). Our contribution here is to provide evidence of that sort, though our source of variation is at the country level, and also to address the tension between the findings in this literature and those in the work focusing on religion and growth.

Our paper also relates to a number of additional strands of literature. Some have studied the effects of adherence to different religions on a number of economic and political outcomes (Barro 1997, La Porta et al 1999), or used survey evidence to study the connection between religiosity and economic attitudes (Guiso, Sapienza, and Zingales 2003).⁵ We differ in that we focus on a specific example of religious practice, which lets us deal with the issue of identifying a causal effect and considering specific mechanisms. More broadly, we build on the by now vast literature documenting the effects of culture – of which religion is certainly a very important component – on a number of economic outcomes (see Guiso Sapienza and Zingales 2006 for an early survey). Our use of micro evidence to study the impact of religion on individual economic decisions also puts us in line with a recent and growing literature, which looks at specific topics such as work ethic (Spenkuch 2011), entrepreneurship (Audretsch, Boente, and Tamvada 2007), loan repayment decisions (Baele, Farooq, and Ongena 2011), social trust (Berggren and Bjornskov 2011), and human capital accumulation (Becker and Woessmann 2009), among others. Within this literature, our paper is closest to Clingingsmith, Khwaja, and Kremer (2009), who study the impact of the *Hajj*. Consistent with our evidence, they also find an important impact of this practice on individual

⁴For instance, Barro and McCleary (2003) and McCleary and Barro (2006) find a positive relationship between economic growth and religious beliefs such as belief in hell. For skeptical takes on this result, see Durlauf, Kourtellos, and Tan (2012) and Young (2009).

⁵In particular, those studies tend to find a negative coefficient for Muslim adherence in regressions focusing on growth or institutional development. Our results do not speak directly to that, since we focus on one specific aspect of Islam. Kuran (2004) provides an extensive discussion of possible economic implications of Islamic institutions.

views and beliefs.

The remainder of the paper is organized as follows: Section 2 lays out some background on Ramadan practices, their potential effects, and how they relate to our source of variation. Section 3 motivates our hypotheses, and Section 4 discusses the data and empirical strategy. Section 5 presents the results, which we then discuss in Section 6. Section 7 concludes.

2 Background

Ramadan is the ninth month of the Islamic (*Hijri*) calendar, and is considered sacred as the month in which the Prophet Muhammad first received revelations. Fasting (*sawm*) during that month is one of the Five Pillars of Islam – the five basic acts that are considered an obligation for all believers, and the foundation of Muslim life. The fasting encompasses abstention from food and drink, as well as smoking and sexual activities, between sunrise and sunset during the entire month.⁶

Ramadan fasting entails obvious physiological consequences because of the constraints it places on the ingestion of food and liquids, and these have been extensively studied in the medical literature. Not surprisingly, the literature has consistently found body weight loss and significant metabolic changes (e.g. Hallak and Nomani 1988, Ziaee et al 2006). In addition, Leiper, Molla, and Molla (2003) summarize the research as finding symptoms such as irritability, headaches, sleep deprivation, and lassitude being commonly reported – although with few major health problems.

More broadly, it stands to reason that these effects would have potential implications for productivity at work. Indeed, research has found significant prevalence of individuals reporting tiredness and unwillingness to work, as well as reduced levels of activity and concentration ability, during the month of Ramadan (Afifi 1997, Karaagaoglu and Yucecan 2000).⁷ More specific studies focusing on worker productivity in heavy labor activities have also found “evidence of [...] substantial health hazard to Islamic workers in such situations,” going as far as “strongly [urging] employers to refrain from assigning Islamic workers to heat work or heavy daytime work during Ramadan” (Schmahl and Metzler 1991). In short, there is strong indication that Ramadan fasting affects followers in ways that affect their productivity at work, although any negative effects seem unlikely to persist beyond the fasting period (Toda and Morimoto 2004). Consistent with that, a recent survey on the impact of Ramadan on productivity (Dinar Standard 2011) finds that up to one in four Muslim professionals admits to not maintaining the same level of productivity as compared with other months.

⁶There are exemptions from the obligation, typically for children, the ill and the elderly, travelers, and breastfeeding women.

⁷Recent research by economists has focused on the effects of Ramadan fasting on fetal health, and its potential long-term consequences (Almond and Mazumder 2011, Van Ewijk 2011).

No less important are the broader effects of Ramadan on individual lifestyle and social life during the holy month (Maqsood 2007, Marshall Cavendish Corporation 2010). The daily routine incorporates major pre-dawn (*suhur*) and fast-breaking (*iftar*) meals, which are social events involving family, friends and acquaintances, and co-workers – turning *iftar* in particular into a “unique opportunity for socializing” (Chenar 2011). *Iftar* events often take place in mosques, which, more broadly, typically hold many special events throughout the month. As a result of this, and of the additional *tarawih* prayers that are meant to be performed on Ramadan days (beyond the five daily prayers that are another Pillar of Islam), increased mosque-going is an important feature of the period. Major festivities also mark the end of the month, with the fast-breaking festival of Eid al-Fitr. While there is substantial variation across countries regarding the specifics of these and other Ramadan practices, social activities and increased interaction with fellow believers are common themes.

Not all Ramadan practices are of a social nature, of course. Indeed, the (optional) ritual of *i'tekaf* (“staying in on place”) is a traditional part of the last ten days of the month, and reading the Qu’ran is also strongly encouraged. Consistent with that, for instance, Afifi (1997) reports that fasting individuals tend to get more involved in “stress reducing” (such as watching TV, listening to radio or visiting friends) and “spiritual” activities (such as praying and reading the Qu’ran).

Given all of these unique features and practices that take place during the holy month, one might expect that the intensity of Ramadan engagement would affect social interactions in ways that impact economic decisions and the formation of economically relevant beliefs. First, although it could also be the case that enhanced networking opportunities might increase productivity, the fact remains that those practices obviously compete for time with regular work activities. In fact, the aforementioned survey by Dinar Standard (2011) estimates that reduced Ramadan working hours could have a substantial impact on production during the month, of up to 4% per weekday working hour lost. In addition, the salience of religiosity and family life during that month could certainly have an effect on individual beliefs and attitudes towards work, family, savings, and so on. These could in turn extend the impact of Ramadan far beyond the month itself.

Needless to say, observance of each specific Ramadan practice will vary tremendously across individuals and countries, and is very hard to observe on a systematic basis. However, our empirical strategy will take advantage of factors that will exogenously shock that intensity of engagement to identify its impact on our outcomes of interest.

Our strategy, as we will later on discuss in greater detail, is based on the fact that the Islamic calendar is lunar, so that months correspond to lunar cycles (around 29.5 days). As a result, the year is ten to eleven days shorter than the solar year, and months rotate over the seasons accordingly, in cycles of roughly 33 years. This means that the number of hours of daily fasting – corresponding to the period between sunrise and sunset – will vary depending on the time of the year in which

Ramadan happens to fall in any given year, and also on latitude. Simply put, our basic idea revolves around the effect of a longer daily fasting period – as is the case when Ramadan occurs during the summer, and particularly so at greater latitudes – and our central assumption is that the intensity of engagement increases with those extra hours.

The longer hours obviously amplify the physiological impact of going without food and drink – especially under conditions of heat and humidity – and of the fewer hours of sleep that come from having to wake up for pre-dawn meals. Just as importantly, dealing with that impact requires changes in daily routines and activities that affect the broader lifestyle changes we have discussed. Indeed, it is not hard to find reports underscoring that point: summer Ramadans seem to entail more time spent with family, in worship, and in contemplative activities, as well as a general “slowdown” in daily activities so as to conserve energy and avoid the ill effects of heat and humidity.⁸ More directly, summer Ramadans also seem associated with a greater crowding out of work activities, as “the working day shortens by two or three hours” (*The Economist* Aug 12, 2010).

In sum, the anecdotal evidence corroborates the idea that summer Ramadans and its longer fasting hours constitute a particularly challenging and intense experience, which is likely to have stronger effects on individual views and behavior. This justifies our use of the length of fasting hours as the key source of variation in the intensity of Ramadan practices.

3 Conceptual Framework

Religious practices in general, and Ramadan in particular, could in principle affect many different economic outcomes in many different ways. As such, it is important to very briefly motivate our empirical investigation in terms of the variables we will focus on, and of some of the most natural potential channels of impact associated with them.

3.1 Economic Growth

When it comes to economic growth, the correlations established in the literature would lead us to expect a negative effect of involvement in religious practices, and in Ramadan in particular. To understand why this should be the case, it is easiest to start with reference to an aggregate production function.

⁸For instance, a Canadian report (*Hamilton Spectator*, July 17, 2013) quotes individuals stating that to withstand the long fasting hours of summer Ramadans they tend to “[spend] time with [...] family at the mosque where they read from the Koran”, to “read more of the Koran”, to “[stay] busy helping out at home and being involved in [community programs], and to “spend more time in active worship and prayer [to take their] mind off it”. The impact is not felt only at higher latitudes, however, as exemplified by reports on challenging summer Ramadans in Egypt (“a fast to test all our willpower”, *The National (UAE)* Aug 7, 2010) or Saudi Arabia (*Arab News* Jul 11, 2013).

Consider a standard Cobb-Douglas neoclassical production function $Y = (AL)^\alpha K^{1-\alpha}$, with standard designations for output, capital and labor inputs, and the productivity of labor, and $\alpha \in (0, 1)$ corresponding to the share of labor in total output. We can write output growth as follows:

$$(1) \quad g_Y = \alpha g_A + \alpha g_L + (1 - \alpha)g_K ,$$

where g_j is the growth rate of j . It follows that there are essentially two different ways in which religious practices could have a direct impact on growth. First, they might affect the evolution of input supply decisions, L and K ; second, they might affect the evolution of productivity, A .

When it comes to inputs, religious practices impose an immediate trade-off, to the extent that they require time and resources that are then unavailable for producing output. We have argued that Ramadan involves a number of activities that evidently fit that pattern. Similarly, religious practices could affect productivity as well: from facilitating or limiting social interactions with correligionists and outsiders (Ianaccone 1992) to purely physiological effects (e.g. dietary restrictions). In the case of Ramadan, there is the potentially obvious manifestation in the physiological costs associated with fasting. While this could be mitigated by a positive effect on productivity arising from increased networking and socialization, it would be natural to expect that more intense Ramadan fasting would have a negative direct impact on labor productivity.

In sum, these different mechanisms would lead us to expect the following, in line with the correlations that have been established in the literature studying the link between religious activities and growth:

Hypothesis 1. *More intense Ramadan fasting has a negative immediate impact on economic growth.*

3.2 Subjective Well-Being

Here the literature would lead us to expect a positive effect, and it has suggested a couple of different channels. For instance, it could be through religious engagement fostering socialization (Argyle 2003, p.366), or through instilling a sense of meaning and purpose (Myers 2000). Either way, our previous discussion would lead us to expect Ramadan to activate those channels, in light of the intense socialization and general exposure to religious content that it entails. A positive effect arising from these forces would also help explain how religious practices that clearly impose constraints on followers would be sustained in equilibrium.

However, it is important to note that this presumption applies to the partial effect of a shock to religious involvement. Survey responses to questions on happiness and life satisfaction, however, will inevitably capture the total impact. This is important because, to the extent that income and

individual SWB tend to be strongly positively correlated, one might expect that the negative effect on output growth would work towards a negative net impact on the SWB of the average individual. This means that the overall impact would be ambiguous, and, as such, it is an empirical question which effect may dominate.

Hypothesis 2. *More intense Ramadan fasting has an ambiguous effect on individual self-reported well-being.*

3.3 Mechanism: Employment and Wages

Having stated our basic hypotheses, it is worth discussing how we could assess the relative importance of some of the different channels. When it come to the effect on economic growth, the key is in the behavior of labor markets. Needless to say, religious practices could also affect the accumulation of capital, of both the physical and human varieties. We will leave these aside, since our empirical strategy will use yearly variation in Ramadan fasting, and as such we will focus on short-run growth. Within this horizon, it makes sense to take the capital stock as essentially fixed and instead focus attention on what happens to the supply and demand of labor.⁹

It turns out that the aforementioned input-supply and productivity channels would have distinct implications when it comes to labor markets. Specifically, the former would represent a labor-supply movement, as individuals choose to work less for the benefit of religious engagement, while the latter would operate via labor demand, as a decrease in the marginal productivity of labor. From basic economic theory, we would expect the labor-supply effect to be associated with slower employment growth but faster wage growth, while the labor-demand channel would imply the former, but not the latter.

This is easiest to see again with reference to the aggregate production function, now leaving aside the role of capital. With perfectly competitive markets, the wage rate (w) is equal to the marginal productivity of labor, and we can write wage growth as:

$$(2) \quad g_w = \alpha g_A - (1 - \alpha) g_L .$$

It immediately follows that a decrease in labor supply will be associated with rising wages, whereas declining productivity will be associated with falling wages. We will therefore look into the effects of Ramadan fasting on labor markets as a way of disentangling these different channels.

⁹We will later show evidence that the yearly growth rate of the capital stock indeed does not seem to be affected by Ramadan fasting.

3.4 Mechanism: Preferences and Values

Last but certainly not least, it is also important to note that religious practices could also have important indirect effects, by affecting preferences, beliefs, and values. These might certainly include individual input-supply decisions, for instance by affecting preferences for work versus other activities, and might also affect the path of A , say via occupational choice between activities or sectors with distinct productivity growth profiles. In addition, these beliefs and values and decisions will most likely affect individual perceptions of happiness and life satisfaction, quite possibly in durable ways as well.

It is quite clear that the intensity of the Ramadan experience, with its salient religious and social dimensions, is likely to affect this channel. Still, it is somewhat harder to predict *ex ante* in what direction the potential changes in beliefs and values would lead. The simplest way to get at the empirical relevance of this indirect channel is thus to use direct evidence on how individuals value work and material rewards relative to other aspects of their lives. We can couple that evidence with information on individual occupational choice decisions in order to paint a more precise picture of the ultimate impact of those individual preferences on labor supply and productivity, and of how this may help us make our two main hypotheses fit together.

4 Empirical Framework

4.1 Data

We are interested in studying the causal effects of the intensity of Ramadan engagement on our outcomes of interest. We would ideally want to observe directly that intensity, but this is obviously not possible. Instead, as discussed in our background section, we build on the crucial premise that engagement with Ramadan is more intense as the length of the daily fasting period increases. It follows that our first key variable is the number of stipulated fasting hours during Ramadan. To calculate that, we collect data from the Astronomical Applications Department of the U.S. Naval Observatory. Their online data service provides sunrise and sunset times for any geographic coordinate on earth, at any given date in the Gregorian calendar. To map historical Ramadan dates from the Islamic calendar to the Gregorian calendar, we use data from Islamic Philosophy Online.¹⁰ For each Ramadan since 1950, we calculate the average daily daylight hours during Ramadan, in every country and year.¹¹

¹⁰Available at <http://www.muslimphilosophy.com/ip/hijri.htm>.

¹¹To keep things simple, we use a country's capital as the coordinates of interest, downloaded from www.cepii.fr/anglaisgraph/bdd/distances.htm. This obviously induces some measurement error in our data. Moreover, in some Muslim societies fasting does not start until the new crescent moon of Ramadan has been sighted. The sunrise and sunset patterns of Mecca is also sometimes followed. Since these deviations are likely idiosyncratic,

We then match the data on Ramadan fasting hours with various datasets. For data on the Muslim share of a country's population, we use a time invariant measure from Miller (2009). Data on economic growth comes from the Penn World Tables 8.0 (Feenstra, Inklaar, and Timmer 2013), resulting in an unbalanced panel of 167 countries between 1950-2011. Our main outcomes of interest are data from the national accounts on real GDP growth, real GDP growth per capita, and real GDP growth per worker, all in constant 2005 prices. Note that, since the variation in fasting hours that we use is at a yearly level, we will focus on year-on-year growth.

To assess whether Ramadan affects subjective well-being (SWB), we use data from all waves of the World Values Survey (WVS). The surveys were conducted from 1981 to 2008 in 87 countries, totaling more than 256,000 interviews. We use the two key standard measures of SWB. First, "Feeling of Happiness" is a hedonic measure taken from the answer to the question: "Taking all things together, would you say you are: not at all happy, not very happy, quite happy, very happy?". We construct the standard indicator variable equal to one if the respondent answers "quite happy" or "very happy", and zero otherwise. The second measure, "Life Satisfaction", is more evaluative, based on the question: "How satisfied are you with your life as a whole these days?" (on a numerical 10-point scale). We construct an indicator variable equal to one if the answer is above 5, and also present results using the raw number. The survey also contains data on employment status, work-related preferences (whether work is more important than religion in one's life; preferences for whether good hours is important in a job; preferences whether a high income is the most important aspect when searching for a job), and a number of socio-economic characteristics. Finally, it provides information on religiosity, or "religious values" (Norris and Inglehart 2011) (whether religion is very important in one's life).

Yearly data on wages and employment in the manufacturing sector comes from INDSTAT2 2013 edition, which is available for 166 countries for the 1963-2010 period.¹² The data are arranged at the 2-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC) Revision 3, pertaining to the manufacturing sector, which comprises 23 industries. The data is based on surveys of establishments with at least 5-10 employees (the cut-off varies by country). It includes the total number of persons employed in each sector, and the wages paid to those persons.¹³ Since our variation in Ramadan hours is at the country-year level, we aggregate the sector data to the country-year level, resulting in an unbalanced panel dataset on employment (number of workers) and wage (annual wages per worker) growth.¹⁴

measurement error is likely to be classical and would lead to attenuation bias in our estimates.

¹²Version 8.0 of the Penn World Tables contains, for the first time, data on employment. However, the data for Africa and the Middle East is actually referring to the labor force, thus conflating the employed and the unemployed (Inklaar and Timmer 2013) and rendering it inappropriate for our purposes.

¹³The wage data is comprised of all payments paid to employees each year, including bonuses and housing allowances.

¹⁴The data for Azerbaijan in 1992 shows an arguably implausible wage growth of more than 2500 percent, or about

4.2 Identification Strategy and Specifications

Our identification strategy exploits the fact that the number of daylight hours during Ramadan will vary differentially across countries over time, because the Islamic calendar follows the lunar cycle. Specifically, there are two key factors that interact to give rise to arguably idiosyncratic and exogenous variation in Ramadan fasting hours. First, the *timing* of the start of Ramadan is a factor: in years when Ramadan is held during summer months, the sun is up for longer, and fasting hours as stipulated by the Qu`ran increase accordingly. Second, the geographical location of the country, and more specifically its *latitude*, also matters: it is the primary determinant of sunrise and sunset times at any given date. As long as we control for year and country fixed effects, we automatically control for any possible independent effects of timing and latitude. We are then left with the variation due to the *interaction* of the two factors, and this is what we exploit.

To illustrate the nature of that variation, we first show, in Figure 1, a map highlighting the 32 Muslim countries in our sample, defined as those where more than 75 percent of the population are Muslim. We can see that there is substantial variation in latitude within that sub-sample, in spite of there being no Muslim countries in very high latitudes.

[FIGURE 1 HERE]

Figure 2 then illustrates the way latitude and timing interact in affecting stipulated fasting, to provide visual intuition for the variation we use for identification. It plots for every year the average daily fasting hours for three countries, namely Bangladesh, Indonesia, and Turkey. There is within-country variation over time, but most important is the fact that the time variation is different across the three countries. Compare first Bangladesh, which is roughly at the average latitude for the sub-sample of Muslim countries, to Turkey, which has one of the highest latitudes in that sample. Bangladesh has shorter fasting hours when Ramadan falls during the Northern Hemisphere summer (as in the early 1950s and 1980s), and the opposite happens when it falls in the winter months (as in the mid 1960s or late 1990s/early 2000s). Indonesia in turn illustrates yet another source of idiosyncratic variation, coming from the fact that seasons are reversed in the Southern Hemisphere.¹⁵ Note also that the farther from the equator, the greater the amplitude of variation.

[FIGURE 2 HERE]

Finally, Figure 3 shows the implications when we take the sample of Muslim countries as a whole: the average daily length of Ramadan fasting fluctuates according to the Northern Hemisphere seasons, since that is where the vast majority of Muslim countries are, and the variation

1200 standard deviations above the mean. We exclude this observation as it is an extreme outlier.

¹⁵Note that all curves cross when Ramadan falls around the vernal or autumnal equinoxes, when days and nights are of equal length.

around the average (as measured by the lines marking the 20th and 80th percentiles of the hours distribution bands) peaks on December and June Ramadans.

[FIGURE 3 HERE]

We implement this identification strategy by estimating the following equation:

$$(3) \quad g_{ct} = \beta * \log RamadanHours_{ct} + \delta_c + \mu_t + \varepsilon_{ct},$$

where g is an outcome (real GDP growth, real GDP per capita growth, etc.) in country c in year t , $RamadanHours$ is the average daily number of fasting hours during Ramadan, and δ and μ capture country and year fixed effects, respectively. Our basic hypothesis that Ramadan has a negative effect on economic growth would thus translate into $\beta < 0$.¹⁶

The country fixed effects account for all time-invariant differences across countries, such as geography or cultural factors that do not vary over time. The year fixed effects in turn control for factors that vary across time but are constant across countries, such as global business cycles or the time of the year when Ramadan happens to be held. Put together, they let us focus on the idiosyncratic variation we have described.¹⁷ We will also present results controlling for population growth, although by assumption this would not be necessary since population growth is uncorrelated to Ramadan fasting. Still, this may reduce residual variation, leading to more precise estimates. We do not control for other economic factors because they may be endogenous to Ramadan fasting. Finally, we estimate the model on our Muslim country sub-sample only.¹⁸ This is because we would expect Ramadan to meaningfully affect economic growth only in countries that have a substantial Muslim population.

This latter feature also presents us with the possibility of further enhancing our identification strategy. A priori, there is no obvious reason why one would expect the variation in fasting hours to be endogenous to other determinants of economic growth, such as technological shocks, human capital growth, saving rates, etc. Nevertheless, to account for this possibility, we complement (3) with an alternative (differences-in-differences) specification that makes use of the fact that Ramadan fasting hours should not affect economic growth in countries that have very small Muslim populations. Specifically, we estimate:

$$(4) \quad g_{ct} = \beta \log RamadanHours_{ct} \times Muslim_c + \lambda \log RamadanHours_{ct} + \delta_c + \mu_t + \gamma_{ct} + \varepsilon_{ct},$$

¹⁶We should stress that what we estimate, as indicated by (3), is the marginal effect of increasing the number of Ramadan fasting hours. We cannot estimate an effect against a counterfactual where Ramadan is absent – a linear extrapolation to zero hours would be patently absurd.

¹⁷It is worth noting that there is meaningful residual variation in Ramadan fasting hours: the fixed effects account for 36 percent of the variation across all countries and years.

¹⁸In the Appendix we show that the results are robust to varying the 75-percent threshold, and to including linear country trends.

where *Muslim* is a dummy equal to one if Muslims make up at least 75 percent of the population, and zero if there are less than 25 percent Muslims. This specification also allows us to include Muslim-country-by-year fixed effects, γ_{ct} , which control for any yearly shocks that might differentially affect Muslim countries. If Ramadan fasting truly affects economic outcomes, we would expect $\lambda = 0$ and $\beta < 0$.

We leave aside the small group of countries in the intermediate range of the share of Muslims, namely those where Muslims are a large minority or small majority, for the simple reason that these countries would be an evidently improper “control” group.¹⁹ Note that, as depicted in Figure 4, the variation over time in average Ramadan hours in Muslim and non-Muslim countries is very similar, indicating that the non-Muslim countries indeed provide a suitable comparison.²⁰

[FIGURE 4 HERE]

Still in the realm of cross-country panel data, we will estimate the impact of Ramadan on labor markets. We will reproduce specification (3) and (4), with employment and wage growth in the manufacturing sector as our dependent variables of interest. A negative effect of Ramadan fasting on employment growth, $\beta < 0$, would be consistent with a decrease in labor demand due to lower labor productivity, or a decrease in labor supply, or both. Estimating the effects on wages helps us separate between the two possible mechanisms. A decrease in wage growth ($\beta < 0$) would be consistent with a decrease in labor demand predominating over any negative labor supply effects, whereas an increase in wage growth ($\beta > 0$) would be consistent with the opposite pattern.

When it comes to individual survey data, on SWB, labor market status, and beliefs regarding work and religion, we implement our identification strategy with the following specification:

$$(5) \quad y_{ict} = \beta * \log RamadanHours_{ict} + \delta_c + \mu_t + X_{ict}\gamma' + \varepsilon_{ict}$$

where subscript i denotes individual i living in country c surveyed in year t , and X_{ict} is a vector of demographic controls.²¹

We estimate this equation on the sample of individuals who are presumably “treated” by Ramadan fasting: those who self-identify in the survey as religious Muslims. Excluding non-religious

¹⁹The results are not sensitive to the specific cutoffs. In any case, the average Muslim share of population in countries is estimated at around 25 percent, so that the 25 percent cutoff characterizes as “non-Muslims” those countries that have a below-average Muslim population.

²⁰This is tantamount to saying that the average latitude for the two groups are very similar. We also use as an alternative comparison group the sub-sample of non-Muslim countries such that all of them are within the range of latitudes covered by the Muslim sample, and the results are essentially unaltered.

²¹The controls are: gender dummy, second-order polynomial in age, marital status dummies, number of children, and education dummies.

Muslims reduces compliance issues, since these are more likely not to fast during Ramadan.²² Of course, religious Muslims may still not perfectly comply with the formal fasting hours. In this case, what we estimate is the reduced form effects of formal fasting hours, leading to underestimates of the true effects of Ramadan fasting. We will henceforth use the terms religious Muslim and Muslim interchangeably, in the context of the individual survey data.

This focus on Muslim individuals, rather than countries, also means that we can actually use information from a broader set of countries. In particular, we now have additional variation in latitude at our disposal, as can be readily seen from Figure 5, depicting the size of samples coming from each country.

[FIGURE 5 HERE]

Another important factor to keep in mind when interpreting our results is that, since the survey takes place throughout the calendar year, the vast majority of the data points (presumably 11/12) will lie outside of the month of Ramadan. As exact interview dates are not recorded in the data, we define *RamadanHours* as the number of fasting hours during the most recent Ramadan preceding the survey year.²³

Finally, we note that all of our specifications will report standard errors clustered at the country level, to allow for the possibility that the error term might be correlated for different observations within a country. Tables A2 and A3 in the Appendix show that the results are robust to two-way clustering by country and by year (Cameron, Gelbach, and Miller 2011).

4.3 Placebo Regressions

We have discussed the two contributing factors that lead to the within-country variation in Ramadan fasting hours, and our identifying assumption is that this variation is idiosyncratic and uncorrelated with other determinants of our outcome variables. This assumption would be violated and lead to spurious results if, for example, countries located further away from the equator were, for some reason unrelated to Ramadan, systematically less (or more) productive in years when fasting hours are longer, compared to countries located closer to the equator.

We can provide some evidence to assess this possibility, again making use of the fact that we would expect Ramadan to have no effect in countries with small Muslim populations, nor on the individual behavior of non-Muslims in those countries. In other words, we can run “placebo”

²²According to survey evidence from Dinar Standard (2011), from five Muslim countries (Malaysia, Saudi Arabia, Egypt, Pakistan, UAE) and five countries where Muslims are a minority (USA, UK, Canada, India, Australia), 98% of Muslims report fasting during Ramadan.

²³The results are essentially identical if we use the hours in the survey year itself (results available upon request).

versions of (3) and (5), restricted to those sub-samples. Were we to find any effects, these would most likely be spurious, and indicate that our identification assumption is somehow violated.²⁴

Table 1 presents the results from the placebo regressions for all of our main dependent variables of interest. There is no evidence whatsoever of spurious results. Not only are all the coefficients insignificant at conventional levels, they are also quantitatively very small, indicating that the lack of significance is not due to imprecision. In other words, Ramadan fasting hours are uncorrelated with economic growth, employment and wage growth, unemployment or self-reported well-being in non-Muslim countries. This lends credibility to our identification strategy.

[TABLE 1 HERE]

5 Results

We first present our main results on the effect of Ramadan on economic growth and SWB. We then examine the implications for the labor market, to understand some of the mechanisms behind those results.

5.1 Effects on Economic Growth

Table 2 presents the results on economic growth. We start by showing a simple regression without year fixed effects, in Column (1). The estimate is negative and statistically significant. This regression does not control for any factor that affects growth and also covaries with the timing of Ramadan, however. Using our baseline specification, which includes year fixed effects, the estimate in Column (2) is statistically significant ($\beta=-0.101$, $p=0.014$), larger in magnitude, and shows that Ramadan fasting has a negative effect on real GDP growth, consistent with our stated hypothesis. Column (3) shows that controlling for population growth does not affect the point estimate.

[TABLE 2 HERE]

We then present the differences-in-differences estimate, in Column (4). It is also statistically significant ($p=0.020$) and again similar in magnitude ($\beta=-0.093$). Importantly, the estimate on Ramadan Hours captures the estimated effect on non-Muslim countries and is very close to zero, as expected.

Columns (5)-(8) in turn present results for GDP per capita, and Columns (9)-(12) for GDP per worker, using the same permutations of specifications and samples as Columns (1)-(4). The per

²⁴We do not include non-Muslims in Muslim countries for the simple reason that the hypothesis under investigation is that Ramadan affects the entire economy of a country, which implies general equilibrium effects.

capita estimates are qualitatively and quantitatively similar, while per worker specifications show a slightly larger estimated effect, which nevertheless cannot be statistically distinguished. In Table A2 of the Appendix, we assess whether the estimates are robust to the inclusion of country-specific linear time trends. They are significant at conventional levels and, if anything, increase in magnitude when country trends are included. The table also shows that the estimates are statistically significant when using a lower %-Muslims sample inclusion threshold. The coefficient generally decreases in magnitude as the threshold is lowered, which is unsurprising given that countries where a smaller share of the population are fasting are gradually included. Finally, Figure A1 in the Appendix shows that the estimates are not driven by outlier observations.

Quite importantly, the estimated magnitudes are also quantitatively meaningful. The last line in Table 2 shows that a one standard deviation increase (in the sample of Muslim countries) in Ramadan fasting hours, of roughly 10 percent, induces a decrease in economic growth of around one-eighth of a standard deviation – roughly 0.9 percentage points.

To place this in a more concrete context, let us take the example of Bangladesh – a country where approximately 90 percent of the population are Muslims, and with average fasting hours that are representative of the typical Muslim country. Comparing years when Ramadan occurs in the months of June versus December, there is an increase in fasting hours of roughly one-fourth: in June, Islam stipulates that Muslims should refrain from drinking and eating for approximately 13.5 hours every day, compared to approximately 10.5 hours in December.²⁵ Under the assumption of linear effects, which is rather strong but nevertheless useful for illustrative purposes, and using our most conservative estimate (Column (10)), income per capita growth is 2.3 percentage points lower in years with a June Ramadan. Using the real income per capita of \$1560 PPP in 2010 as a benchmark, this corresponds to a relative decrease in per capita income of approximately \$36. In this sense, Ramadan carries a material cost that is small but certainly not trivial, especially in the presence of high levels of poverty.

5.2 Effects on Subjective Well-Being

We now turn to the SWB results. Table 3 presents the results on the two key self-reported measures, “Happiness” and “Life Satisfaction”. When estimating the effects on the first measure for all Muslims in the sample (Columns (1) and (2)), the coefficients are positive and highly statistically significant ($p=0.001-0.003$), indicating that Ramadan fasting increases measured SWB for Muslim individuals.

[TABLE 3 HERE]

²⁵This is not to mention that summer fasting is also naturally more demanding and intense due to the hot weather: the average daily max temperature in Dhaka is 32°C (90°F) in June, as compared to 26°C (79°F) in December.

Columns (3) and (4) then estimate the effects separately for men and women. The coefficients are significant and positive for both genders, with a larger effect for women. Column (5) restricts the sample to countries where more than 75 percent of the population are Muslim. It shows that the effect is significant ($p=0.028$), and with a larger estimated coefficient, though the standard error is naturally larger as a result of substantially less variation in fasting hours and the estimates cannot be statistically distinguished. Column (6) in turn shows that the results are robust to running an ordered logit regression where the dependent variable is the four-category answer to the happiness question.

Columns (7)-(12) then present the results for the same exercise, using “Life Satisfaction” as the dependent variable. We see results that are qualitatively very similar to those for “Happiness”, though the effect is generally larger from a quantitative perspective. In Table A3 of the Appendix, we show that the results are robust to two-way clustering of the standard errors and controls for country-specific trends, and Figure A2 in the Appendix displays regression residuals showing that the estimates are not driven by outlier observations.

The quantitative implications of the SWB results are also meaningful, as was the case with GDP. The estimates imply that a 10 percent increase in fasting hours increases the likelihood that a Muslim is happy by 4.6-5.2 percentage points, corresponding to a standardized effect that is roughly similar to what we found for GDP. The same exercise increases the likelihood that a Muslim is satisfied with life by approximately 10-11 percentage points, which translates into a standardized effect that is slightly larger.

What does that mean in terms of our Bangladeshi example? Given that there are about 98 million adult (above age 14) Muslims in Bangladesh, Ramadan in July leads to an approximate 11.5%, or 11 million, additional happy Bangladeshis, and 20 million (24%) additional Muslims citizens being satisfied with life as a whole.²⁶ This is certainly far from negligible.

In other words, while Ramadan fasting has an important material cost in Muslim countries, it is associated with Muslims feeling significantly happier and more satisfied with their lives.

5.3 Mechanisms

We now turn our attention to the question of what mechanisms drive these effects. A number of channels are possible but, as discussed in Section 3, we approach this challenge by looking at the distinct implications for what is a first-order arena: the labor market.

²⁶We again use our most conservative point estimates, in this case from Columns (1) and (7) in Table 3. Note that we do not take into account children under age 15, as they are unlikely to fast.

5.3.1 Effects on the Labor Market: Employment and Wages

Table 4 presents results on labor market outcomes using data from the manufacturing sector. Note that, since the manufacturing sector is disproportionately concentrated in the formal sector, and particularly so in developing countries such as most of the Muslim world, we should interpret this data as more indicative of equilibrium outcomes in the formal economy.

[TABLE 4 HERE]

The first four columns report results on employment growth. The point estimate in Column (1) is negative and statistically significant ($p=0.065$), with similar estimates and standard errors when controlling for population growth (Column (2)), country trends (Column (3)), or when running the differences-in-differences specification (Column (4)). The point estimate of 0.21 implies that a one standard deviation in fasting hours leads to approximately a 2 percentage point decrease in yearly employment growth, and corresponds to a standardized effect of -0.17. The evidence thus indicates that Ramadan fasting leads to fewer workers in the formal manufacturing sector.

This negative effect on employment is consistent with a decrease in labor demand, with a decrease in labor supply, or possibly both. To further understand the mechanisms, and whether there are demand or supply shifts in the labor market, Columns (5)-(8) present estimates on the evolution of wages in the manufacturing sector. The point estimates are similar across specifications ($\beta=0.49-0.61$), statistically significant ($p=0.006-0.011$), and show that the decrease in employment growth is accompanied by an *increase* in wage growth. These effects are also quantitatively meaningful. A one standard deviation increase in Ramadan fasting is estimated to cause a 5 percentage point increase in wage growth (the mean growth rate in Muslim countries is 8.5 percent yearly), or a 0.23 standardized effect.

The evidence thus suggests that Ramadan has a negative impact on labor supply. Moreover, it indicates that, to the extent that there is any decrease in labor demand driven by lower productivity, it is being dominated by the labor supply effects. In fact, a simple back-of-the-envelope calculation using (1) makes this point forcefully: taking our estimates of -0.14 (GDP per worker) as the marginal effect of Ramadan on output growth, -0.2 as the marginal effect on labor supply, and setting $\alpha=2/3$, we back out a marginal effect of Ramadan on productivity growth of only -0.01. This number is obtained under the assumption that the yearly growth rate in the capital stock is unaffected by Ramadan, which is backed up by the results shown in Table A4 in the Appendix: the estimated effects are insignificant and close to zero.²⁷

²⁷Note, in addition, that the point estimates are consistently negative. In this case, any small effect that might be present on the growth rate of capital would lead the estimate of the decline in productivity growth to be even smaller in absolute value, or even positive.

Also from a quantitative perspective, it is worth noting that, under the admittedly strong assumption of no demand shift, the elasticity of labor demand that is implied by our results is roughly -0.4. This suggests that (short-run) labor demand is quite inelastic, and is also consistent with the evidence on estimated elasticities summarized by Hamermesh (1996, ch.3).

Our next step is to complement the results from Table 4 with survey-level evidence, using the WVS. This allows for a more granular analysis of the labor market, and lets us investigate both formal and informal employment (self-employment). Since there is no a priori reason why Muslims in some countries would differentially shift their labor supply, we use data from all countries in the dataset. Since formal labor force participation by Muslim women is very low, we focus on the sample of Muslim men.²⁸

The results are in Table 5. The estimates in Columns (1)-(4) confirm that employment decreases, but clarify that the effects seem primarily driven by a decrease in part-time, rather than full-time, employment. Specifically, the point estimates on part-time employment, in Columns (3) and (4), are negative and statistically significant, while the estimates on full-time employment in Columns (1) and (2) are substantially smaller in magnitude and insignificant. This is perhaps not that surprising, given that part-time workers are arguably more likely to be closer to the extensive margin in the formal sector. Quantitatively, a one standard deviation increase in fasting hours decreases the likelihood that a Muslim is employed part time by 2.9-3.5 percentage points.²⁹ When scaled by the standard deviation of the outcome among Muslims, this corresponds to a negative 0.10-0.12 standardized effect.

[TABLE 5 HERE]

In contrast, there is no evidence that Ramadan affects unemployment (Columns (7)-(8)). Instead, Columns (5)-(6) show that Ramadan fasting affects the likelihood of being self-employed. The implied effect suggests that a one standard deviation increase in fasting hours increases the likelihood that a Muslim is self-employed by 3-4 percentage points, or a 0.07-0.09 standardized effect. Furthermore, despite the decrease in formal employment and the increase in self-employment, Columns (9)-(10) show that individuals report a greater satisfaction with their financial situation, consistent with a voluntary reduction in labor supply.

At this point it is worth restating that the individuals in the WVS dataset are surveyed throughout the year. Therefore, only approximately 1/12 of individuals are surveyed during the month of Ramadan. Given the magnitude of the effects, it is arguably implausible that the estimates solely reflect effects during the month of Ramadan. Instead, they suggest that there is a shift in labor supply that stretches *beyond* the month of Ramadan itself.

²⁸We present results on labor market outcomes for women in Table A3 in the Appendix.

²⁹Our data contains the full sample of all adult Muslim men, and therefore also includes retired persons and students. 25 percent of the individuals are employed full time.

Together, the evidence in Tables 4 and 5 shows that Ramadan fasting has an economically substantial effect on the labor market, which helps explain the mechanisms driving lower economic growth. The results show that Ramadan fasting leads to lower labor supply in the manufacturing sector, suggesting a shift of workers out of formal employment and into self-employment. The magnitude of the effects indicate that Ramadan affects Muslim country economies beyond the month of Ramadan itself. Since self-employment in developing countries is generally associated with informality and lower productivity (La Porta and Shleifer, 2008), it thus seems that the negative effect on GDP growth is at least in part driven by voluntary occupational choice into the informal sector.³⁰

5.3.2 Effects on the Labor Market: Preferences and Values

A long tradition in the social sciences that has held that religion in general, and religious practices in particular, can affect preferences and values that in turn influence individual behavior in markets. It is thus natural to wonder whether the documented effect of Ramadan on labor supply and occupational choice is partly due to shifts in labor-related preferences and values. We now turn to this question.

Table 6 presents the results from the WVS dataset and shows that Ramadan affects values and preferences related to work and priorities in life among Muslims. First, Columns (1)-(2) show that longer Ramadan fasting leads to a statistically significant ($p = 0.009$) increase in self-reported religiosity. There is no statistically significant effect on the self-reported, absolute, importance of work (Columns (3)-(4)), but when comparing the *relative* importance of work versus religion (Columns (5)-(6)), i.e. their relative rank about what is important in life, the estimates imply that a one standard deviation decreases the likelihood that work is viewed as more important than religion by approximately 2.9 percentage points, corresponding to a -0.09 standardized effect. To put this in perspective, this is approximately equivalent to the difference in views between Muslims that have completed high school versus those that have a college degree. Alternatively, 11 percent of Muslim men in the sample view work as more important than religion, compared to 50 percent among non-Muslim men, and the estimate implies a decrease of approximately 26 percent in the number of Muslim men viewing work as relatively more important.

[TABLE 6 HERE]

The regressions in Columns (7)-(10) provide further evidence that preferences related to labor markets and job search are affected by Ramadan fasting. When asked about whether a high income

³⁰Another possible interpretation is that the shift towards the informal sector reduces measured GDP, as distinct from actual output. Still, GDP is the best measure we have, and the two possibilities are not mutually exclusive: it is reasonable to think that part of the GDP reduction corresponds to actual output lost to lower productivity, while measurement issues make up another portion of it.

is the most important aspect when searching for a job, Muslims are significantly less likely to report that a good income is the first priority (as compared to finding a job where you work with people you like, doing an important job, getting a safe job, or doing something for the community). This indicates that Ramadan reduces material, or monetary, preferences, at least when it comes to job search. Moreover, Ramadan fasting affects preferences about what a "good job" entails, as longer fasting hours are significantly associated with preferences for good hours in a job. The estimated effect of 1.00-1.08 in Columns (9)-(10) implies that a one standard deviation increase in fasting hours increases the share of Muslim men that view good hours as important by 10-11 percentage points, or 12-13 percent (sample mean of dependent variable is 0.85). This suggests that preferences for jobs with fewer hours, or more flexible hours, are affected.

This result is in fact broadly consistent with survey evidence of Muslims interviewed in ten countries (DinarStandard, 2011), when asked about work-related issues pertaining to Ramadan fasting in particular. A key finding of the study was that employees in the formal sector would like employers to increase work flexibility in order to be able to conduct the religious practices good Muslims are supposed to, such as prayer or reading of the Qur'an, during the month of Ramadan. 42 percent of the respondents would also like employers to set special Ramadan hours.

The results in Tables 5 and 6 therefore provide evidence that an underlying reason for the decrease in labor supply in the formal sector, and shifting of workers into self-employment, is that Muslims voluntarily choose to work less – and that this decrease in formal employment is, at least in part, due to changes in work-related preferences and values. That is, the religious practice of Ramadan makes Muslims more religious, less likely to consider work as more important than religion, and less interested in job characteristics associated with jobs in the formal sector, namely relatively good wages but less flexible work hours (Maloney, 2004).

6 Discussion

Our central results are very clear. First, longer Ramadan fasting has a robust, statistically significant, and quantitatively nontrivial negative effect on economic growth in Muslim countries. This is in line with our stated hypothesis, and is consistent with the correlation patterns previously found in the literature that has looked at the links between religious practices and economic growth.

Second, longer Ramadan fasting has a robust, statistically significant, and quantitatively nontrivial positive effect on the subjective well-being of Muslim individuals. This seems consistent with the extant literature on religion and happiness, but is in fact in tension with the previous result on growth: since what we measure is a net effect on SWB, our evidence indicates that Muslims are happier in spite of being poorer.

How do we make sense of the results and how they relate to one another? It is here that our

evidence on labor markets and work-related preferences, by shedding light on the mechanisms behind the effect on economic growth, is especially useful.

The first step comes from the recognition that direct effects from Ramadan on short-term economic growth could come from its impact on labor supply decisions and/or from its impact on productivity. The second step is to note that these different channels have different implications for labor markets. Our results indicate that labor supply decisions are the most important factor in practice: we find that Ramadan negatively affects employment growth in the manufacturing sector, but has a positive impact on wage growth, consistent with a shock to labor supply. More specifically, survey evidence shows that workers seem to shift from (mostly part-time) formal employment, and into self-employment, most likely in the informal sector.

This picture, first and foremost, clarifies the mechanism behind the impact of Ramadan on growth. The evidence suggests that, rather than a direct effect on productivity due to fasting, what matters are the changes in labor supply decisions and occupational choice, towards a lower productivity sector. The more important productivity losses are, so to speak, an indirect consequence of Ramadan fasting, via shifts in individual decisions.

This begs the question of what lies behind those shifts. Ramadan certainly demands time and involvement that compete with work activities, but the results point at deeper, more durable changes. In particular, they provide causal evidence that Ramadan influences what Muslims view as important in life: they report caring relatively less about work and material rewards, when compared to religion or, more prosaically, things like job flexibility. This suggests that the changes in labor supply decisions are at least partly associated with changes in preferences and values.

This evidence is admittedly speculative but it nevertheless provides support for the view that religious practices can affect economic outcomes by changing deep, fundamental determinants of economic growth, such as beliefs and values. In our specific context, the effect we document for Ramadan does not seem driven by direct productivity losses, but neither is it limited to lost working hours during the month itself. Rather, it seems to be connected to more durable shifts in individual decisions regarding occupational choice, presumably mediated by views regarding work-related values. This helps explain why the effect goes well beyond what happens during the month of Ramadan itself.

What is more, the evidence also helps assuage the apparent contrast between the material cost of the practice and the increased self-reported happiness and life satisfaction that result from it. It suggests that SWB increased not only due to possible direct benefits of the practices itself (socialization, time devoted to prayer and reflection, time spent with family and friends), but also to a reduced focus on the material and monetary aspects in life and work. In light of such a possibility, it may not be that surprising that longer Ramadan fasting makes people poorer, but happier.

Finally, taken together our results substantiate the view that religious practices have a signifi-

cant impact on important economic outcomes, beyond the specific example of Ramadan. In fact, had we found the impact of Ramadan fasting to be mainly attributable to its direct physiological consequences, one might have been led to wonder how widely applicable the lessons would be. Many other kinds of religious practices that do not share those obvious physiological implications are nevertheless a lot more similar to Ramadan in other dimensions: an encouragement of time-consuming social and individual activities, or a potential impact on economically relevant beliefs and values. These would likely put in motion similar mechanisms to the ones our evidence highlights. By the same token, nothing in what we find is indicative that the effects regarding labor supply and occupational choice come about due to doctrinal aspects of Islam – in fact, the Qu’ran and Islamic doctrine place substantial emphasis on the importance of work (e.g. Ali 2005, ch.4). Changes in beliefs could well be driven by the very salience of religious elements during the month, or by the experience of working relatively less in the period. This underscores that the Ramadan context actually exemplifies a more wide-ranging phenomenon.

7 Concluding Remarks

Using idiosyncratic variation induced by the rotating Islamic calendar, we have established causal evidence for a negative effect of Ramadan fasting on economic growth in Muslim countries. We have also established, however, that this is accompanied by an increase in the levels of self-reported happiness and life satisfaction among Muslims. We have argued that these are primarily associated with labor supply and occupational choice decisions of Muslim individuals, rather than through direct productivity decreases due to the fasting itself. We have also shown that part of the effect is associated with changes in the way those individuals value work and material rewards.

We have emphasized that the main effects we document in the context of Ramadan are most likely indicative of a broader impact of religious practices. One could easily imagine that Christmas, Passover, Diwali, or the Buddhist New Year, to mention a few, could trigger similar mechanisms, and this is an obviously interesting topic for future research.

By the same token, our results also speak to the question of the economic impact of holidays, festivals, and civic celebrations. While some of what we find, specifically on views regarding the importance of religion, does indicate that there might be something about religious content behind the impact of religious practices, it is certainly possible that changes in behavior and/or beliefs are triggered by some of their more generalizable features. To the extent that some of the Ramadan effect is associated with its social or family aspects, or with reduced work hours, there is every reason to believe that secular dates – or even profane ones, for that matter – with some similar features could have comparable implications.

Our paper also sheds some new light on the ongoing debate regarding the links between happi-

ness and economic growth. The very fact that the debate over the Easterlin paradox is far from over (Easterlin et al. 2010) is in itself an indication that the relationship is not quite straightforward. Our results identify circumstances in which economic growth and SWB go in different directions, and in doing so indicate directions along which to further investigate the subtleties of their connections.

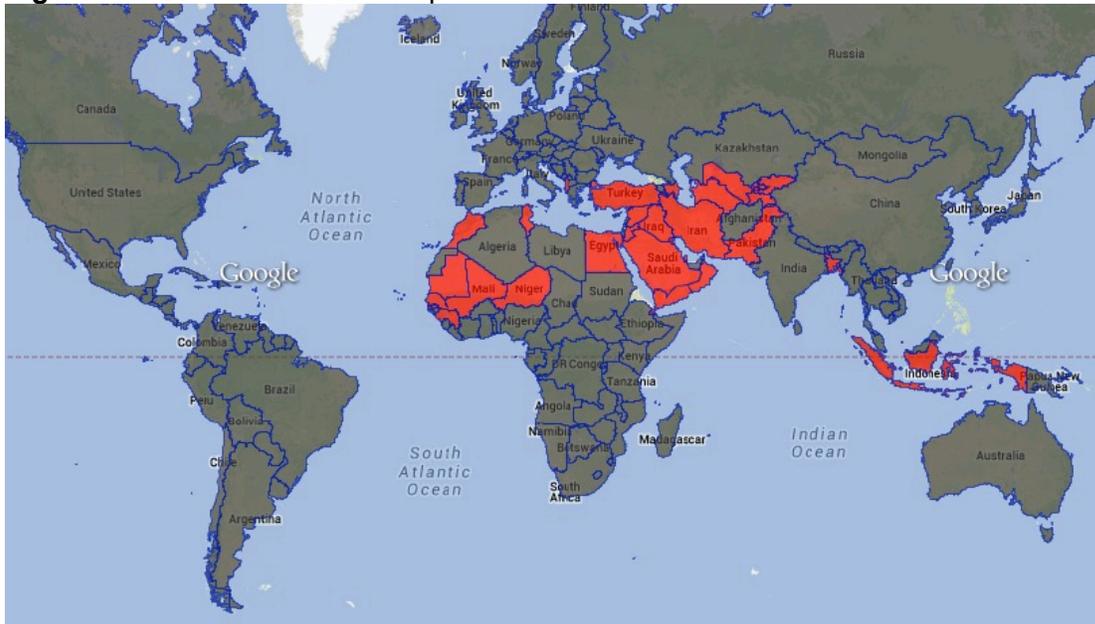
8 References

- Affi, Z.E.M.**. 1997. "Daily Practices, Study Performance and Health during the Ramadan Fast." *Perspectives in Public Health* 117(4): 231-235.
- Ali, Abbas.** 2005. *Islamic Perspectives on Management and Organization*. Edward Elgar Publishing.
- Almond, Douglas and Bhashkar A. Mazumder.** 2011. "Health Capital and the Prenatal Environment: The Effect of Ramadan Observance During Pregnancy." *American Economic Journal: Applied Economics* 3(4): 56-85.
- Arab News.** 2013. "Holy Month Comes in Hottest Weather and Longest Days." July 11, 2013, retrieved from: <http://www.arabnews.com/news/457681>.
- Argyle, Michael.** 2003. "Causes and Correlates of Happiness." In: Daniel Kahneman, Edward Diener, and Norbert Schwarz (eds.), *Well-Being: The Foundations of Hedonic Psychology*. Russell Sage Foundation.
- Audretsch, David B., Werner Bonte, and Jagannadha Pawan Tamvada.** 2007. "Religion and Entrepreneurship." CEPR Discussion Paper No. DP6378.
- Baele, Lieve, Moazzam Farooq, and Steven Ongena.** 2011. "Of Religion and Redemption: Evidence from Default on Islamic Loans." CEPR Discussion Paper No. 8504.
- Barro, Robert J.** 1997. *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge, MA: MIT Press.
- Barro, Robert J. and Rachel M. McCleary.** 2003. "Religion and Economic Growth across Countries." *American Sociological Review* 68(5): 760-781.
- Becker, Sascha O. and Ludger Woessman.** 2009. "Was Weber Wrong? A Human Capital Theory of Protestant Economic History." *Quarterly Journal of Economics* 124(2): 531-596.
- Berggren, Niclas and Christian Bjornskov.** 2011. "Is the Importance of Religion in Daily Life Related to Social Trust? Cross-country and Cross-state Comparisons." *Journal of Economic Behavior and Organization* 80(3): 459-480.
- Cameron, A. Colin, Jonah B. Gelbach, and Douglas L. Miller.** 2011. "Robust Inference With Multiway Clustering." *Journal of Business & Economic Statistics* 29(2): 238-249.
- Chenar, Ali.** 2011. "Ramadan: A Time for Networking." *Tehran Bureau*, Aug 21, 2011, retrieved from: <http://www.pbs.org/wgbh/pages/frontline/tehranbureau/2011/08/ramadan-a-time-for-networking.html>.
- Clingingsmith, David, Asim Ijaz Khwaja, and Michael Kremer.** 2009. "Estimating the Impact of The Hajj: Religion and Tolerance in Islam's Global Gathering." *Quarterly Journal of Economics* 124(3): 1133-1170.
- Deaton, Angus and Arthur A. Stone.** 2013. "Two Happiness Puzzles." *American Economic Review Papers & Proceedings* 103(3): 91-97.
- Dinar Standard.** 2011. "2011 Productivity in Ramadan Report." Retrieved from: <http://dinarstandard.com/new-site/wp-content/uploads/2011/08/2011-Productivity-in-Ramadan-Report.pdf>

- Dolan, Paul, Tessa Peasgood, and Mathew White.** 2008. "Do We Really Know What Makes Us Happy? A Review of the Economic Literature on the Factors Associated with Subjective Well-Being." *Journal of Economic Psychology* 29: 94-122.
- Durlauf, Steven N., Andros Kortellos, and Chih Ming Tan.** 2012. "Is God in the Details? A Reexamination of the Role of Religion in Economic Growth." *Journal of Applied Econometrics* 27(7): 1059-1075.
- Easterlin, Richard A.** 1974. "Does Economic Growth Improve the Human Lot? Some Empirical Evidence." In: Paul A. David and Melvin W. Reder (eds.), *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*. New York: Academic Press.
- Easterlin, Richard A., Laura Angelescu McVey, Malgorzata Switek, Onnicha Sawangfa, and Jacqueline Smith Zweig.** 2010. "The Happiness-Income Paradox Revisited." *Proceedings of the National Academy of Sciences* 107(52): 22463-22468.
- Feenstra, Robert C., Robert Inklaar and Marcel P. Timmer.** 2013. "The Next Generation of the Penn World Table'." Available for download at www.ggd.net/pwt
- Francis, Leslie.** 2010. "Religion and Happiness: Perspectives from the Psychology of Religion, Positive Psychology and Empirical Theology." In: Ian Steedman, John R Atherton, and Elaine Graham (eds.), *The Practices of Happiness: Political Economy, Religion and Wellbeing*. Taylor & Francis.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales.** 2003. "People's Opium? Religion and Economic Attitudes." *Journal of Monetary Economics* 50: 225-282.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales.** 2006 "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives* 20(2): 23-48.
- Hallak, M.H. and M.Z. Nomani.** 1988. "Body Weight Loss and Changes in Blood Lipid Levels in Normal Men on Hypocaloric Diets during Ramadan Fasting." *American Journal of Clinical Nutrition* 48(5): 1197-1210.
- Hamermesh, Daniel S.** 1996. *Labor Demand*. Princeton University Press.
- Hamilton Spectator.** 2013. "Summer Ramadan Tests Willpower for Food, Drink." July 17, 2013, retrieved from: <http://www.thespec.com/news-story/3894962-summer-ramadan-tests-willpower-for-food-drink/>
- Iannaccone, Laurence R.** 1992. "Sacrifice and Stigma: Reducing Free-riding in Cults, Communities, and Other Collectives." *Journal of Political Economy* 100(2): 271-291.
- Inklaar, Robert and Marcel Timmer.** 2013. "Capital, Labor and TFP in PWT8.0." University of Groningen (unpublished).
- Karaagaoglu, Nilgun and Sevinc Yucecan.** 2000. "Some Behavioural Changes Observed among Fasting Subjects, Their Nutritional Habits and Energy Expenditure in Ramadan." *International Journal of Food Sciences and Nutrition* 51(2): 125-134.
- Kuran, Timur.** 2004. "Why the Middle East Is Economically Underdeveloped." *Journal of Economic Perspectives* 18(3): 7190.
- La Porta, R., F. Lopez-de-Silanes, A. Shleifer and R. Vishny.** 1999. "The Quality of Government," *Journal of Law, Economics, and Organization*, 15, April: 22279.

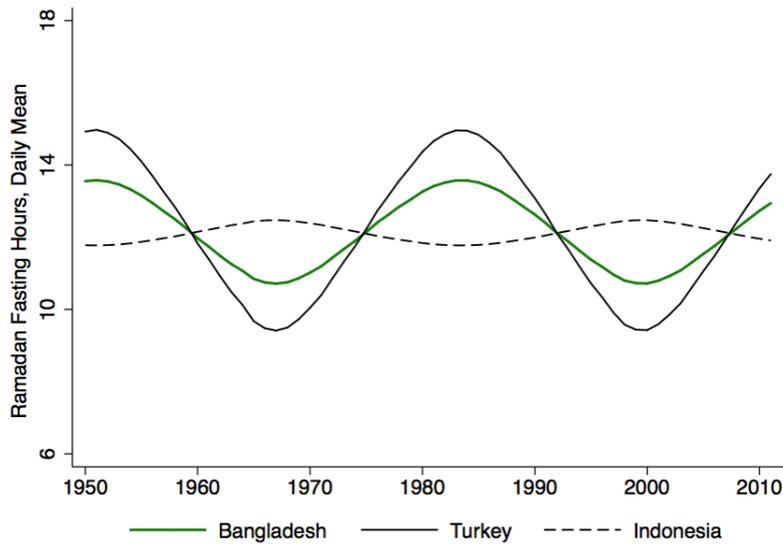
- La Porta, Rafael and Andrei Shleifer.** 2008. "The Unofficial Economy and Economic Development." *Brookings Papers on Economic Activity* Fall 2008: 275-352.
- Leiper, J.B., A.M. Molla, and A.M. Molla.** 2003. "Effects on Health of Fluid Restriction during Fasting in Ramadan." *European Journal of Clinical Nutrition* 57(Suppl 2): S30-S38.
- Maloney, William F.** 2004. "Informality Revisited." *World Development* 32(7): 1159-1178.
- Maqsood, Ruqaiyyah Waris.** 2007. *Teach Yourself Islam*. McGraw-Hill.
- Marshall Cavendish Corporation.** 2010. *Islamic Beliefs, Practices, and Cultures*. Marshall Cavendish.
- McCleary, Rachel M. and Robert J. Barro.** 2006. "Religion and Economy." *Journal of Economic Perspectives* 20(2): 49-72.
- Miller, T.** 2009. *Mapping the Global Muslim Population: A Report on the Size and Distribution of the World's Muslim Population*. Washington, DC: Pew Research Center.
- Myers, David G.** 2000. "The Funds, Friends, and Faith of Happy People." *American Psychology* 55(1): 56-67.
- Norris, Pippa and Ronald Inglehart.** 2011. *Sacred and Secular: Religion and Politics Worldwide*. Cambridge University Press.
- Schmahl, F.W. and B. Metzler.** 1991. "The Health Risks of Occupational Stress in Islamic Industrial Workers during the Ramadan Fasting Period." *Polish Journal of Occupational Medicine and Environmental Health* 4(3): 219-228.
- Spenkuch, Jorg.** 2011. "The Protestant Ethic and Work: Micro Evidence from Contemporary Germany." Kellogg School of Management (unpublished).
- Stevenson, Betsey and Justin Wolfers.** 2008. "Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox." *Brookings Papers on Economic Activity* Spring 2008: 1-87.
- The Economist.** 2010. "Ramadan in the Summer Heat: When Everything Slows Down." August 12, 2010.
- The National (UAE).** 2010. "Taking the Temperature of My First Summer Ramadan." August 7, 2010, retrieved from <http://www.thenational.ae/news/taking-the-temperature-of-my-first-summer-ramadan/>
- Toda, Masahiro and Kanehisa Morimoto.** 2004. "Ramadan Fasting: Effect on Healthy Muslims." *Social Behavior and Personality* 32(1): 13-18.
- Van Ewijk, Reyn.** 2011. "Long-Term Health Effects on the Next Generation of Ramadan Fasting during Pregnancy." *Journal of Health Economics* 30(6): 1246-1260.
- Weber, Max.** 1905 [1930]. *The Protestant Ethic and the Spirit of Capitalism*. London: Allen & Unwin.
- Young, Cristobal.** 2009. "Model Uncertainty in Sociological Research: An Application to Religion and Economic Growth." *American Sociological Review* 74(3): 380-397.
- Ziaee, V., M. Razaee, Z. Ahmadinejad, H. Shaikh, R. Youse, L. Yarmohammadi, F. Bozorgi, and M.J. Behjati.** 2006. "The Changes of Metabolic Profile and Weight during Ramadan Fasting." *Singapore Medical Journal* 47(5): 409-414.

Figure 1. Muslim Countries Sample



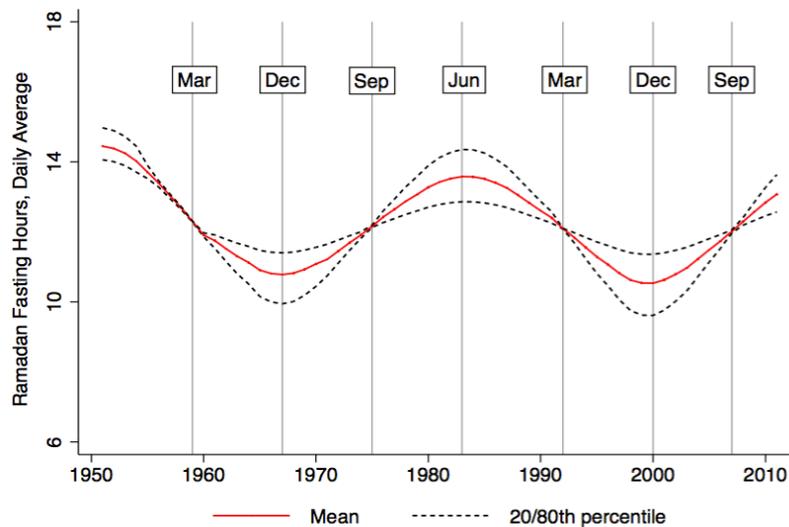
Note: Red indicates the 32 sampled Muslim countries (with more than 75 percent Muslim population share) in the Penn World Tables 1950-2011 dataset.

Figure 2. Daily Ramadan Fasting Hours, 3 countries example



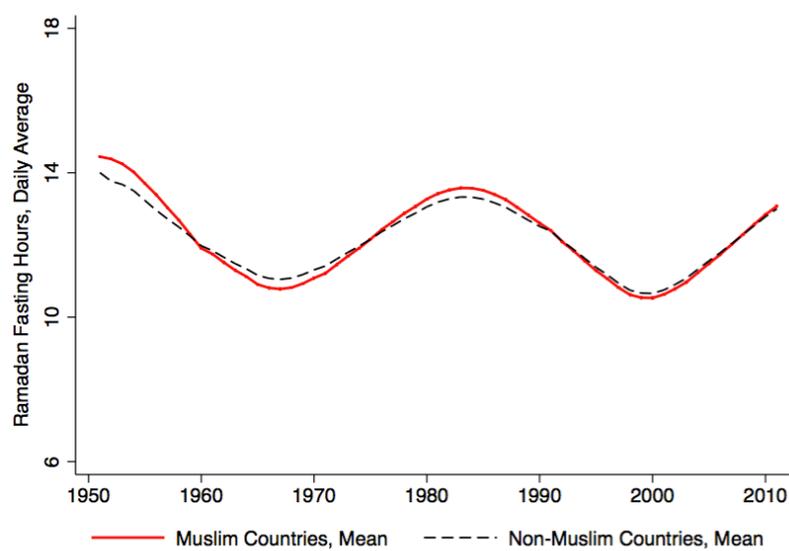
Note: Each line represents the average daily number of sunrise to sunset hours during the month of Ramadan in each year, measured in each country's capital.

Figure 3. Daily Ramadan Fasting Hours in Muslim Countries



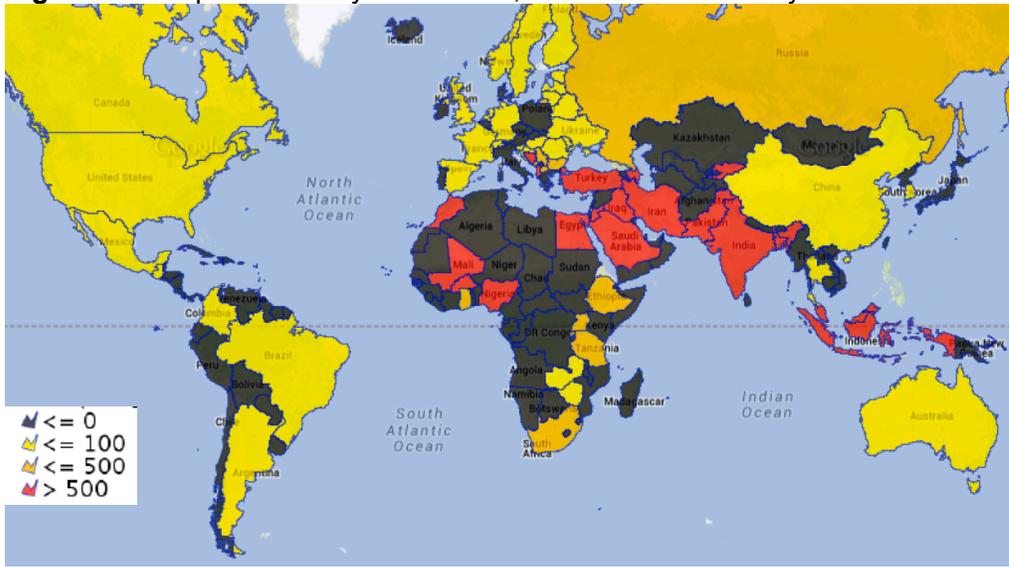
Note: Each line represents the average daily number of sunrise-to-sunset hours during the month of Ramadan in each year, for different parts of the distribution among Muslim countries in the Penn World Tables dataset. The red line is the mean, while the dashed lines represent the 20th and 80th percentiles. The boxes at the top indicate which month Ramadan starts in. The graph shows that most of the within-year variation in fasting hours occurs during summer and winter Ramadan (June and December), while there is no variation when Ramadan is held in equinox months (March and September).

Figure 4. Daily Ramadan Fasting Hours in Muslim and Non-Muslim Countries



Note: Each line represents the average daily number of sunrise-to-sunset hours during the month of Ramadan in each year, for Muslim countries (>75% Muslim population) and non-Muslim countries (<25% Muslim population) in the Penn World Tables dataset.

Figure 5. Sample of Surveyed Muslims, World Values Survey



Note: The map shows the 69 countries with approximately 40'000 surveyed Muslims during 1981-2008 in the World Values Survey. Black color indicates nobody was sampled, yellow indicates up to 100 individuals, orange indicates 101-500 individuals, and red indicates more than 500 sampled individuals.

Table 1. Placebo Tests, Non-Muslim Countries

	<i>Country-Level Data</i>						<i>Individual-level Survey Data</i>					
	GDP Growth	GDP per Capita Growth	GDP per Worker Growth	Capital Stock Growth	Employment Growth	Wage Growth	Employed Full Time	Employed Part Time	Self Employed	Unemploy- ed	Happine- ss	Life Satisfact- ion
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Ramadan Hours, Log	-0.009 (0.007)	-0.007 (0.006)	-0.005 (0.006)	-0.006 (0.006)	0.011 (0.022)	0.007 (0.022)	0.065 (0.048)	-0.035 (0.023)	-0.016 (0.039)	0.045 (0.049)	-0.026 (0.023)	-0.016 (0.049)
Observations	6,021	6,021	5,153	5,973	2,537	2,537	158,848	158,848	158,848	158,848	160,649	163,817
R-squared	0.17	0.16	0.16	0.29	0.19	0.19	0.05	0.02	0.09	0.05	0.10	0.17
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dataset	PWT	PWT	PWT	PWT	INDSTAT	INDSTAT	WVS	WVS	WVS	WVS	WVS	WVS
P-value	0.15	0.25	0.39	0.32	0.24	0.62	0.17	0.17	0.66	0.37	0.27	0.75

Note: *Ramadan hours* is the average number of sunrise to sunset hours during the month of Ramadan, measured in the country's capital. All samples consist of non-Muslim countries (less than 25 percent Muslim population). In the individual-level survey data all individuals are non-Muslims, and the dependent variables are dummy variables. See section 4.1 for a description of the datasets. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table 2. The Effects of Ramadan on Economic Growth in Muslim Countries

Sample Countries	Real GDP Growth				Real GDP per Capita Growth				Real GDP per Worker Growth			
	Muslim (1)	Muslim (2)	Muslim (3)	All (4)	Muslim (5)	Muslim (6)	Muslim (7)	All (8)	Muslim (9)	Muslim (10)	Muslim (11)	All (12)
Ramadan Hours, Log	-0.067** (0.025)	-0.101** (0.039)	-0.101** (0.039)	-0.007 (0.007)	-0.092*** (0.026)	-0.099** (0.040)	-0.099** (0.038)	-0.008 (0.006)	-0.098*** (0.031)	-0.146*** (0.036)	-0.140*** (0.036)	-0.006 (0.006)
Muslim Country*Ramadan Hours, Log				-0.093** (0.040)				-0.091** (0.039)				-0.138*** (0.035)
Observations	1,416	1,416	1,416	7,437	1,416	1,416	1,416	7,437	1,274	1,274	1,274	6,427
R-squared	0.05	0.12	0.12	0.17	0.06	0.13	0.15	0.15	0.07	0.15	0.19	0.16
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Population Growth Control	No	No	Yes	Yes	No	No	Yes	Yes	No	No	Yes	Yes
Year-by-Muslim-Country FE	No	No	No	Yes	No	No	No	Yes	No	No	No	Yes
Standardized Effect	-0.08	-0.13	-0.13	-0.12	-0.11	-0.12	-0.12	-0.11	-0.12	-0.18	-0.17	-0.17

Note: Country-year panel data from Penn World Tables 8.0, 1950-2011. All outcome variables are in constant 2005 prices. *Ramadan hours* is the average number of sunrise to sunset hours during the month of Ramadan, measured in the country's capital. A *Muslim country* is defined as having more than 75 percent of the population of Muslim denomination. The sample in columns (4), (8) and (12) includes non-Muslim countries, defined as having a Muslim population of less than 25 percent. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table 3. The Effects of Ramadan on Subjective Well-Being Among Muslims

	Happiness						Life Satisfaction					
	Dummy (1)	Dummy (2)	Dummy (3)	Dummy (4)	Dummy (5)	Likert, Ologit (6)	Dummy (7)	Dummy (8)	Dummy (9)	Dummy (10)	Dummy (11)	10p scale (12)
Ramadan Hours, Log	0.462*** (0.152)	0.521*** (0.145)	0.340** (0.158)	0.747*** (0.179)	1.155** (0.524)	1.350*** (0.293)	0.965*** (0.308)	1.149*** (0.310)	1.197*** (0.314)	1.207*** (0.342)	4.167 (3.306)	6.991*** (1.647)
Observations	39,636	37,821	18,456	19,365	30,830	37,821	39,490	37,689	18,411	19,278	30,712	37,689
R-squared	0.09	0.10	0.11	0.11	0.10	0.13	0.09	0.10	0.10	0.10	0.09	0.11
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Sample Individuals	All	All	Males	Females	All	All	All	All	Males	Females	All	All
Sample Countries	All	All	All	All	Muslim	All	All	All	All	All	Muslim	All
Standardized Effect	0.10	0.12	0.07	0.17	0.24	N/A	0.17	0.21	0.21	0.22	0.69	0.24

Note: Individual-level outcome data from the World Values Survey, 1981-2008. All individuals in the sample are religious Muslims. *Ramadan hours* is the average number of sunrise to sunset hours during the month of Ramadan in the year preceding the survey, in the country's capital. The controls are: age, age squared, number of children, marital status dummies, education level dummies, and a gender dummy. A Muslim country (column (5) and (11)), is defined as before. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table 4. The Effects of Ramadan on Employment and Wage Growth in Muslim Countries, Country-Level

Sample Countries	Employment Growth, Number of Workers				Wage Growth, Average Wages			
	Muslim	Muslim	Muslim	All	Muslim	Muslim	Muslim	All
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ramadan Hours, Log	-0.207*	-0.210*	-0.200**	-0.015	0.500**	0.498**	0.605***	0.012
	(0.107)	(0.117)	(0.079)	(0.014)	(0.182)	(0.179)	(0.213)	(0.022)
Muslim Country * Ramadan Hours, Log				-0.195*				0.487***
				(0.111)				(0.174)
Observations	581	581	581	3,118	581	581	581	3,118
R-squared	0.22	0.23	0.28	0.17	0.17	0.17	0.19	0.18
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Population Growth Control	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Country Trends	No	No	Yes	No	No	No	Yes	No
Year-by-Muslim-Country FE	No	No	No	Yes	No	No	No	Yes
Standardized Effect	-0.17	-0.17	-0.16	-0.16	0.23	0.23	0.23	0.22

Note: Country-year unbalanced panel data on employment and average wages from UNIDO INDSTAT manufacturing dataset, 1963-2010. All variables are defined as before. The full sample consists of 166 countries, of which 26 are Muslim countries. Standard errors clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table 5. The Effects of Ramadan on Employment Among Muslims, Individual-Level Survey Data

	Employed Full Time		Employed Part Time		Selfemployed		Unemployed		Satisfaction with Financial Situation of Household	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ramadan Hours, Log	-0.119	-0.160	-0.295**	-0.363***	0.404**	0.311**	-0.022	-0.081	8.162***	8.969***
	(0.334)	(0.283)	(0.119)	(0.123)	(0.190)	(0.137)	(0.135)	(0.134)	(1.243)	(1.045)
Observations	18,720	17,968	18,720	17,968	18,720	17,968	18,720	17,968	19,338	18,417
R-squared	0.09	0.21	0.03	0.04	0.07	0.12	0.05	0.10	0.11	0.13
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Sample Countries	All	All	All	All	All	All	All	All	All	All
Standardized Effect	-0.02	-0.03	-0.10	-0.12	0.09	0.07	-0.01	-0.02	0.28	0.31

Note: Individual-level outcome data from World Values Survey, 1981-2008. The sampled individuals are Muslim men. *Ramadan hours* is the average daily number of sunrise to sunset hours during the month of Ramadan in the year preceding the survey, measured in the country's capital. All dependent variables are indicator variables, except Financial Satisfaction which is given on a 10-point scale. The controls are the same as in Table 3. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

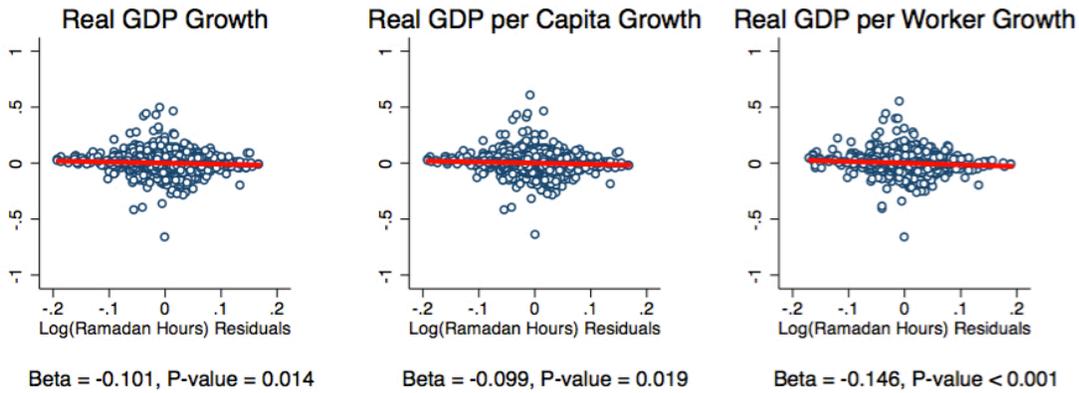
Table 6. The Effects of Ramadan on Religiosity and Labor-Related Preferences Among Muslims, Survey Data

	Important in Life: Religion		Important in Life: Work		Important in Life: Work more Important than Religion		Important for Job Choice: A Good Income		Important in a Job: Good Hours	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ramadan Hours, Log	0.143** (0.055)	0.139** (0.057)	-0.035 (0.079)	-0.052 (0.103)	-0.299*** (0.110)	-0.263** (0.101)	-0.625* (0.316)	-0.865** (0.343)	1.00*** (0.35)	1.08** (0.47)
Observations	19,475	18,544	19,438	18,505	19,375	18,448	19,598	18,651	10,888	10,414
R-squared	0.08	0.08	0.03	0.05	0.17	0.18	0.17	0.17	0.19	0.19
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Sample Countries	All	All	All	All	All	All	All	All	All	All
Standardized Effect	0.07	0.07	-0.02	-0.03	-0.09	-0.08	-0.16	-0.22	0.18	0.19

Note: Individual-level outcome data from World Values Survey, 1981-2008. *Ramadan hours* is the average daily number of sunrise to sunset hours during the month of Ramadan in the year preceding the survey, measured in the country's capital. The sampled individuals are Muslim men. All dependent variables are indicator variables. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

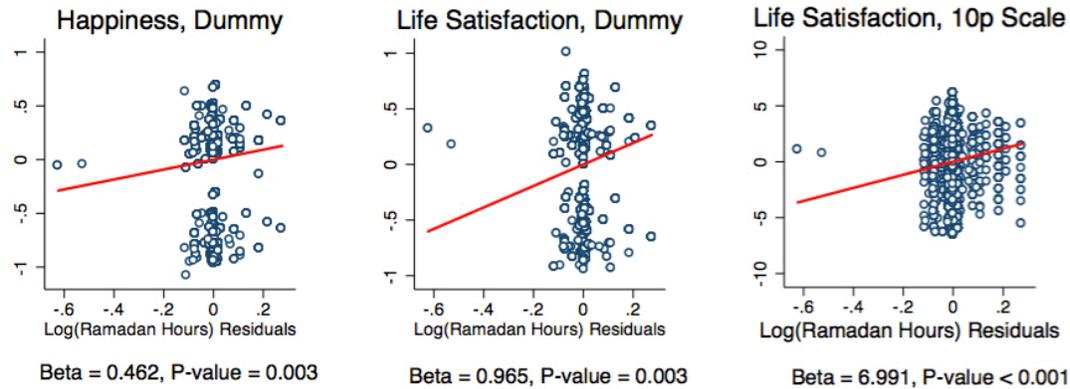
APPENDIX

Figure A1. The Effect of Ramadan on Economic Growth in Muslim Countries



Note: Each graph plots the residuals conditional on country and year fixed effects (regressions from Table 2, columns (2), (6) and (10), respectively). The red line indicates the estimated slope, with associated coefficients and p-values below. The figure shows that outliers do not drive the negative coefficient estimates.

Figure A2. The Effect of Ramadan on Subjective Well-being Among Muslims



Note: Each graph plots the residuals conditional on country and year fixed effects (regressions from Table 3, columns (1), (7) and (12), respectively). The red line indicates the estimated slope, with associated coefficients and p-values below. The figure shows that outliers do not drive the positive coefficient estimates. The left side outliers are observations from three unusually happy Muslims in Finland in years when sunrise to sunset hours during Ramadan were very short (of the three observations, two have very similar residuals). The outliers lie above the estimated slope, however, and the coefficients are essentially unaffected when these observations are dropped (see Table A6).

Table A1. Summary Statistics

	Full Sample			Muslim Countries		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.
<u>Country-Level Data, PWT 8.0, 1950-2011</u>						
Real GDP Growth, 2005 Constant USD	8107	0.041	0.065	1416	0.045	0.079
Real GDP per Capita Growth, 2005 Constant USD	8107	0.022	0.064	1416	0.017	0.078
Real GDP per Worker Growth, 2005 Constant USD	6992	0.019	0.063	1274	0.013	0.081
Population Growth	8111	0.018	0.015	1416	0.028	0.019
Capital Stock Growth	8059	0.043	0.038	1416	0.047	0.039
Muslim Population Share	8107	0.234	0.355	1416	0.938	0.613
Ramadan Hours	8107	12.05	1.553	1416	12.00	1.164
<u>Country-Level Data, INDSTAT2, 1963-2010</u>						
Employment Growth, Number of Workers	3301	0.024	0.122	581	0.050	0.147
Wage Growth, Average Wages	3301	0.081	0.196	581	0.085	0.257
Population Growth	3301	0.016	0.019	581	0.027	0.035
Muslim Population Share	3301	0.222	0.353	581	0.947	0.536
Ramadan Hours	3301	11.88	1.865	581	11.89	1.413
<u>Individual-Level Survey Data, WVS, 1981-2008</u>						
	Full Sample			Muslim Individuals		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.
Ramadan Hours	230759	11.33	1.492	40027	10.93	0.975
Non-Muslim	230759	0.783	0.412	40027	0.000	0.000
Feeling of Happiness, Dummy	223931	0.790	0.407	39636	0.800	0.400
Feeling of Happiness, Likert Scale	223931	2.027	0.756	39636	2.012	0.758
Life Satisfaction, Above 5 Dummy	226169	0.648	0.478	39490	0.551	0.497
Life Satisfaction, 10-point Scale	226169	6.489	2.520	39490	5.992	2.605
Employed, Full Time	220475	0.344	0.475	38235	0.252	0.434
Employed, Part Time	220475	0.074	0.261	38235	0.064	0.244
Selfemployed	220475	0.111	0.314	38235	0.139	0.346
Unemployed	220475	0.097	0.295	38235	0.106	0.308
Satisfaction with Financial Situation, Dummy	219975	5.534	2.636	39443	5.344	2.565
Important in Life: Religion	213375	0.751	0.432	39716	0.971	0.167
Important in Life: Work	213715	0.925	0.264	39537	0.927	0.260
Important in Life: Work more Important than Religion	211465	0.366	0.482	39425	0.092	0.289
Important for Job Choice: A Good Income	230759	0.762	0.426	40027	0.850	0.357
Important in a Job: Good Hours	145470	0.517	0.500	21529	0.659	0.474

Note: See section 4.1 for a description of data sources and variable constructions. A Muslim country is defined as having more than 75 percent Muslim population.

Table A2. Robustness: Sample Restrictions, Country Trends, and Two-Way Clustered Standard Errors

	Baseline Specification				Baseline Specification + Country Trends				N-Countries	N-Obs.
	Beta	S.E. Baseline	S.E. Two-way	R2	Beta	S.E. Baseline	S.E. Two-way	R2		
<u>Dep. Var.: GDP Growth</u>										
>75% Muslims	-0.101	(0.039)**	(0.040)**	0.12	-0.136	(0.045)***	(0.046)***	0.21	32	1416
>70% Muslims	-0.096	(0.038)**	(0.040)**	0.12	-0.131	(0.044)***	(0.046)***	0.20	34	1507
>60% Muslims	-0.082	(0.036)**	(0.038)**	0.12	-0.112	(0.043)**	(0.045)**	0.20	36	1604
>50% Muslims	-0.070	(0.033)**	(0.034)**	0.09	-0.106	(0.040)**	(0.041)***	0.16	41	1830
>40% Muslims	-0.090	(0.035)**	(0.038)**	0.10	-0.122	(0.041)***	(0.043)***	0.16	43	1902
>30% Muslims	-0.073	(0.034)**	(0.037)**	0.10	-0.106	(0.039)***	(0.043)**	0.16	47	2086
<u>Dep. Var.: GDP per Capita Growth</u>										
>75% Muslims	-0.099	(0.040)**	(0.040)**	0.13	-0.134	(0.044)***	(0.045)***	0.23	32	1416
>70% Muslims	-0.095	(0.037)**	(0.039)**	0.14	-0.130	(0.043)***	(0.045)***	0.22	34	1507
>60% Muslims	-0.081	(0.035)**	(0.037)**	0.14	-0.110	(0.042)**	(0.044)**	0.22	36	1604
>50% Muslims	-0.069	(0.032)**	(0.034)**	0.11	-0.106	(0.040)**	(0.041)***	0.17	41	1830
>40% Muslims	-0.089	(0.035)**	(0.037)**	0.11	-0.121	(0.040)***	(0.042)***	0.17	43	1902
>30% Muslims	-0.073	(0.033)**	(0.036)**	0.11	-0.105	(0.038)***	(0.042)**	0.17	47	2086
<u>Dep. Var.: GDP per Worker Growth</u>										
>75% Muslims	-0.140	(0.036)***	(0.039)***	0.19	-0.150	(0.038)***	(0.042)***	0.27	32	1274
>70% Muslims	-0.140	(0.035)***	(0.038)***	0.18	-0.158	(0.038)***	(0.043)***	0.25	34	1346
>60% Muslims	-0.117	(0.036)***	(0.039)***	0.18	-0.140	(0.037)***	(0.041)***	0.25	36	1428
>50% Muslims	-0.100	(0.033)***	(0.038)***	0.15	-0.127	(0.037)***	(0.041)***	0.22	41	1613
>40% Muslims	-0.122	(0.036)***	(0.042)***	0.16	-0.146	(0.038)***	(0.045)***	0.23	43	1665
>30% Muslims	-0.094	(0.036)**	(0.041)**	0.15	-0.112	(0.039)***	(0.045)**	0.22	47	1839

Note: Each estimate comes from a separate regression of economic growth on Log(Ramadan Hours), as specified in equation 1. For each point estimate, two standard errors are reported: S.E. *Baseline* clusters the standard errors by country, while S.E. *Two-way* clusters the standard errors by country and by year (Cameron, Gelbach and Miller, 2006). The baseline specification includes country fixed effect, year fixed effects, and population growth control. Country trends allows for a linear trend for each country. %-Muslims indicate the sample inclusion restriction. N-countries is the number of countries in the sample, and N-Obs is the number of observations. *** p<0.01, ** p<0.05, * p<0.1.

Table A3. Robustness: Subjective Well-Being, Country Trends and Two-Way Clustered Standard Errors

	Happiness			Life Satisfaction				
	Dummy (1)	Dummy (2)	Dummy (3)	Dummy (4)	Dummy (5)	Dummy (6)	10p scale (7)	10p scale (8)
Ramadan Hours, Log	0.462	0.521	0.419	0.965	1.149	0.613	6.991	4.851
S.E. Baseline	(0.152)***	(0.145)***	(0.073)***	(0.308)***	(0.310)***	(0.111)***	(1.647)***	(0.881)***
S.E. Two-Way	(0.136)***	(0.114)***	(0.067)***	(0.274)***	(0.156)***	(0.102)***	(0.844)***	(0.873)***
Observations	39,636	37,821	37,821	39,490	37,689	37,689	37,689	37,689
R-squared	0.09	0.10	0.11	0.09	0.10	0.12	0.11	0.12
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Country Trends	No	No	Yes	No	No	Yes	No	Yes
Sample Individuals	All	All	All	All	All	All	All	All
Sample Countries	All	All	All	All	All	All	All	All

Note: Samples and specifications are the same as in Table 3. *S.E. Baseline* clusters the standard errors by country, and *S.E. Two-Way* clusters the standard errors by country and by year (Cameron, Gelbach and Miller, 2006). *** p<0.01, ** p<0.05, * p<0.1.

Table A4. The Effects of Ramadan on Capital Stock Growth in Muslim Countries

<i>Sample Countries</i>	Capital Stock Growth				Capital Stock per Capita Growth			
	<i>Muslim</i> (1)	<i>Muslim</i> (2)	<i>Muslim</i> (3)	<i>All</i> (4)	<i>Muslim</i> (5)	<i>Muslim</i> (6)	<i>Muslim</i> (7)	<i>All</i> (8)
Ramadan Hours, Log	-0.001 (0.033)	-0.001 (0.033)	-0.008 (0.032)	-0.005 (0.006)	-0.001 (0.034)	-0.001 (0.033)	-0.008 (0.031)	-0.005 (0.006)
Muslim Country * Ramadan Hours, Log				0.004 (0.033)				0.004 (0.032)
Observations	1,416	1,416	1,416	7,389	1,416	1,416	1,416	7,389
R-squared	0.42	0.44	0.60	0.33	0.40	0.45	0.61	0.36
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Population Growth Control	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Country Trends	No	No	Yes	No	No	No	Yes	No
Year-by-Muslim-Country FE	No	No	No	Yes	No	No	No	Yes
Standardized Effect	-0.004	-0.003	-0.021	0.011	-0.002	-0.003	-0.021	0.011

Note: Country-year panel data from Penn World Tables 8.0, 1950-2011. Capital stock is measured in constant 2005 prices. All other variables use the same definitions as in Table 2. Standard errors clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table A5. The Effects of Ramadan on Employment and Work-Related Preferences, Females Sample

	Employment				Labor-Related Preferences					
	Employed Full Time (1)	Employed Part Time (2)	Self-employed (3)	Unemployed (4)	Satisfaction with Financial Situation of Household (5)	Important in Life: Religion (6)	Important in Life: Work (7)	Important in Life: Work More Important Than Religion (8)	Important for Job Choice: A Good Income (9)	Important in a Job: Good Hours (10)
Ramadan Hours, Log	-0.355 (0.425)	-0.470** (0.219)	0.174* (0.0941)	-0.079 (0.217)	6.77*** (1.86)	-0.046 (0.096)	-0.025 (0.106)	-0.006 (0.141)	-0.631* (0.365)	0.387 (1.002)
Observations	18,772	18,772	18,772	18,772	19,233	19,440	19,304	19,257	19,538	10,175
R-squared	0.18	0.05	0.13	0.13	0.14	0.09	0.08	0.17	0.18	0.20
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample Countries	All	All	All	All	All	All	All	All	All	All
Standardized Effect	-0.09	-0.20	0.07	-0.03	0.23	-0.08	-0.01	0.00	-0.16	0.07

Note: Individual-level outcome data from World Values Survey, 1981-2008. The sampled individuals are Muslim women. Variable definitions are the same as in Table 5 and 6. Robust standard errors in parentheses, clustered at the country level. *** p<0.01, ** p<0.05, * p<0.1.

Table A6. The Effects of Ramadan on SWB, Excluding Outliers

	Happiness	Life Satisfaction	
	Dummy (1)	Dummy (3)	10p scale (5)
Ramadan Hours, Log	0.513*** (0.169)	1.160*** (0.297)	6.858*** (1.567)
Observations	39,633	39,487	39,487
R-squared	0.09	0.09	0.09
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Controls	No	No	No
Sample Individuals	All	All	All
Sample Countries	All	All	All
Standardized Effect	0.10	0.21	0.24

Note: For variable definitions, see Table 3. The only difference is the sample restriction, as the regressions above drop the three outlying observations from Finland (as seen in Figure A2 in the appendix). *** p<0.01, ** p<0.05, * p<0.1.