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**How does religion influence economic performance:  
the case of Judaism and economic policies in Israel**

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# Introduction

The present dissertation focuses on the study of how religion can influence economic performance especially by focusing the analysis on the case of Judaism in the State of Israel towards economic policies.

Analysing this dimension connects the two areas, the sociological and social one of religion and the economic one, pointing out that regarding economic policies, I decided to focus on a particular sector that contributes to the economy of the State of Israel: the third sector, which includes non-profit organizations.

The main objective is to understand through the right means how particular the context of Israel is, since it is a young state with specific characteristics compared to neighbouring countries.

Religion plays a fundamental role here, as it is difficult to split it clearly given its origin as a country with the function of welcoming all those who professed the Jewish religion in the world. Indeed, modern Israel was founded only in 1948 as a Jewish state and refuge for Jews around the world after the terrible events that led to the Holocaust in Germany under the Nazis. The role of the government of Israel has been central in providing protection for the Jewish people. Its goal was to provide a modern and westernized homeland, to make the people of Israel rich, and to continue the trend begun in ancient times in the area occupied by the ancient tribes of Israel to which they had been brought by Moses.

The evidence analysed in the following chapters leads to clear conclusions, even if, analysing carefully the economic ethics underlying this religion, some inconsistencies in terms of values also emerge. In particular, specific very exclusive ultra-orthodox communities even seem to differ in some ethical guidelines in the economic field.

The thesis is divided into three chapters.

In the first chapter, to contextualize and explain how there is this connection between the religious and economic dimensions, an analysis of the political, historical and traditional dimensions of the State is carried out. Since the religious factor has always been central in state contexts, it is explained how this is also aimed at creating a harmonious economic environment, including the secularization factor and what follows from it. This is concretized through a general analysis of the American political context and an overall introduction of the cultural and religious characteristics of the case study.

In the second chapter, religion and economic growth are related by analysing how the ethical and religious dimensions influence the economic performance of the contemporary economic system. The means through which this study has been possible have highlighted how the historical evolution of religious ethics affects the commercial and economic dimension. They also presented the ethical evolution of trade in the light of religious influences in the countries most affected by trade, particularly in relation to Jewish communities. The help of theories about the economic system and religious influences, and religiosity and economic growth explained in depth how economic performance has actually been affected.

Finally, the third chapter presents the case study with an analysis of the role of Judaism and the economy in the State of Israel. The analysis is enriched by the study of the presence of some ultra-orthodox religious communities, such as Haredim, and their internal economic and social system. In the last paragraph, the direct effect that the religion-economy relationship has on economic policies in Israel is highlighted. The factor of economic freedom that the country presents in the national context is taken into consideration, particularly looking at public spending. Moreover, through the evidence derived from the analysis of the non-profit sector and how this is influenced by the religious dimension, we reach the conclusion that goes to support the demand for research.

# **1. Understanding the connection between religious and economic dimension: political, cultural, and historical evidences.**

Explaining and understanding how this connection exists between the religious and economic dimensions and what this derives from is also to be found in the other dimensions of the state: the political, historical, and cultural dimensions.

Historically, the religious factor in societies has always been prevalent in the composition of all community dimensions: politics, economics, fundamental laws, and many other implicit internal mechanisms that established a balance throughout the country.

In particular, it is important to underline how the religious dimension influences the economic dimension in many aspects, putting culture and society at the center, and how these two are intertwined in order to create a harmonious economic environment with all the internal and external influences of the country.

The relevance of religious experience is a phenomenon that affects both the individual and the social level in equal measure. At the same time it is a factor that marks the personal identity of the individual and affects his inner growth and his projection and integration in the social sphere and a propulsive and vital element of civil society itself, able to characterize in a relevant way the political and institutional dynamics of many contemporary state systems.

In contemporary society, considering what has just been said, despite the advance of the cultural phenomenon of secularization, which tends to exclude the religious factor from human dynamics, there is a sort of recovery of the individual and collective religious dimension. The processes of secularization have simultaneously produced a progressive exclusion of religion from positions of power and have induced other forms of the presence of religiosity, which is vital for modern societies. This consistent religious presence in the social field is accompanying the evolution of many contemporary political systems in which the factor religious is gradually reclaiming a new public space.<sup>1</sup>

## **1.1 Religious factor in politics: evidence from the US case**

It is important to begin with a general analysis of a political nature to understand the relationship between the religious and economic dimensions.

In history, politicians, through their ideological tendencies, put the religious factor at the top of the scale of values they presented to their voters, as in the case of American President Kennedy.<sup>2</sup>

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<sup>1</sup> Lillo, Pasquale, *Rilevanza pubblica delle comunità religiose nella dimensione giuridica europea (Stato, Chiese e pluralismo confessionale*, n. 28, 2018).

<sup>2</sup> Putnam, Robert D. & Campbell, David E., *American Grace: How Religion Divides and Unites Us* (Edition February 2012, New York, Simon & Schuster Paperbacks, 2012).

This dimension was not always well accepted by voters, but the skill of the candidates was precisely in making them believe they were the best possible alternative.

With the aim of gathering the votes of all citizens, political leaders focused on another factor that was especially important in American society. Indeed, as can be found in Putnam's book, a fundamental characteristic present in American society from a religious point of view is fluidity. This allows one to observe the religiosity of a community or individual as a preference and not as a fixed characteristic that could make the community or individual closed in their ethical and ideological code.

Referring to the Bill of Rights<sup>3</sup>, this charter still provides that Congress must guarantee religious freedom that does not favor any belief. In this way, the absence of a religion of state and a freedom of belief allows American society to define its national environment free of ethical conditioning and free to develop as a pluralistic religious ecosystem.

Considering this, it is important to ask why the line in the Bill of Rights is not explicitly pursued in every country in the world, thinking mainly of the countries of the Middle East where Islam and also Judaism are the prevailing and most influential religions in the internal organization of states. It is possible to seek an answer by analyzing some factors that could directly influence the interconnection between the political and religious dimensions of a given country.

First, the political culture of the country and its historical evolution, which have a central role in defining the internal cultural dynamics of a country by defining it in its internal and international political identity.

Second, the historical background of the country, which is essential in explaining the path and development of the political and historical tradition followed up to the point where it is located.

Finally, linked to the latter, the influence of religious faiths that from the historical point of view have impacted the functioning of the state politically, legally, with respect to the degree to which they were involved in the decision-making system at the time of drafting the country's legislative bases, and economically, regarding the impact they had on economic business, policies and the economic order in general.

From this last factor one can intuit the socio-economic and socio-political importance of the religious tradition of a country, and how the ethics of a given religion can influence the general trend of a state in different ways. Referring again to the history of American politics, there is a widely studied connection that seems to link the intensity of the religiousness of individuals to the two main American political parties: Republican party and Conservative party.

Robert Putnam in his book *American Grace* initially noted, through surveys and social analysis, how religious and non-religious voters are oriented towards completely different parties.

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<sup>3</sup> Bill of Rights, in the United States, the first 10 amendments to the U.S. Constitution, which were adopted as a single unit on December 15, 1791, and which constitute a collection of mutually reinforcing guarantees of individual rights and of limitations on federal and state governments. (Britannica encyclopedia <https://www.britannica.com/topic/Bill-of-Rights-United-States-Constitution>)

Historically, this connection has undergone several variations. There has been a shift from a high rate of religiousness among the American population to a lower one, also changing the political trend of the major parties in this way. In this dynamic a real internal division is evident, which includes both the cultural and the political dimensions.

Despite this polarized view of the concept of religiosity and partitocracy, it can be seen from the election campaign and the speeches of President Jefferson to Obama's and Trump's reference, or even better, reliance on God of the American people, regardless of the party they belong to. This could be considered a kind of contradiction with respect to the studies mentioned above, but it makes it clear that religiosity in American politics is a kind of glue in the party system, which holds the nation together, creating a rather strong sense of social unity.

Since the religious dimension is on the same path as the political dimension, it goes without saying that if one refers to political leaders, they use the factor not only as a search for electoral consensus but also as a dimension that influences the entire government program of a country.

So, the civil role of religion is the result of the constitutional status granted to religion itself and connected to the fact that it is not proclaimed as state religion in the US, but that there is fluidity. This constitutional protection allows free and public religious expression, increasing tolerance and openness towards this dimension, separating it from morality.

It is also important to emphasize that the American people do not completely think that religious diversity is right, but their conviction is shaped by the presentation of fluidity and diversity as the best possible solution to the situation facing the country in modern times.

Indeed, one of the positive characteristics attributable to the religious fluidity typical of American society is the ease with which interpersonal connections between individuals of different religions develop.

American culture and tradition have always mixed patriotism and religion, also remembering the famous phrases that historically have had great relevance such as "In God we trust"<sup>4</sup> and "God bless America"<sup>5</sup>.

In addition, the population widely shares the view that even Americans without a religious faith can still be "good Americans". This is a central issue, easily applicable to all societies and explains how important it is for public opinion to identify in the other a kind of affinity, in this case religious, that allows to connect the whole population. In Western countries, religious plurality allows for greater openness and acceptance of each other's religious diversity. If we think of the Middle East, although many religious beliefs coexist in the territory, within states this acceptance is more difficult, because of the mixture that exists between religion and the organization of the state.<sup>6</sup>

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<sup>4</sup> In God We Trust is the current national motto of the United States of America and the State of Florida. It first appeared on a U.S. currency in 1864 but did not become official until a joint resolution passed by Congress in 1956. (Wikipedia, [https://it.wikipedia.org/wiki/In\\_God\\_We\\_Trust](https://it.wikipedia.org/wiki/In_God_We_Trust))

<sup>5</sup> "God bless America", used by American leaders to conclude about every public speech. It was first used by Ronald Reagan in the 1980s and passed on to all his successors. (Casa della Cultura, <https://www.casadellacultura.it/384/god-bless-america>)

<sup>6</sup> Putnam, Robert D. & Campbell, David E., American Grace: How Religion Divides and Unites Us (Edition February 2012, New York, Simon & Schuster Paperbacks, 2012), chapter 5.



## 1.2 Religion and tradition: introduction of Israeli case

The tradition of a state includes many aspects of the life of individuals and the community at the same time. Proceeding with a sociological analysis, one of these aspects is certainly religious.

The religious dimension of a modern state can play a primary role, if considered by the internal system as the state religion and involved in the decision-making processes; a secondary role, if in that state there is freedom of religious belief and importance is given to every religion that defines the identity of the state and the population; finally a combination of the two previous roles, as in the case of the State of Israel and Judaism, the subject of the case study of this thesis.

It is precisely for this reason that it is important to give a political, cultural, and economic framework to the country, in the light of its legislation and the historical and cultural background that characterizes it.

Israel is defined as a Jewish and democratic state. These two characteristics may seem incompatible, but their integration derives from the founders of the state and constitute the guiding principles of the nation. Part of modern political democracy has its origins in early Jewish history and part of the fundamental democratic values and principles have been the basis of Jewish thought and practice for millennia. The Talmud<sup>7</sup> and the Jewish Bible<sup>8</sup> define the authoritarian character of the law, the individual and humanitarian interest and the exhortation of prophets and rabbis derived from the reading and interpretation of the Sacred Scriptures. In these Sacred Texts the care of the weakest members of society and the importance of equality before God, which are also connected with modern democratic philosophy, are encouraged. In particular, caring for the members of society most in difficulty was one of the concerns of the Community institutions, a factor which in the Israeli democratic system has been translated into welfare policy.

In addition, the Talmud documents the formation of Jewish customs and rites, also reporting the divergent debates and opinions among scholars of the Mishnah<sup>9</sup> period.

Modern Judaism has undergone various changes over the last two centuries in the customs, liturgies, and philosophies of different internal movements. It was from here that the first concrete humanitarian and pluralist expressions were born, today the cornerstones of modern democracy.

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<sup>7</sup> The Hebrew term Talmud (“study” or “learning”) commonly refers to a compilation of ancient teachings regarded as sacred and normative by Jews from the time it was compiled until modern times and still so regarded by traditional religious Jews. (Britannica encyclopaedia, <https://www.britannica.com/topic/Talmud>)

<sup>8</sup> Hebrew Bible, also called Hebrew Scriptures, Old Testament, or Tanakh, collection of writings that was first compiled and preserved as the sacred books of the Jewish people. It also constitutes a large portion of the Christian Bible. (Britannica encyclopaedia, <https://www.britannica.com/topic/Hebrew-Bible>)

<sup>9</sup> Mishna, also spelled Mishnah (Hebrew: “Repeated Study”), plural Mishnayot, the oldest authoritative postbiblical collection and codification of Jewish oral laws, systematically compiled by numerous scholars (called tannaim) over a period of about two centuries. The codification was given final form early in the 3rd century AD by Judah ha-Nasi. The Mishna supplements the written, or scriptural, laws found in the Pentateuch. It presents various interpretations of selective legal traditions that had been preserved orally since at least the time of Ezra (c. 450 BC). (Britannica encyclopedia, <https://www.britannica.com/topic/Mishna>)

Democratic inclinations were able to mature with the founding of the state, bringing a democratic culture to a region that had always had a tradition of authoritarian regimes and helping Israel to remain a vigorous and flourishing democracy, characteristic of the Western world.<sup>10</sup>

The population of Israel is characterized by numerous ethnic, religious, cultural, and social backgrounds. Of its approximately 6.6 million inhabitants, 77% are Jews, 19% Arabs, mostly Muslims, and the remaining 4% include Druze, Circassians and other unclassified religious groups.

Israel can be defined as a mosaic, made up of individual groups, each of which brings its own cultural identity, ethnic and linguistic character, to the whole of society.

As a result of mass immigration, after the founding of the State and in the following decades, Israel's structure and social fabric have changed. The Jewish social group, which was found to include the largest segment of the population, was composed of two main nuclei: a majority, formed by the pre-existing Sephardic<sup>11</sup> community, veteran Askenazi<sup>12</sup> immigrants and Shoàh survivors, and a minority of recently immigrated Jews from Muslim countries in North Africa and the Middle East.

The two groups initially coexisted, without much social and cultural interaction.

Unlike most of the Sephardic community, Askenazi Jews soon became involved in the political life of the state and held key positions in government offices and institutions. However, as time passed, the Sephardic population became more politically active and gradually became part of the Israeli ruling political class. It is therefore possible to identify how the common denominator of religion, Jewish history and national cohesion has managed to overcome the barriers between the two populations.

Alongside these cultural tensions are those generated by the existence of various movements of Judaism. Each movement is firmly linked to its own individual practice of Judaism, as a religious belief and nationalistic, and its own perception of the role that Judaism should play in the national character of the state as a whole.

Indeed, Jewish society in Israel is composed of observant and non-observant Jews, forming a spectrum ranging from the ultra-Orthodox, who live in isolated and separate communities, to those who consider themselves secular.

This distinction is not as clear and unambiguous as it may seem. Many Jews, who do not call themselves Orthodox, follow, to varying degrees, the rules, precepts, and traditional religious customs of Judaism.

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<sup>10</sup> Karniel Yuval, *Un popolo libero nella propria terra: democrazia e pluralismo in Israele*, 2005.

<sup>11</sup> Sephardic Jews living in the Iberian Peninsula until the end of the 15th century, exiles from that region (settled in many countries of the Mediterranean basin and elsewhere) and their descendants. They represent one of the two main groups into which Judaism is divided (the other is Ashkenazite), distinguished by liturgical and ritual traditions, customs, and language (the original Spanish, called Ladin, is still spoken in many communities). The largest groups of S. live in Israel, Europe (especially in France) and America. (Treccani enciclopedia, <http://www.treccani.it/enciclopedia/sefarditi/>)

<sup>12</sup> Ashkenazi, the Jews of Central and Eastern Europe. In medieval Judaism Ashkenazi identified Germany, while in the "table of peoples" (Genesis) and in a passage of Jeremiah (51, 27) it is the name of the population descending from Iafet, settled in North of Syria. Their traditions are different from those of the Sephardic people of Spain. (Treccani enciclopedia, <http://www.treccani.it/enciclopedia/ashkenaziti/>)

Israel was conceived as a Jewish state, and therefore the Shabbat<sup>13</sup> and all holidays were established as national holidays and are generally observed by the entire Jewish population.

Most of the population of the State of Israel consists of Jews, while about 1.5 million people, approximately 23% of the population, are non-Jews. This makes it much easier to understand the decision to establish the state of Israel as a Jewish state, but it is also important to emphasize that freedom of religious profession is left to all those who are part of the people of Israel.

Most of the non-Jewish population is collectively referred to as "Arab citizens of Israel", but indeed it forms a group of various groups each with distinct characteristics. Examples of these small communities are Muslim Arabs, most of them Sunnis; Bedouin Arabs, former shepherds or nomads, who are currently in a phase of transition from a tribal social context to a permanent sedentary society, and are gradually becoming part of the Israeli labor force.

Despite differences, economic disparities and an often-overheated political life, Israeli society is quite balanced and stable. Socio-economic, and sometimes political, tensions between the different groups remain at a moderate or even low level, which can be attributed to the country's political and judicial systems, which express strict legal and civic equality in the context of a democratic state. The Israeli political system, partisan and proportional, allows the numerous segments of the population to be represented in Israeli democracy.

From an economic and social point of view, all Israeli citizens benefit from extensive social security legislation. Moreover, Israel's institutions are very attentive to the defense of freedom of expression and speech for all its citizens. In addition, there are numerous governmental and non-profit organizations in the territory, which are vigilant against the violation of human rights. The implementation and subsequent interpretations by the courts of the Basic Law "Human Dignity and Freedom" has transformed many of Israel's social policies into firmly established laws.

Among all the freedoms guaranteed by the Declaration of Independence, the freedom to profess and practice one's religion and the freedom to act according to one's conscience are two of those considered fundamental for a democracy. The Jewish people, having suffered so many times at the hands of intolerant leaders in the

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<sup>13</sup> Sabbath, Hebrew Shabbat, (from shavat, "cease," or "desist"), day of holiness and rest observed by Jews from sunset on Friday to nightfall of the following day. The time division follows the biblical story of creation: "And there was evening and there was morning, one day" (Genesis 1:5). The sacredness of the Sabbath served to unite the Jews throughout the long course of their history and was for them a joyful reminder of their perpetual Covenant with God. The prophets, however, have often found it necessary to remind Jews of God's commandment to keep the Holy Sabbath. Because abstention from work was fundamental to keeping the Sabbath, God miraculously provided a double portion of manna on Friday so that the Israelites would not have to collect food on the Sabbath during their 40 years of wandering in the desert. In the synagogue a portion of the Torah is read during the morning service, followed by the singing of Haftara (a selection of the prophets). Psalms are also part of the day's liturgy. During the Saturday morning service, a Jewish boy, whose thirteenth birthday took place during the previous week, usually celebrates his Bar Mitzvah (religious adulthood) and can sing the Haftara. In modern times Orthodox Jews strive to observe the Sabbath with full solemnity. Conservative Jews vary in their practice, some seek some modifications to allow, for example, to travel on the Sabbath. Some Saturdays during the Jewish religious year have special denominations. Four occur between the end of Shevat (fifth month of the Jewish calendar year) and the first day of Nisan (seventh month). The specific name of each of these Saturdays is linked to an additional reading of the Torah (first five books of the Old Testament) which replaces on that day the Maftir (last part of the reading of the Torah assigned). For each of these four Sabbaths there is also a badge Haftara. (Britannica encyclopaedia, <https://www.britannica.com/topic/Sabbath-Judaism>)

countries where they have lived over the centuries, understand well the importance of these freedoms of the individual.

The 1948 Declaration of Independence proclaims freedom of worship for all citizens of the state. Therefore, each religious community is free, by law and in practice, to profess its faith, to observe its feasts and weekly rest days, and to administer its internal affairs.

Each has its own religious courts and councils, recognized by law and with jurisdiction over all religious affairs and matters of personal status. Each has its own unique places of worship, with its own traditional rituals and architectural features developed over the centuries.

Israel protects the freedom, which have Jews and non-Jews alike, to exercise their religious practice or chosen worship. Therefore, in most cases, state institutions recognize religious precepts, such as, for example, the prohibition of working on religious days off, and do not oblige Jews and non-Jews to violate the doctrine of their chosen faith.

Each holy place or place of worship is administered by its own religious authority, and freedom of access and worship is guaranteed by law.

The purpose of the State of Israel is to serve primarily as the motherland of the Jewish people, and extensive debates have been held on the role that religion should play in setting the policies and laws of the state. The country, as a democracy, is committed to upholding and maintaining the fundamental freedoms that such a political system entails, but as a state with a clear Jewish heritage, it strives to preserve its particular character, derived largely from Jewish sources.

Although Israel has no state religion, there is no clear distinction between religion and state. One of the major issues in the tradition of Israeli society is the dissension between the Orthodox and secular sectors about the limits of imposing religious norms and restrictions on all Jews, regardless of the degree of their religious observance.

Issues such as the definition of a Jew entitled to citizenship by the Law of Return, the exclusive application of a religious norm to personal law, or state funding for religious schools, are only examples of the involvement of religion in state affairs.

From the political point of view, no Israeli party has ever obtained the necessary majority to win most seats in the Knesset<sup>14</sup> alone, making the formation of coalition governments necessary. It follows that religious parties condition their participation in government to any kind of legislation or politics on a religious basis. This type of interference has triggered tensions between secular and religious representatives of society.<sup>15</sup>

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<sup>14</sup> Knesset, (Hebrew: "Assembly") unicameral parliament of Israel and supreme authority of that state. On Feb. 16, 1949, the Constituent Assembly—elected in January of that year to prepare the country's constitution—ratified the Transition Law and reconstituted itself as the First Knesset. (<https://www.britannica.com/topic/Knesset>)

<sup>15</sup> Karniel Yuval, *Un popolo libero nella propria terra: democrazia e pluralismo in Israele*, 2005

The apparent dichotomous nature of Israel's democratic state is gradually being resolved, through the interpretation of the Basic Laws by the courts, and by the request made by secular political parties to change the status quo on issues of state and religion, which Israel had accepted in past decades.

### **1.2.1 Jewish Basic Law and political tradition.**

At the legislative level, it is well known that there is no real constitutional charter regulating all dimensions of the state. In this context, the State of Israel has had a rather complicated history. In order to give a historical framework to understand the developments in the formation of the state, it is important to remember that in 1939, Great Britain began a process of transition to the independence of Palestine, still disputed between Arabs and Jews. The Zionist movement, which would later be defined in detail, pressed for the imminent creation of a Jewish state, an issue fueled by the huge migration of the European Jewish people fleeing the Nazi threat. The nationalist pressures, moved above all by the Zionist leaders, received legitimization from democratic public opinion and wide support from the United States, where the Jewish community was present in very high numbers.

On the other hand, the Jewish military organizations in Palestine prepared for an armed confrontation against both the Arabs and the British. The uncontrollable situation given by the British opposition to the creation of a binational state led to the withdrawal of British troops from Palestine in May 1948, leaving it to the United Nations to seek a solution to the internal conflict. The United Nations Organization then approved a two-state partition plan, which was rejected by the Arab side. Upon the departure of the British troops the Jews proclaimed the birth of the State of Israel and in response, the Arab League states attacked it militarily. This event started a series of wars that were part of the Arab-Israeli conflict<sup>16</sup>. The first of these, with the defeat of the Arab faction, marked a definitive affirmation of the new Jewish State, inspired by the models of Western democracies, with advanced social and civil structures, in contrast to the infrastructural and organizational backwardness typical of the Middle East.

The new State of Israel turned out to be economically an unexpected force compared to its small size, but which derived from the resources coming from outside, especially the European and American Jewish communities, and from the preparation and initiative of the political leaders who guided the country towards independence, such as the Labor exponent David Ben Gurion<sup>17</sup>.

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<sup>16</sup> After the declaration of independence of the State of Israel, armies of five Arab countries, Egypt, Syria, Transjordan, Lebanon, and Iraq, invaded Israel. This marked the beginning of the War of Independence. Arab states have jointly waged four full-scale wars against Israel: 1948 War of Independence; 1956 Sinai War; 1967 Six Day War; 1973 Yom Kippur War. Despite the numerical superiority of the Arab armies, Israel defended itself each time and won. After each war Israeli army withdrew from most of the areas it captured (see maps). This is unprecedented in World history and shows Israel's willingness to reach peace even at the risk of fighting for its very existence each time anew. (<https://www.science.co.il/israel-history/>)

<sup>17</sup> David Ben-Gurion, original name David Gruen, (born Oct. 16, 1886, Płońsk, Pol., Russian Empire—died Dec. 1, 1973, Tel Aviv–Yafo, Israel), Zionist statesman and political leader, the first prime minister (1948–53, 1955–63) and defense minister (1948–53; 1955–63) of Israel. It was Ben-Gurion who, on May 14, 1948, at Tel Aviv, delivered Israel's declaration of independence. His charismatic personality won him the adoration of the masses, and, after his retirement from the government and, later, from the Knesset, he was revered as the "Father of the Nation." (<https://www.britannica.com/biography/David-Ben-Gurion>)

With the war of '48, the Jewish state expanded from the UN partition plan to occupy the western part of Jerusalem. Many Arab refugees abandoned the territories occupied by the State of Israel, taking refuge mainly in Jordan. From these events the Palestinian drama began.<sup>18</sup>

It is important to recall at this point the UN General Assembly resolution of November 29, 1947 which approved the request for the construction of a Jewish state, urging the inhabitants of Eretz-Israel<sup>19</sup> to take the necessary measures to implement the resolution and which allowed the Jewish people to pursue their right to establish their own state. As the Declaration states, this "is the natural right of the Jewish people to be masters of their own destiny, like all other nations, in their sovereign state". Thus the members of the People's Council, representatives of the Jewish Community of Eretz-Israel and the Zionist Movement, declared on the 5th day of Iyar 5708 of the Jewish calendar, May 14, 1948, the birth of the Jewish state in Eretz-Israel, or State of Israel.

Following Israel's declaration of independence in 1948, some 687,000 Jews, of whom over 300,000 were refugees from Arab countries, immigrated to Israel. Many had survived the Shoah from European countries, and joined the previous waves of immigrants, mainly Russians and Poles, who arrived in the first decades of the century. These early immigrants had already laid the foundations for the country's complete and complex social and economic infrastructure. Immigrants from Central and Western Europe, who arrived in the 1930s, were educated, professionally trained and experienced, thereby raising economic standards, improving urban and rural amenities, and broadening the horizons of the cultural life of the pre-existing Jewish population.<sup>20</sup>

Going back in history again, at the time of the expulsion from the Land of Israel, some 2,000 years ago, Jews were dispersed to other lands, mainly in Europe, North Africa, and the Middle East, suffering violent persecution. Throughout all these centuries, the dream of returning to the promised land and faith in the final reunion of the exiles remained intact in the heart of the Jewish nation. The Zionist movement, founded at the end of the 19th century, turned this concept into a concrete political objective, namely the rebirth of Jewish sovereignty, and the State of Israel translated it into law, guaranteeing citizenship to any Jew wishing to settle in the country.

Previously, an attempt was made to give a historical frame to the State of Israel, which with obvious difficulties has been defined on the legal and cultural level, given the rifts and tensions that have created a situation of internal imbalance since the colonial era. This complexity also exists in the definition of the relationship between the legal state and religion.

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<sup>18</sup> Sabbatucci G., Vidotto, V., Storia contemporanea: Il Novecento (Edition n.13, Bari, Editori Laterza, 2008) p.243-244

<sup>19</sup> Eretz Yisrael, Hebrew, meaning "land of Israel", expression used to designate the land of Israel, as it was promised by God to the Jewish people, according to Biblical tradition. Geographically this territory corresponds to the Kingdom of Solomon, which extended from Dan, north of Tiberias, to Beersheba in the south. After the creation of the State of Israel in May 1948, this notion of a "Greater Israel" became the central theme of the political program of Israeli nationalist extremist movements. To them, Eretz Yisrael stretches from the Jordan River to the Mediterranean. (<https://www.encyclopedia.com/politics/dictionaries-thesauruses-pictures-and-press-releases/eretz-yisrael-hebrew-meaning-land-israel>)

<sup>20</sup> Karniel Yuval, Un popolo libero nella propria terra: democrazia e pluralismo in Israele, 2005.

According to Rubinstein, there are three factors that cause this complexity. First, the nature of Judaism, the Jewish religion and the state of Israel as a Jewish state; second, the political system that is implemented in the state that gives an influential role to the Jewish religious block; third, the importance of the legal system in the definition of personal status.

To better understand the origin of the state-religion relationship it is essential to consider the Proclamation of Independence, also known as The Declaration of the Establishment of the State of Israel, proclaimed on 14 May 1948 by the People's Council. This is divided into four sections: an historical one that tells the battle to renew the political aspect of the country and the international one regarding the recognition of rights; an operative one, with the effective proclamation of the state; one that makes explicit the principles that guide the entire state of Israel; finally, an international one, referring to the UN, the Arab inhabitants present in Israel, the Arab states and the Jewish world.

The Proclamation has no legal status as a law or ordinary legal document but represents in any case a declaration with legal validity, used also in the international sphere. Especially the second section is used in the Israeli legal system as a primary source of authority, but despite this its legal value cannot be put on a par with a national constitution. The Supreme Court, through decisions, has given the Proclamation itself a legal status that does not allow it to invalidate laws and regulations that contradict it.<sup>21</sup>

At the formation of the state of Israel, with the Proclamation of Independence, an important character is made explicit, which still seems to be a delicate button, that of religious freedom. The Proclamation says that "it will be based on freedom, justice and peace as envisaged by the prophets of Israel; it will ensure complete equality of social and political rights to all its inhabitants irrespective of religion, race or sex; it will guarantee freedom of religion, conscience, language, education and culture; it will safeguard the Holy Places of all religions; and it will be faithful to the principles of the Charter of the United Nations"<sup>22</sup>.

In the lines above, the concepts of freedom, justice and peace are very stressed, implicitly referring to the Sacred Scriptures, a characteristic that makes recurrent the importance of Judaism as the basis for the formation of the newly formed legal country.

In addition, other aspects that are difficult to observe in the other religions prevailing in the Middle East, such as Islam, are noted, namely equality in social and civil rights, freedom of religion, conscience, language, education and culture.

Finally, the importance that is attached to fidelity to the international community of the United Nations, signing their Charter and making the State of Israel in line with the more legally and ethically developed states of the West, despite its short life and legal tradition.

The Declaration of Independence of the State of Israel also provided that a constitution for the newly founded state would be written by a constituent assembly elected at the birth of the state. Due to the lack of consensus

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<sup>21</sup> The Knesset, Proclamation of Independence, <[https://www.knesset.gov.il/docs/eng/megilat\\_eng.htm](https://www.knesset.gov.il/docs/eng/megilat_eng.htm)>, 2005

<sup>22</sup> See 21.

on the content of the constitution itself, especially the part concerning the role of religion in the new state, it was left in abeyance by the first Knesset.

As a result, the Knesset adopted a resolution called the Harari resolution, which provided that the Knesset would gradually draft a constitution through the adoption of Basic Laws to be promulgated individually. Once completed, these laws would be enshrined in a single text, approved by the Knesset, which would constitute the final constitution. The enacted Basic Laws focus primarily on the logistics, role, and functions of the various institutions of the democratic political system.

The draft Constitution submitted to the first government, one year after the founding of the state, contained an extensive list of social rights. However, in 1950, the Knesset decided to postpone the adoption of a formal constitution and decided on a gradual promulgation of some Basic Laws, which would one day be incorporated into a final Constitution.

The first Basic Laws to establish social rights were adopted in 1992, in the form of the Basic Law: Human Dignity and Freedom and the Basic Law: Freedom of Employment and Occupation, which were hailed as a "constitutional revolution" by Supreme Court President Aharon Barak. Human rights were therefore established by supreme law, which makes regular legislation lapse, and the Knesset's legislation became subject to legal review.

This Basic Law gave voice to the classic set of fundamental rights, such as the right to dignity, the right to liberty, the right to privacy and confidentiality, the right to property, the right to leave the country and the right to freely conduct business and professions. Although there was a lack of a Basic Law expressly addressing the issue of socio-economic rights, the Supreme Court found that law in the years immediately following independence Israel remained closely linked to what were, for the most part, socialist values. The newly formed Knesset enacted various social laws, such as, for example, the Compulsory Education Act of 1949, which guaranteed all citizens and residents of Israel the right to free education up to the 12th grade, and compulsory education up to the 10th grade, within the public school system.

The issue related to this of the Basic Law on Social Rights, it is important that the government is also concerned with promoting the welfare state of all human beings and creating social justice.

Already from the words on paper, one can see how the religious and political dimensions, with the construction of the state, are effectively interconnected. This is even more evident when one examines the written texts of Judaism. In the Sacred Hebrew Scriptures, the Jewish Bible or Tanakh, the first prophets were ordered to establish the state of Israel in the territories of Palestine, a place that is presented as the Promised Land by God to his chosen people.

For a complete analysis, it is also important to mention a current that has greatly influenced the path of Judaism throughout history, since the time of the Jewish diaspora: the Zionist movement. This is a political and ideological movement aimed at the creation of a Jewish state in Palestine.

It is named after Zion, the well-known hill on which part of Jerusalem is built. Its origins can be traced back to the end of the 19th century, following the advent of anti-Semitism in Eastern Europe and the crisis following



the so-called Dreyfus affair<sup>23</sup>. Zionism began with the demands of the Basel Congress of 1897, organized by T. Herzl, founder of the movement. In the movement's program of action, three tendencies merged: the first, practical, saw in the agricultural colonization of Palestine the means to restore to the Jews their human dignity and to assert effective rights on the territory in the future, and found its instrument in the Qeren qayyemeth le Yiśrā'ēl, Permanent Fund for Israel, known as the Jewish National Fund, created in 1901 for the purpose of buying land in Palestine.

The second trend, ethical-religious, was fighting for a return to tradition and the rebirth of a national spirit and the cultural and religious values of Judaism.

Finally, the political tendency, aimed at obtaining the concession of an international 'charter' that would authorize and protect Jewish immigration to Palestine.

A decisive step forward was taken with the Balfour Declaration of 1917, in which the British government undertook to facilitate the creation in Palestine of a national land for the Jewish people, and with its subsequent incorporation in the statute of the mandate on Palestine entrusted to Great Britain by the League of Nations, the starting point of that vast political, economic, colonizing, and then military action, which led to the constitution of the State of Israel.

After the ratification of the mandate on Palestine entrusted to Great Britain in 1922, a Zionist executive was constituted in Palestine. The Jewish Agency<sup>24</sup> was decisive, which began its activity in 1929 and, favoring the influx of large investments, above all American capital, contributed to start up the industrialization of the country. This progressively assumed the physiognomy of a state entity in formation: an elective assembly and an executive directed the politics of the *Ishuv* (i.e. the Jewish community of Palestine); a trade union organization, *Histadrut*, was set up to protect Jewish labor. The problems of the defense of the communities were entrusted to the *Hagānāh*, a body of pioneer-soldiers who later became the Israeli army; health, education, public services had found their structures. This evolution was accompanied by a progressive intensification of conflicts with the Arab-Palestinian population, until the serious crisis of 1936-39.

In the following years, the dramatic situation created by the extermination of millions of Jews in Europe made the push towards the constitution of a Jewish State in Palestine ever stronger, while the Zionist movement obtained growing international support, first and foremost from the USA.

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<sup>23</sup> Dreyfus affair, political crisis, beginning in 1894 and continuing through 1906, in France during the Third Republic. The controversy centred on the question of the guilt or innocence of army captain Alfred Dreyfus, who had been convicted of treason for allegedly selling military secrets to the Germans in December 1894. At first the public supported the conviction; it was willing to believe in the guilt of Dreyfus, who was Jewish. Much of the early publicity surrounding the case came from anti-Semitic groups (especially the newspaper *La Libre Parole*, edited by Édouard Drumont), to whom Dreyfus symbolized the supposed disloyalty of French Jews. (Britannica encyclopaedia, <https://www.britannica.com/event/Dreyfus-affair>)

<sup>24</sup> Jewish Agency, in full Jewish Agency of Israel, Hebrew *Ha-sokhnut Ha-yehudit El-eretz Yisra'el*, international body representing the World Zionist Organization, created in 1929 by Chaim Weizmann, with headquarters in Jerusalem. Its purpose is to assist and encourage Jews worldwide to help develop and settle Israel. (<https://www.britannica.com/topic/Jewish-Agency>)

After the British decision in 1947 to refer the Palestinian problem to the United Nations and the failure of the solution proposed by the latter, the victory of the Zionist forces in the military conflict with the Arab forces finally led to the constitution of the State of Israel.<sup>25</sup>

In light of the exposition of the main characters and the history of Zionism, it is important to highlight how this movement focuses on the importance of the separation of the state from religion, in order to build a more secular state and facilitate the existence of all Jews in the state of Israel.

According to the Supreme Court of Israel there are two distinct meanings of the term "Jew": the first defined in accordance with religious law, the second depending on the popular recognition of a person as a Jew<sup>26</sup>. From this double meaning it is already possible to understand how difficult it is to separate religious and secular elements. This point is supported above all by the section of the Proclamation of Independence on individual and religious freedom.

Therefore, one of the main issues that makes the understanding of the definition of the religion-state relationship complex is based on the absence of a written constitution, which regulates at the legal level the hierarchy of provisions to be activated for a good functioning of the state, taking into account the Proclamation of Independence and the traditional Jewish laws of the more orthodox communities, which could clash with each other.

Finally, it is important to underline how legally no state religion has been established in the State of Israel. With respect to this evidence it is possible to note that although Judaism is not actually the state religion, Israel politically and legally recognizes only the vision and institutions of Orthodox Judaism, a fundamental characteristic in the analysis that will develop in the following chapters.

### **1.2.2 Sacred texts and basic principles in the Jewish tradition**

In order to better understand the central debate of this thesis, it can be pointed out that Judaism, especially in its more orthodox version, refers to sacred texts that regulate every dimension of the life of the individual and the observing community.

Judaism places its precepts in the Bible, in which God's Revelation to his chosen people is inscribed. The Jewish Bible is composed of 24 books and is divided into three sections: the Torah or Pentateuch, that is, the first five books of the Jewish Bible; the *Nevi'im* ("Prophets") and the *Ketuvim* ("Scriptures"). In the Bible the historical events of the Jewish people, the Covenant established between the people and their God, and the principles that the Jews must follow in order not to break this Covenant, are mainly narrated.

Bible books were written in different eras: the oldest traditions date back to 1000 B.C., while most of the texts were written around the 6th century B.C..

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<sup>25</sup> Treccani Enciclopedia, <http://www.treccani.it/enciclopedia/sionismo/>.

<sup>26</sup> Rubinstein, Amnon, State and Religion in Israel (Journal of Contemporary History, Vol.2., No. 4, Church and Politics pp. 107-121, Oct. 1967).

Next to the Bible, the Talmud, which means "teaching", is the great sacred book of Judaism: unlike the Jewish Bible, the Talmud is indeed recognized only by Judaism, considered as the "oral Torah", revealed on Sinai to Moses and transmitted by voice, from generation to generation, until the Roman conquest. The Talmud was fixed in writing only when, with the destruction of the Second Temple (add date), the Jews feared that the religious bases of Israel would disappear. The Talmud consists of a collection of discussions that took place between the wise (Hakhamim) and the masters (Rabbi) about the meanings and applications of the passages of the Torah, and is divided into two levels: the Mishnah (or "repetition") collects the discussions of the oldest masters until the 2nd century B.C., while the Ghemarah (or "completion"), drawn up between the 2nd and 5th centuries, provides an analytical commentary on the Mishnah. The Talmud has come to us in two different versions: the Jerusalem Talmud, written between the 4th and 6th centuries in the Land of Israel, and the Babylonian Talmud, written between the 5th and 7th centuries in Babylon.

Depending on the content, the Talmud is divided into two kinds of text: a legislative part, called Halakhah, in which are recorded the rules governing the daily life of every practicing Jew and it is important to specify that not all Jews, and not all schools, interpret these rules in the same way. The other is the narrative part, called Aggadah, in which the rabbinical teachings take the form of legends and stories.

Through this quick explanation of the main sacred Hebrew texts, one can see that the Bible is the reference to be taken into account with regard to the birth and fate of the Jewish people and their entire history, while the Talmud deals with the regulation of the life of the faithful Jew in every aspect of his daily life.

It is essential, at this point, to make explicit what are the fundamental principles of Judaism in order to understand on what basis the religious and consequently civil society is founded, in all its aspects, which will be analyzed throughout the dissertation.

The principle that founds the Jewish religion is the belief in one God who, after having created the world, manifested Himself to men through a Revelation, handed down through the Sacred Texts.

Another fundamental principle, closely linked to the first, is that of the Covenant between God and the Jewish people. Through the Covenant, which God originally made with Abraham, the Jewish people committed themselves to recognize God, to support his plan and to respect his Laws. It was through the acceptance of this covenant that the Jews recognized themselves as the "chosen people." This does not mean that the Jews expect to receive special privileges from God, or that they feel better than other peoples, but rather that they feel that they have been designated by God to witness to others His presence on earth.

The Covenant of God and with the Jewish people is renewed when Jews observe God's laws in practical life. At the basis of the Jewish ethical system are the Ten Commandments that God gave to Moses on Mount Sinai. There are also 613 precepts, or mitzvot (including 365 prohibitions and 248 obligations), recorded in the Talmudic tradition, which regulate the daily life of every practicing Jew, and which include laws relating to all aspects of social life, from marriage to ceremonial procedures, as well as various rules and dietary prohibitions.

In the covenant between God and his people, the reward for good conduct is the possession of the land, which first and foremost belongs to God. The hope of a return to the Promised Land, more by God's will than by man's direct action, has given rise at certain times to the belief in the arrival of a Messiah, that is, a charismatic leader who would bring the people back to the Land of Israel.<sup>27</sup>

Therefore, this desire to establish a state based on the fundamental principles and sacred texts of Judaism is first encouraged by a divine promise derived from religious tradition. The union that the Jewish people seek in every way to pursue is due to the sense of isolation and perdition found in the historical roots of religion itself. All this helps to explain with more points of view the situation that pervades all dimensions of the State of Israel.

### **1.2.3 About Jewish economy: general features**

The economic dimension connected to the religious dimension will be carefully analyzed in the following chapters, emphasizing all the facets and fundamental characteristics that will finally make us understand how these two are interconnected.

Therefore, the socio-economic analysis on which the research question is based is aimed at analyzing the extent to which the economic performance of states is influenced by cultural and traditional factors, and in particular religious factors in a country.

It is important to highlight what are the main elements that define economic performance and that should be analyzed in order to understand how these two dimensions are intertwined and cooperate in modern capitalist states.

Key measures of economic performance in macroeconomics include economic growth, i.e. real GDP growth; the inflation rate; unemployment; and finally, the current account, which defines the balance of payments surplus or deficit. Today, the world economic system is in a transitional situation that includes the political, religious and economic dimensions.<sup>28</sup>

From the economic point of view, as expressed by Salvarani in his article<sup>29</sup>, this contrasting vision of capitalism and the so-called "real socialism", which can be traced back to an economic organization similar to the dimension, has developed over time and poses very topical questions such as social inequality.

Consequently, with the advent of the modern age it is possible to identify a "before" and an "after". In the "before", religions have obviously dealt with the economy and the sectors of activity of communities in very general terms, establishing precepts that derived from the type of human relations that they potentially wanted to establish. These precepts were sufficient to impose norms on the negative dynamics of archaic economies such as theft, speculation, usury, suspicion of accumulation, the duty of charity. Many of these situations were

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<sup>27</sup> Riflessioni.it, Ebraismo, <<https://www.riflessioni.it/enciclopedia/ebraismo.htm>>, 2000, agg. 2020

<sup>28</sup> Pettinger, Tejvan, Key measures of economic performance, Economics Help

<<https://www.economicshelp.org/blog/10189/economics/key-measures-economic-performance/>>, November 2019.

<sup>29</sup> Salvarani, Brunetto, Le domande che l'economia pone alle religioni, Confronti quaderni: religioni ed economia, september 2015

not yet in use at the time of the stabilization of the precepts. It is therefore in the "after" that religions are questioned because of a diffusion of phenomena and behaviors that would have come to generate new anthropological categories: the homo oeconomicus first, the homo consumens then.<sup>30</sup>

The presence of this shift in the economic conception of states helps better to understand how the individual and collective development of societies always approaches a model similar to the western one, always favoring capitalism. Focusing attention on the system of the state of Israel, as previously analyzed, the importance of the Sacred Texts in the definition of social and economic mechanisms within society is highlighted.

Indeed, the Jewish Bible does not indicate an ideal of total equality between rich and poor, but the rich has limits in the accumulation of goods and in the centralization of productive resources. It is provided that these should be periodically redistributed. Thinking about the remission of debts, the liberation of slaves and the obligations towards the less protected classes.

Therefore, speaking of the economy in the Bible, it is very difficult to separate the economic aspects from the social ones. These two areas are deeply intertwined. The Bible addresses the material aspects of life with primary importance, regulating the everyday life of the individual. In particular, these aspects become relevant when the Jewish people cease to live in exile, having to adapt to pre-existing economic structures and preferring the private sphere, settling in a land in which an organization of the material sphere must be provided for, which must support the spiritual one.

In the worldview resulting from the Torah, it is not conceivable that society should be based exclusively on abstract concepts, without these then finding application in practice, just as it is not conceivable that there should be a system where there is no direction and an overall vision. Certainly, that of equality among all human beings is a powerful concept, but it is part of the ideal sphere.

In the Torah aspects exist that refer to this idea, but the impression that is drawn from it is that it is only a goal that will be realized when humanity is ready.

In general, it can be said that fostering progress, innovation and economic development is one of the main tasks entrusted to humanity.

In many respects the Jewish Bible is a real revolution in social relations. Many of the precepts of the Torah have a marked social relevance: the Shabbat, the remission of debts, the liberation of slaves, the obligations towards the less protected classes, and many others. From these numerous elements derives a model of construction of the society based on a series of socio-economic foundations.

A first central aspect is the subtraction of a series of prerogatives connected to the maintenance of social justice, operated with regard to the constituted power.

For example, in the ancient East, the king's acts of clemency had no other purpose than to make his power stronger but depended exclusively on his will. In the Torah, instead, this system is automated and taken away from the will of human beings, and the actions of support to the weakest take place according to regular cycles

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<sup>30</sup> Salvarani, Brunetto, Le domande che l'economia pone alle religioni (Confronti quaderni: religioni ed economia, september 2015).

known to all. Moreover, the help to the weakest does not come from state bodies, as it happens today, but falls on individuals, creating a relationship that is anything but anonymous, in which the poor person is seen first of all as a brother.

In the case of support for the poor, this takes the form of immediate sustenance. This is achieved through economic support and the opportunity not to have a continuous work obligation, through sabbatical rest, guaranteeing the needy survival in the immediate and especially in the long term. This allows a certain economic independence to the individual and gives him/her back the freedom and the land originally owned by him/her.

This measure, precisely because of its exceptionality, usually happens to an individual only once in a lifetime. Debt forgiveness, which takes place every seven years, is also implemented for the same purpose.

In the recognition of the poor person's sustenance by the wealthiest, a form of collaboration is noted that leads the poor person to carry out the last operations necessary for the harvest, in order to obtain the part of the product that is due to him, working directly in the field of those who support him.

On the other hand, it can be seen that, despite all these rules, there is no interest in achieving full equality between rich and poor: the rich are limited in the accumulation of a number of goods, mainly land, slaves, and money lent, while they have full freedom to get rich in other fields. The system therefore guarantees those who want to protect certain categories of goods.

The rich man's right to property is also preserved: support for the poorest will only cover part of his assets. Whoever reserves a considerable part of his goods to charity will be condemned by the rabbinical tradition, because in this way he will endanger himself and his economic stability, risking falling into a state of poverty. What the Torah wants to avoid is not so much the accumulation of goods, but the centralization of productive resources, identified as the real danger, and for this reason it provides for their periodic redistribution.

The Masters of Israel over the centuries have emphasized that the highest form of assistance is not economic support, but the contribution to the needy, through donations, loans and societies, of the instruments that can allow them to leave the state of poverty, becoming a producer in turn.

In this way, a war on poverty is being waged which has the concrete hope of proving effective. Much less interest is reserved, at least in biblical doctrine, to prices.

In the biblical perspective, the main interest is to protect the consumer so that he is not cheated by the seller. That is why there is a special concern about measuring instruments, but initially prices are set by the laws of the market. Behind this fact can be seen a willingness to leave a certain freedom to organize oneself in an appropriate way with respect to the various places and times, and this makes the biblical directives still relevant, capable of adapting according to the various contexts.

If one wanted to identify a principle that unifies all these elements, it would most probably be the value of brotherhood, which pervades the relationship between individuals, involving a significant dose of mutual responsibility, especially towards those who are in difficulty.

Finally, it is good to conclude this explanation of the dynamics of the mechanisms that regulate the socio-economic relationship between rich and poor, according to the Jewish Bible in particular, with the question that focuses on how social justice is actually derived mainly from humanity as a whole and from individuals, who are obliged to cultivate it, through the actions of everyday life, internalizing these concepts that derive from religious consciousness.<sup>31</sup>

Now, mentioning references to the historical evolution of the economic dimension, an issue that will be well explained in the following chapters, one of the main accusations against the Jewish people is the one related to avarice, then coming to conspiracy theories based on the reputation of economic rulers that Jews have always had.

The Torah and the Masters of Israel fixed some useful points still today to regulate themselves in matters of money and economy. One of the questions criticized and always in the forefront of socio-economic analysis is the relationship between Jews and money, presented as a sort of genetic link. This is rooted in the anti-Jewish teachings and measures that derive mainly from the tradition of the Christian churches, transforming it into a social fact.

Furthermore, according to Rabbi Avraham Yitzkhàq ha-Cohen Kook, the Jewish population seems to be fed by socialist ideals. While not believing that the Jewish religion and the Halakhah (biblical and rabbinical norms) should promote economic and social reforms, it is affirmed that a coherent application of the traditional Jewish norms in the socio-economic ambit could not have tolerated the capitalist system, as opposed to the biblical morality, aimed, instead, at limiting the privileges of the holders of private property, on which charges were imposed in order to re-establish social justice and a partial redistribution of goods. Many Jewish academics also questioned the role between states, institutions, and the economy, especially in relation to political, and consequently economic, thought.

Fundamental and useful for a deeper understanding are some points established by the Torah and the Masters of Israel such as: the transparency of public accounts, taught directly by Moses; the principle of fairness and correctness in economic transactions, already clearly established in Scripture; the safeguarding of private property and some significant limitations to private property; the norms of social solidarity and charity; the repeated awareness of the spiritual and material needs of the last and the derelict.

As far as the Jewish work ethic is concerned, it is possible to point out that since the beginning of the 1920s, the initiators of the state of Israel were inspired by the Russian Revolution of 1917 and saw the world through the prism of a socio-nationalist or socio-Zionist perspective.

The hero of this pioneering movement was the figure of the new "Jewish worker", who immigrated to Israel to work the land and live a free life based on Jewish principles of work, freedom, equality and mutual cooperation. Consequently, the workers' parties, who governed the Jewish settlement before and after the

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<sup>31</sup> Di Porto Ariel, *L'economia nella Bibbia Ebraica* (Confronti quaderni: religioni ed economia, september 2015).

founding of the state, founded and supported the various socialist enterprises, cooperative settlements, and workers' unions.

Thus, at the time of its formation, the State of Israel had an economic organization that merged the industrial capitalist system and the experiment based on cooperation typical of the agricultural communities created by the early Zionists. These small communities were called Kibbutz.

It is important to explain how the functioning of these small communities is essential in order to better understand the socio-economic structure of the country linked to the historical factor. The first Kibbutz, a word derived from the Jewish expression kvutza, i.e. group, was conceived as a revolutionary idea of a voluntary society in which people lived according to a specific social contract, based on egalitarian and community principles within a social and economic framework. The Kibbutz ideology was born and developed during the early years of the state of Israel.

The main characteristics of Kibbutz's life lie in its adherence to collectivism in property and its cooperative character in the sphere of education, culture, and social life.

From an economic point of view, Kibbutz is based on the idea that all income generated by Kibbutz and its members goes into a common pool, used to manage Kibbutz, make investments and ensure mutual help and responsibility among the members. Kibbutz members receive the same budget, which depends on family size, but independent of their work or social position.

Kibbutz is governed by a system of direct participatory democracy, where the individual can directly influence community issues and events. In the internal organization of this community, which can be defined as self-sufficient, the collective and the work ethic play an important role.

Although it comprises only three percent of Israeli society, Kibbutz is relevant to Israeli production, culture and ideology. There are about 250 Kibbutzim in the country, where about 125.000 people live. Most kibbutzims are secular, but there are religious kibbutzims.

The peculiarities in the character of the Kibbutzim derive from their historical origins, the age of the members and the general social and economic success and security of the Kibbutz. In addition, the economic issues of privatization and the extent of the continuation of common life are factors that influence the style and development of most kibbutz today.

Part of the Kibbutzim ideology has always been the welfare of the collective and a strong involvement and ideological conviction in social and country issues. An extension of these beliefs has led to continued involvement with new immigrants over the years, from developing programs and assisting in providing



housing to opening their communities and homes. Kibbutz have historically been involved with Aliyah<sup>32</sup> and continue to be interested in this important aspect of building the country.<sup>33</sup>

Legally speaking, Israel's initial welfare legislation was followed by a second set of social legislation in the 1980s, despite the fact that the socialist welfare model was being challenged in Israel and around the world. Israel has not overlooked the Jewish-Zionist vision of a modern welfare state, despite increasingly pressing budgetary concerns and an ideological departure from the original socialist ethos of the founders. Due to the recent global recession, also felt in Israel, social legislation has had to compete with the government's goal of reducing the state budget and minimizing government interference in the free market. Understandably, maintaining a modern welfare state requires a considerable effort from the Israeli economy.<sup>34</sup>

Through this general explanation, the aim was to present a framework that could include all the state dimensions, in particular with reference to the State of Israel, and then to continue to carefully analyze the economic aspect only mentioned so far in its general characteristics.

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<sup>32</sup> Aliyah, plural aliyahs, aliyoth, or aliyot, Hebrew 'aliya ("going up"), in Judaism, the honour accorded to a worshiper of being called up to read an assigned passage from the Torah (first five books of the Bible). Because the passage assigned for each sabbath-morning service is subdivided into a minimum of seven sections, at least seven different persons are called up for these readings. An additional reader is called up to repeat part of the final reading and to recite the Haftarah (a reading from the prophetic books of the Bible). At certain times throughout the year (e.g., fast days, festivals), there are fewer Torah readings and they may not be subdivided into more than the statutory number. (<https://www.britannica.com/topic/aliyah>)

<sup>33</sup> The Jewish Agency for Israel, What exactly is a Kibbutz, < <http://archive.jewishagency.org/first-home-homeland/program/16766> >, 2020

<sup>34</sup> Rabin Yoram, Welfare e diritti socio-economici in Israele (Un popolo libero nella propria terra: democrazia e pluralismo in Israele, Israeli Embassy in Italy, 2005)

## **2. Religion and economic growth: how the ethic and religious dimensions influence the economic performance in the contemporary economic system.**

In many views economy is understood as the religion of the states because of its dominance in matters related to the organization and management of states, since the creation of the first communities to the modern capitalist states. Given also the general analysis expressed in the previous chapter, the question is how these two dimensions, religion, and economy, are actually connected if taken into account as identities that influence each other.

The economic growth of a state predisposes a certain ethic applicable to the various dimensions of the state, to make it work in the right way and bring the country to levels of well-being and wealth that help citizens and institutions to define themselves as modern and developed.

If contemporary economic systems are taken into account, economic performance plays a central role. Moreover, analysing the religious dimension, being one of the prevailing ones in the cultural construction of the state, as will be well presented below, from the economic point of view, we will see how the initial statement about the economy understood as religion, is imprecise and therefore how effectively, in some societies, both religion and religion define the economy itself.

As presented in Zaretti's book *Religion and Modernity* in Max Weber (2003), focused on an extensive study of the relationship between religion and society in different civilizations carried out by Weber, the intention was to show how some religious ethics and doctrines had an accelerating and others a braking effect on the rationality of a state's economic life. Therefore, through this analysis, it is possible to perceive the impact of religious ideas on the behaviour of the individual and the community in directing action, affecting the processes of transformation.

In this way religion is seen as a kind of autonomous universe able to shape the life and feelings of populations. One of the issues much studied by experts is the relationship between ideas and material interests.

Weber was convinced that the practical-rational expressions of the individual's conduct of life are not completely dependent on interests, but that they are influenced by the definitions that men give of themselves with respect to divinities and the world. In this way the religious phenomenon in its relationship with social, political and economic life and with the directives of the development of modern society becomes the centre of Weber's hypotheses on the meaning of religion, its weight on social action and its historical role in the development of culture and institutions. From a capitalist point of view, being the initial years when Weber began his studies on the sociology of religion, it is also analysed how the expansion of the capitalist economy and the religious life of sects ran on the same tracks.

In these sects, religiosity was a fundamental characteristic of modern individualism typical of the capitalist spirit. Furthermore, Weber approached a broad problem that concerned the distinctive characteristics of

modern capitalism, namely the function that the economic ethics of religions assumed in the profound relationship between economy and religion.

In the early 1900s, Weber began to focus his research on the economic ethics of universal religions. The research question focused on the practical stimuli of individual and collective action derived from religion. His more complex model of analysis presents economic ethics as the meeting place of two conditioning factors: that of economic behaviour on the part of religion and that of religious life on the part of economic structures, i.e. the interests and aspirations of the social strata carrying the various universal religions. In other words, the fundamental ideas presented by the original doctrines and reinterpreted according to the interests of the members of specific groups became the determining factors that oriented the whole culture.

For Weber, however strong the economic, social, and political factors on religious ethics might be, it was rooted in essentially religious elements from which to take the fundamental ideological foundations.

Weber finds the basis on which all this discourse on religious importance in the conception of religion as a historical force that has shaped the conduct of existence, even cultural. In this way, through religious experience an attempt is made to satisfy the primary and universal need of the human condition, that is, to give meaning to reality, which appears to be meaningless.

Another less insignificant problem included the social and cultural sphere. Through this sort of sublimation of religious orientations, tensions with the other spheres of reality increased, creating internal conflicts. Essential then becomes the recognition, through Weberian sociology, of the affinities that exist between religious and moral conduct and economic and social forms, in order to better understand the issues that revolve around the role of religion in contemporary societies.

It is important to emphasize that religious doctrines are expressed in the community by becoming a form of organization of religious society and then flow into the religious project of organization of lay society. Hence the dynamic interaction between religiosity and culture and social organization, even in modern secularized societies.<sup>35</sup>

## **2.1 Evolution of economic ethics and religion**

The general concept of economic ethics was introduced only in the 20<sup>th</sup> century when the first scholars began an in-depth study of this subject. Studies were based on the negative impact of misconduct that in economic life would damage the foundations of the market economy.

Therefore, starting from this assumption was built the idea that it is precisely individual and collective ethics that ensures the proper functioning of the market and trade, both in state and global realities.

An important detail, as pointed out by Pareto in one of his studies, is to understand that in order to better understand the mechanisms of social economy there is the need to overcome what is called *homo oeconomicus* and therefore, consider the behaviour of *homo ethicus* and *religiosus*.

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<sup>35</sup> Zaretti A., *Religione e modernità in Max Weber*, 2003

Ethics is a fundamental part of economic behaviour in promoting growth, creating the conditions for competitiveness and employment, thus responding to an ethical imperative. In this ethical dimension there are conditionings of all kinds that form the overall being of the individual. Among these, the moral and religious dimensions, together with the political, social, and economic dimensions, shape not only individual ethics but also, collective ethics.<sup>36</sup>

Considering the work of Zaretti<sup>37</sup>, it is possible to identify how at the economic level, especially referring to the historical individuality of modern capitalism, Weber would derive a comparative analysis of different social and cultural systems.

Thus, the central role of the study of the religious dimension emerges in this context to give an overall interpretation of Western civilization, its transformations and a comparative analysis of social and cultural structures, and then explain how the ethical dimension is constructed.

One of the first Weberian approaches hypothesized a link between religious beliefs and particular ways of acting, and at the same time the relationship between certain social strata and types of religiosity. In order to better understand this connection between religious beliefs and the pragmatic effectiveness in influencing behaviour, Weber believes that the analysis of socio-economic variables is necessary. From here begins the search for a link between a specific religious ethic and a new economic mental habitus, i.e. the capitalist spirit, understanding all the conditioning between culture and social structure, ideas, and economic organization.

In this way, the affinity that can exist between certain types of religious conduct and economic forms, or conversely, between certain ethical forms and economic practices, has been recognized.

According to Weber, every cultural phenomenon, including religion, can only be analysed within the tradition on which it is rooted, in order to better understand the dynamics that build it. In this way it becomes an essential factor in the analysis of a given social environment and allows us to understand how the internal decisions of civil society are made from an individual and collective point of view. After having defined the importance of the determining factors, Weber highlights through the concept of economic ethics how the mutual influences between certain variables characterize a social organization and its culture are important.

The main intention of his studies was to re-evaluate the importance of the contents of religious consciousness for the conduct of individual life, for culture and for the distinctive characteristics of a people, without neglecting historical interpretation. A fundamental intention for the socio-economic analysis on which this thesis is based. Thus, Weber explicitly intended to specify the active function of religious elements within the historical factors involved in the development of modern western civilization.

The starting point lies in the fundamental concept that recognizes the power of religion to influence and direct the behaviour of individuals and the community.

To understand what is meant by economic ethics it is necessary to take into account both theological

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<sup>36</sup> Fazio A., *L'etica nell'economia*, 2003

<sup>37</sup> Zaretti A., *Religione e modernità in Max Weber*, 2003

theories and "practical impulses to act based on the psychological and pragmatic connections of religions"<sup>38</sup>. This point of view allows us to grasp the point of convergence between religious and economic behaviour. Another point is related to the social strata of a given social environment. Very often the individual religious factor can be in turn, within certain limits, influenced by economic and political elements. This is deduced from the fact that every religion possesses the sign of those social strata that from the origin were the first bearers of it, thus also shaping economic ethics. The latter is defined by two directions of conditioning: that of economic behaviour by religion and that of religious life by economic structures, in particular the interests and aspirations of the intellectual strata. Therefore, a decisive importance lies in the elaboration and definition of universal religions covered by the intellectual strata.

Taking an example from Weber's research and in line with the case study that will be examined in the next chapter, it is evident that in ancient Judaism, the intellectual class included prophets who had established a covenant with the divinity, whose function was to call the people to worship the one God, thus defining every dimension of the social and religious community.

In general, the determining features of a society's economic ethics derive more from the dominant strata. For example, in the case of a prophetic religion such as ancient Judaism, the faithful have a different consideration of their worldly conduct, with respect to which they sanctify tradition and the legal order.

With his analysis Weber did not intend to mechanically link religion to the characteristics of certain social strata, but rather believed that this relationship was variable, and the function of an economic ethic based on religion could not be defined in a simplistic way.

Indeed, despite the depth of social, economically and politically conditioned influences on religious ethics, religious sources are in any case primary. With this observation Weber never absolutizes the relationship between religion and social strata and wants to demonstrate how, by internalizing the interests of a certain social class or class, religion adapts to other strata and modifies its economic ethics. Consequently, economic ethics is one of the fundamental testimonies of the effort made by universal religions to regulate on a religious basis the activities of daily life. This represents the way in which a religion confronts material existence and its needs.

A further analysis by Weber also addresses another very interesting issue. He believes that there are deep-rooted motivations that link religion and economy, especially related to the need to justify wealth, or explain poverty. He analyses this issue through the theodicy, i.e. doctrines that offer different legitimations and explanations to the problem of the unequal distribution of goods and fortunes<sup>39</sup>.

Weber identifies three fundamental types of relationship that can exist between religion and economy. The first one sees religion as indifferent to material interests. This relationship presents itself as a sort of adaptation of religion to the rules of economic action, which Weber considers typical of Confucian economic ethics.

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<sup>38</sup> Weber M., *Sociologia della religione*, 2002.

<sup>39</sup> Zaretti A., *Religione e modernità in Max Weber*, 2003 p. 78.

The second is a negative evaluation of economic activity by religion, which considers the involvement of the individual in the affairs of the world a dangerous deviation from the path of salvation. Here religion expresses a condemnation of economic activity, reinforced by the recognition of the religious value of poverty.

The third and final type of relationship sees religion advance the claim of a regulation of economic activity, on the basis of its criteria. By drawing forms of behaviour willed by God and rejecting others, it poses itself as a force for transformation of the economic order.

Moreover, according to Weber, the case of ancient Judaism, compared to these three ideal types, holds a particular position. Indeed, it is not detectable an attitude of complete adaptation to the world, nor of total rejection. It is oriented in a worldly sense but at the same time rejects the current social order. The promise of salvation is immanent and is realized through the liberation of the people elected by God through a covenant of alliance. There was also a double moral standard at the basis of the management of economic activity and saw the coexistence of an internal ethics of solidarity and an external speculative one. This economic reality was limiting in terms of the search for profit.

There was also a lack of the link considered fundamental to the emergence of the spirit of capitalism, namely the identification of success in business obtained by the believer as the sign of divine election and thus the assurance of eternal salvation. This appears to be a particular case of Judaism because the people of Israel already knew that they were destined for salvation based on the alliance with God and were waiting only for liberation from their enemies. In this context, therefore, the capitalist spirit is put aside, and the religious spirit is put in the absolute foreground, placing religion as the fundamental law of economic and social ethics.

Through these classical main theories carried out by Weber in his sociological studies, an overview of the relationship between religion and economic ethics has been delivered. Now it is important to specify how in the economic-financial and business sectors economic ethics is actually connected with the different religions. In particular, the paper Business ethics and religion in the financial business sector: case of Syria<sup>40</sup> presents an empirical research focused on the Middle East area, given the presence of different religions in the territory, with a specific focus on business ethics. Historically it is argued that business ethics is probably as old as trade itself. Some scholars even define the Hammurabi Code dating back to 1700 B.C. as the first attempt of civilization to establish the moral boundaries of commercial activity, as far as prices and tariffs are concerned, and to establish the rules of trade and related sanctions. Also Aristotle's Policy (300 B.C.) explicitly addresses trade relations in his discussion of housekeeping.

The Judeo-Christian morality expressed in the Talmud (200 A.D.) and the Ten Commandments (Exodus 20:2-17; Deuteronomy 5:6-21) includes moral rules applicable to commercial conduct<sup>41</sup>.

In general, the term ethics refers to right and wrong conduct within a framework of rules and principles, a sort of moral principle guiding individual values and used for the analysis and interpretation of situations in order to make the right decision in terms of behaviour. Taking into consideration the particular case of ethics in

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<sup>40</sup> Hejase H.J., Hamdar B. and Raslan M., Business ethics and religion in the financial business sector: case of Syria, 2013

<sup>41</sup> Marcoux A., Business Ethics, 2008, par. 4.

business, its main purpose is to induce individuals to comply with codes of conduct in order to ensure public confidence in the services and products offered. While, business ethics is a form of applied ethics that examines ethical principles and moral or ethical issues that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.

In order to achieve satisfactory results, companies and individuals involved in business dynamics need to adopt sound ethical decision-making practices. By acting in a socially responsible manner, they are much more likely to achieve ultimate success than those whose actions are motivated solely by profit. Ethically speaking, knowing the difference between right and wrong and choosing what is right is the basis of decision making.

To best define this ethical decision-making process, it is right to highlight the existence of various factors that can have a direct or indirect impact on business ethics, be it gender, age or cultural values, in addition to those related to business. One of these is the difference between men and women. Experts have believed that while men are more likely to consider rules, rights and equity, women are more likely to care about relationships, compassion and care. Another significant factor, for some, is age, which is essential for predicting ethical behaviour. Studies noted that older people have higher ethical beliefs and are less susceptible to outside influences. With respect to these two factors, an interaction between them is noted. Some results suggest that ethical attitudes develop at different rates for each gender, with differences that decrease with increasing age. Most of these studies also examined gender differences in particular companies, professions or business courses.

The influence of cultural values on attitudes towards ethics is also considered a determining factor. Indeed, the influence of culture is decisive on ethical behaviour and attitudes. Values acquired at home through socialization during childhood, and through moral development in general, also influence attitudes towards ethical issues. It is therefore important that any study that attempts to understand the influence of gender and age on ethical attitudes and behaviour ensures that the effect of cultural value systems is considered.

Once the definition and the factors influencing ethical decision-making have been clarified, the ethical decision-making process can be dissected, its elements analysed and the points influencing each element can be found. On a global level, ethical decision-making involves a set of guidelines that support accepted ideas on good workplace conduct. In order to put ethical decision-making into practice and understand it, professionals must first understand the three steps involved in ethical decision-making: moral recognition, moral evaluation, and moral intention. The first phase includes three other phases in order to obtain the moral recognition in question: in the first phase, individuals must identify that a situation involves a moral issue; in the second phase, they must interpret or perceive the situation in relation to the magnitude of the consequences; finally, they recognize that moral recognition is based on the weight and intensity of the morality that includes the decision.

The second phase, after recognising situations involving ethical issues, involves assessing the intrinsic consequences of any possible course of action. Depending on the individual background, the factors that influence judgement on the morally correct course of action are different. Finally, the last step refers to the

priority of moral values over other personal values. Here individuals select and choose the ethical values that will ultimately determine their action. During ethical decision-making, the intention and behaviour of the individual must be guided by what is determined to be morally just.<sup>42</sup>

Adding the religious factor to ethical decision-making highlights how in Aydemir and Egilmez's research (2010) to explore the relationship between religiousness and business ethics, it is discussed whether religious beliefs should be an appropriate foundation for business ethics.<sup>43</sup>

One of the issues on which attention is focused is the one that places religion and morality as synonyms. Business ethics has recently neglected its religious traditions, but it sees religion as a healthy ground, a valuable contribution to business ethics. Religious values, principles and practices give people in the business world a sense of responsibility and guidance. Indeed, the study considers the impact of religion on social and economic life to be a historical debate.

Analysing the dimensions of religiosity, Cornwall and Albrecht (1986) found six central dimensions and seven peripheral dimensions. The central dimensions of religiosity are traditional orthodoxy, spiritual commitment, religious behaviour, particularistic orthodoxy, church commitment, religious participation. The peripheral dimensions are religious knowledge, religious experience, personal relationships with the community, personal well-being, marital happiness, physical health and spiritual well-being. Allport (1950) also classified the dimensions of religiosity as intrinsic religiosity and extrinsic religiosity, which will later be well analysed.

In summary, he implied that people's interest in religious beliefs and activities may derive from intrinsic and/or extrinsic motivational factors. Although combinations of intrinsic and extrinsic motivations are common, one is likely to be primary for a given person performing a given task. Therefore, intrinsically motivated people do something because it is interesting, engaging, exciting, satisfying or personally stimulating. However, extrinsically motivated people do something because it helps them get some reward. In other words, from the point of view of religiosity, intrinsically motivated people internalize their belief.

In contrast, extrinsically motivated people who deal with religion for external reasons, such as social desirability. So, religiosity offers an interpretation to better understand the nature of business ethics.

In Vitell's study, Role of religiosity in business and consumer ethics<sup>44</sup>, the link between religion and business dates back centuries.

Culliton<sup>45</sup>, writing an article on business and religion, stated that religion has something to offer business because it makes there a close relationship between the responsibility of the businessman to contribute to human satisfaction and what religion calls charity. By including religion as one of the factors influencing ethical judgments, scholars have suggested that the strength of religious beliefs could lead to differences in one's decision-making processes when dealing with business decisions involving ethical issues.

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<sup>42</sup> Cipoletti, 2013, paragraph 1, 3,4, 5.

<sup>43</sup> Kennedy E.J., Lawton L. Religiousness and Business Ethics, 1998.

<sup>44</sup> Vitell S. J., Role of religiosity in business and consumer ethics, 2010.

<sup>45</sup> Culliton, Business and Religion, 1949, p. 265.



Religion has strong links with morality because religions prescribe morality, being also its source. It is often noted that personal religiosity has an influence on both human behaviour and attitudes. Indeed, behaviour is influenced by religious self-identity, which is formed by the internalisation of role expectations offered by religion.

Finally, Epstein notes that business ethics writers have begun to emphasize the contribution of religion in providing a framework for ethical business behaviour. Religion and religiosity have much to say about moral and ethical behaviour in a business context. This, of course, does not mean that religion is the only source of morality, but rather that it is a source of morality, however important. For some, religiosity and moral reasoning are not related, as they represent two distinct ways of thinking. That is, moral reasoning is based on rational arguments and influences cognitive development, while religious reasoning is based on the revelations of religious authorities. Most researchers have noted that these two constructs are indeed closely related. In examining the relationship between religiosity and morality, while being religious has had no impact on the capacity for moral reasoning, the way religious content is elaborated is considered fundamental. Those who elaborate religious material symbolically had a significantly stronger capacity for moral reasoning than those who apply a literal approach to religious content. Moreover, although a person's religious identity and moral identity may often overlap, they are not synonymous.

For Walker and Pitts the basis of the religious-morality relationship lies in moral identity, arguing that the traits of a moral person are also those that are the incarnation of a very religious person. Thus, they argue that religiosity and morality are clearly intertwined. Similarly, Glover (1997) states that the character or type of religious commitment of a person will also influence moral reasoning.

Following Hunt and Vitell's theory of ethics ("H-V") provides a general theoretical framework for ethical decision making, both for consumers and economic operators. This theory is based on both the deontological and teleological ethical tradition of moral philosophy<sup>46</sup>.

This model identifies several personal characteristics that influence specific aspects of ethical decision-making. These characteristics include an individual's religion and personal religiosity.

In addition, the theory suggests several points where religion and religiosity may have an impact on ethical decision making. For example, in determining the existence of an ethical problem to be solved; in determining the impact on one's moral philosophy and/or norms; in determining one's ethical judgments about a particular situation and various courses of action; in determining one's intentions in a particular situation involving moral choices; and in determining actual behaviour in such situations. One might a priori suspect that highly religious people would have more defined ethical standards and that these standards play a stronger role in their ethical judgments.

On an empirical level, numerous scales have been developed to measure the various components of religiosity.

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<sup>46</sup> Hunt and Vitell, 1986, 1993.

Hill and Hood provide a comprehensive catalogue of the various measures of religiosity that contains 126 scales. However, despite this abundance of distinctive measures of religiosity, one of the most widely used scales of religiosity in business ethics literature is the religious orientation scale<sup>47</sup>, which builds on Allport's earlier theoretical work on the psychology of religion<sup>48</sup>.

The significance of this scale is that Allport essentially proposed two distinct dimensions to religiosity, one extrinsic and one intrinsic. The extrinsic dimension refers to utilitarian motivations that could be at the basis of religious behaviour, while the intrinsic dimension refers to motivations based on the intrinsic objectives of religious tradition itself. The extrinsic dimension of religious orientation could, therefore, use religion for the purpose of achieving social or commercial worldly goals, such as making friends or promoting one's own commercial interests, while the intrinsic dimension would lead to religion for its more intrinsic, spiritual goals. This characterization of the dimensions of religious orientation is supported by the fact that the extrinsic dimension is a weaker indicator of the positive outcomes of life than the intrinsic dimension.

Moreover, the extrinsic dimension has sometimes also been associated with negative life outcomes. In other words, the “extrinsically motivated person uses his religion while the intrinsically motivated person lives his religion”<sup>49</sup>.

According to Donahue, intrinsic religiosity is more closely related to religious commitment than extrinsic religiosity. On the other hand, extrinsic religiosity is the sum of the external manifestations of religion. Extrinsic religiosity is indicative of religious involvement for somehow selfish reasons, i.e. to promote personal economic interests and find ways in which religion can serve them, while intrinsic religiosity is indicative of religious commitment and involvement for more intrinsic, spiritual goals, such as the use of faith to promote common interests and find ways in which one can serve one's religion.

On the economic level, it is also important to take into account influencing factors on the consumer's side in order to understand how religiousness is embedded in this dimension too. A study that examined the role of religiosity in consumer behaviour<sup>50</sup> highlighted the correlations between a consumer's religiosity and lifestyle constructs, measuring religiosity according to church attendance, the importance of religious values, confidence in one's own religious values and religiosity. One of the most important results was that church attendance alone was not a satisfactory measure of religiosity, and a multidisciplinary measure was clearly needed.

Here the intrinsic complexity of the construct of religiosity is recognized, so much so that a multidimensional scale is considered necessary to study this phenomenon at its best.

However, despite numerous studies it has emerged that a consistent measurement of religiosity remains elusive. Religiousness is a very inner dimension of the individual and the variables used for the measurement

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<sup>47</sup> Allport, G. W. and J. M. Ross, *Personal Religious Orientation and Prejudice*, 1967.

<sup>48</sup> Allport, G. W.: 1950, *The Individual and His Religion* (MacMillan, New York).

<sup>49</sup> Allport, G. W. and J. M. Ross: 1967, 'Personal Religious Orientation and Prejudice', *Journal of Personality and Social Psychology* 5, 434.

<sup>50</sup> Wilkes, R. E., J. J. Burnett and R. D. Howell, *On the Meaning and Measurement of Religiosity in Consumer Research*, 1986.

are poorly defined in order to create a precise empirical scale. But despite this, an essential evidence emerging from research so far is that measures of religiosity must be multidimensional in nature, most likely including three distinct dimensions, the intrinsic, extrinsic, and religious dimension. Therefore, studies that measure religiosity only by individual measures, such as church attendance, have little explanatory power and fail to capture the different essence of this complex construct.

Another measurement problem is that many studies have used convenience samples from populations that include only students, potentially not representative of a larger adult population. Future research must correct this problem and examine a more diverse sample of the population.

According to a study linking religiosity to a contract philosophy, it appears that religiosity seems to be clearly linked to ethical judgments, i.e. that those who have a stronger religious belief are probably more ethical, at least in terms of beliefs and judgments. Religiousness also seems to be linked to one's own intentions to behave ethically. It is therefore clear that those who have a stronger religious faith are more likely to behave ethically. Furthermore, returning to Allport's classification, while intrinsic religiosity seems to have a decisive impact on ethical judgments, extrinsic religiosity has very little or no impact.

Religiousness also seems to be a topic that naturally implies the intercultural dimension. The study of religiosity in an intercultural context is more sensitive than different cultures. What may be necessary are studies that examine individuals from the same culture, but from different religious backgrounds. In this way, significant differences in results are more likely to be due to religious rather than cultural differences.

A further theory linking religiosity and business ethics is the functionalist theory that in sociology attributes to religion the merit of serving a number of very important purposes for societies and individuals. Religion promotes social solidarity, in part by providing rules that reduce conflict and by imposing sanctions against antisocial behaviour. In this theory religion is an important social institution that exercises control over beliefs and behaviour. An important theme running through this functionalist theory is that religion plays an integrative role on societies as a whole and on individuals within them<sup>51</sup>. As Martinson, Wilkening and Buttel point out, those with a particular religious affiliation should adhere to a series of attitudes and behaviours that stimulate social integration, such as a more complete knowledge of the norms of behaviour. In this way, religiosity and business ethics are united by a system of values that mixes religious and management values for a more efficient moral result<sup>52</sup>.

As mentioned above, it is important to take multiculturalism into account in the analysis of the business ethics-religion relationship, taking culture as an essential factor in defining the general individual ethical dimension<sup>53</sup>. According to Ferrell and Gresham, an individual's ethical decision-making process could be influenced by many factors including individual, social and cultural factors. Individual factors may include intrinsic factors

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<sup>51</sup> Huffman, Terry E., In the world but not of the world: Religiousness, alienation, and philosophy of human nature among Bible college and liberal arts college students, 1988 p. 15

<sup>52</sup> Wines, William A. and Nancy K. Napier: 1992, 'Toward an Understanding of Cross-Cultural Ethics: A Tentative Model', Journal of Business Ethics 11, p. 834.

<sup>53</sup> Md. Zabid Rashid Saidatul Ibrahim, The Effect of Culture and Religiosity on Business Ethics: A Cross-cultural Comparison, 2007.

such as nationality, gender and age, and also those arising from the process of human development and socialization such as personality, attitudes, values, education, religion, and employment. This study also showed that religiosity could influence ethical decision making in three ways, namely the cultural environment, the personal characteristic, and in particular religion, which is often a dominant basis for the deontological norms of the individual.

Therefore, religiosity influences people's values, habits and attitudes. Religion also favours or disapproves of social behaviour and, therefore, is an important institution that exercises control over beliefs and behaviour. Considering also the cultural factor, values could also be influenced by this, modifying variations in the individual ethical decision-making process. Culture, therefore, seems to have some effect on the perception of business ethics. A key question is whether culture and religiosity have an effect on the perception of business ethics and to what extent.

This is particularly important because different cultures have different interpretations of what is considered appropriate or right and what is considered inappropriate. In an Eastern culture, for example, the employment of relatives in an organisation is part of the collective culture, whereas such activity can be considered "nepotism" and inappropriate in Western culture. Similarly, in one Chinese culture, "giving gifts" is considered appropriate in that culture but can be interpreted as "incentives" or "bribes" in another culture.

Speaking about culture, the reference is towards the norms, values and beliefs of a particular group or community in a particular area or geographical location and shared by its members. This means that beliefs, norms and value systems can influence the members of the community to behave and act in a particular way that is acceptable to other members of the group.

Although the socio-cultural background presumably influences ethical perceptions, uncertainty exists about the real strengths of the effect. But at the end of the study it became clear how culture and religiosity affect the perception of corporate ethics. Different cultures have different perceptions of business ethics, considering morality in different ways. So, the level of tolerance of business ethics between cultures is different. This has therefore strengthened the relationship and influence of culture on business ethics.

However, this does not imply that high religiosity has high ethical values. This means that what is considered ethical by one culture may be considered unethical by others, especially when the issue facing students does not provide clear guidance on what is considered right or wrong. It is necessary to improve the understanding of intercultural interpretations of business ethics in the eyes of the respective cultures.

The political factor, such as the cultural factor just analysed, also appears to have an essential importance in the definition of business ethics related to the issue of religiosity. One of Fort's studies<sup>54</sup> in the paper *Religion and Business Ethics: The Lessons from Political Morality*, businesspeople do not see the active involvement of religious leaders as a particularly useful way to improve the ethical nature of business.

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<sup>54</sup> Fort T. L., *Religion and Business Ethics: The Lessons from Political Morality*, 1997.

Many experts have pointed out that on the basis of historical evidence, religious belief should be excluded from political practice. For others, no state can be without moral leadership, especially religious leadership, which together with cultural influences builds the identity of a given state.

The first point of this study is deeply developed in the exclusivist approach. Here the assumptions that confirm the exclusion of religion from the political field are exalted, especially since it is considered impossible for an individual religious believer to share his experience of religiosity with a public interlocutor. Moreover, the difficulty of forming a common critical rationality is accentuated by a religious factor. This could certainly be an interesting point to analyse especially from a cultural and religious point of view. Many contemporary developed societies appear to have a pluralistic religious environment, thanks to the cultural and social integration they can boast of. This could make the construction of a rational collective critical conscience rather difficult, since many religious beliefs are present in the territories. In this way, an attempt is also being made to pull the religious factor out of political practices, but at the same time a large portion of aspiring ruling class members are also kept out of internal political processes. Encouraging individuals to pursue their faith separately from national moral politics is the intention of the advocates of the exclusivist approach. Evident are the problems that emerge from this approach that make the other point as central in defining the role of religion in politics.

Among these, it is impossible to put in a corner the religious beliefs of those who are included in political processes, since very often political activity has an element of religious motivation. It is therefore unrealistic to try to confine one's religious beliefs to the private dimension, excluding them from any public decision and issue, both individual and collective. Instead, religion is complete in the sense that every aspect of life is linked through it. Therefore, the attempt to exclude the point of view of an independent and powerful social force such as religion will not succeed in marginalizing it from public contexts because it is strong enough to be able to express itself through other channels of communication. So, it is obvious that somehow, religious beliefs will play a public role. Considering issues such as the maintenance of peace, stability and freedom, the social strength of religion has been fundamental.

Therefore, considering that no state can be without a guiding moral, the second point emerges, that of inclusionism. By limiting individual freedom, the exclusivist approach appears to be excessively restrictive, also chaining together issues related to political choices. In the second approach the human being is exalted in his creativity and moral integrity. By fostering constructive dialogue, religious tolerance emerges, which is essential in political and social dynamics. In addition, the inclusion of one's religious beliefs in individual actions and choices also appears to be a historical and cultural legitimacy. A further social benefit linked to this approach implies the limitation of personal interests, thus increasing care for the collective good, which is essential in political dynamics.

Therefore, the inclusion of the religious factor in the definition of ethics is also essential at the political level. This is part of a broader discourse that includes not only economic ethics, but the whole range of dimensions that ethics contains: political, social, cultural.

## 2.2 Theories about the economic system and religious influences

Experts over the years have focused on the study of capitalist systems, since their first presentation in the economic apparatus, starting from what developed in the western side of the world, due to the influence of US capitalistic system. Furthermore, approaches have been developed that also include the role of religious influences in the functioning mechanisms of some economic systems.

Through the empirical approach of de Barro and McCleary<sup>55</sup>, attention is drawn to the macroeconomic aspects of the interaction between religion and political economy with information based on aggregate surveys at the national level, religious beliefs linked to the afterlife and participation in formal religious services and personal prayer.

The studies mainly concerned the effects on religiosity of economic development, government institutions and the composition of religious membership, as well as an evaluation of the influence of religion on economic growth. The effects on the growth of religious beliefs and participation and the composition of religious adherence in the main religions were the elements underlying the surveys.

Through this study Barro and McCleary highlight how there is a bilateral interaction between religion and political economy. With religion seen as a dependent variable, a central issue is how economic development and political institutions influence religious participation and beliefs.

With religion seen as an independent variable, a key issue focuses on how religious hostility impacts individual characteristics, such as work ethic, honesty and thrift, and thus economic performance.

Theories that see religion as a dependent variable break down into demand and supply-side models, although economists instinctively tend to combine the two approaches together.

An influential analysis on the demand side is the model that includes secularization. Here economic development reduces individual participation in formal religious services and personal prayer, diminishes religious beliefs and the influence of organized religion on politics and government. A more complete version of the secularization hypothesis can be found in Max Weber's classical works. It is important to note, therefore, that Weber also included this factor in his sociological studies of religious rationalization processes.

In his theories, Weber understood the processes of religious rationalization as a characteristic not only typical of the West. Indeed, rationalization is conceived as a force in the religious universe so much so that religious action was presented as predominantly rational because it was linked to the rules of experience. Weber's main idea considers religion as a fundamental and life-giving element of the experience of individuals and groups, which shapes all social dimensions. One of the issues that contrasted with the main idea was the competitive position that the different spheres of culture held with respect to religion, offering a specific form of salvation, as in the case of Judaism. Given the importance of these elements in shaping economic ethics, Weber recognized an explanation for the evolution of ethics, precisely in secularization.

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<sup>55</sup> McCleary R. M. and Barro R. J., *Religion and Economy*, 2006

The thesis of secularization places modern society in the position of representing a reality in which religion has lost its traditional functions, playing an irrelevant role. In this sense, the concept of secularization is opposed to that of religion, rationality, tradition, and modernity. Therefore, the process of rationalization is no longer understood in the religious sphere, giving rise to a secularized world in which everything that is "supernatural" is discredited. This would constitute a culture with modifications in thought, especially about the refusal of emotional participation in reflections on the world.

However, the concept of secularization has different facets, as in the case of some national contexts where there is no such drastic break with religiosity, but a sort of pluralism that pervades the whole of society. Indeed, religion in modern society presents itself as a plurality of values - economic, political, social - that offer an experience of overcoming daily immobility.

Through these Weberian observations it is possible to notice how in the context of modern society religion acquires a new role in political and social contexts, being an engine for the development of social dynamics. It is therefore important to conclude by pointing out how religion is a relevant resource that operates on different levels: personal, of social strata, of entire communities, in the public and private dimensions.

The challenge for modern societies is therefore to be able to interpret the full meaning and scope of the religious dimension, considering how the religious factor is able to influence the different modernity that is emerging in the contemporary era<sup>56</sup>.

Further extreme visions of secularization by Hume and Freud saw religious beliefs as a reflection of fear and ignorance. In this way, they were able to predict that religion would respond to advances in education and science with greater economic security in advanced and urbanized economies. For others like Marx, the decline of religion was a manifestation of a broader trend toward "modernization," and thus secularization.

A completely different analysis was carried out by Azzi and Ehrenberg, the first to apply the rational choice approach to the question of religion. In this study, a fundamental characteristic lies in the link between religiosity and the probability of salvation. This link could reflect the perceived effects of religious participation and beliefs on the possibility of salvation.

A different conception of salvation came from John Calvin who stressed the question of predestination, also thinking that economic success and religious faith were signs that a person had been chosen for salvation. Azzi and Ehrenberg weighed the benefits of religiosity against the time factor and other costs of greater participation. Because they see religious participation as a time-consuming activity, they note, in line with the vision of secularization, that an increase in real wages reduces religious participation. Their model implies that time devoted to formal religious services and personal prayer will be high among people with a low time value, such as women who are not part of the workforce and retirees. In addition, older people will devote more time to religion if the likelihood of salvation depends on religious activities accumulated over a lifetime.

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<sup>56</sup> Zaretti A., *Religione e modernità in Max Weber*, 2003.

The other is the religious market model, developed by Finke and Stark, Finke and Iannaccone, Iannaccone and Stark and Iannaccone, which focuses on supply factors. After Adam Smith's founding theories, the literature argues that government regulation and subsidies affect competition between religious service providers and consequently the nature of the religious product.

In cases where governments impose state religions and restrict entry, the quality and variety of services are expected to suffer. In response to this, people participate less in formal religion, although the effects on religious beliefs may be minor. Societies may have low participation in formal religious services, while maintaining a high level of religious belief, linked to the membership factor. A case in point may be the United States where there is a free religious market and a wide variety of religious offerings. In this pluralistic context, competition generates several high-quality religious products that are well aligned with individual preferences based on rigor and other characteristics. Consequently, participation in formal religious services tends to be high.

If we consider religion as an independent variable, Weber's analysis in *The Protestant Ethic* saw how this position of his was able to influence economic results.

It is well known that religious beliefs influence the economy by promoting characteristics such as work ethics, honesty, thrift, charity, hospitality to strangers and so on. It has therefore been noted that by valuing these traits, greater religiosity could stimulate investment and economic growth. For Weber, religious beliefs are what counts for economic results. This approach is at odds with a social and cultural capital perspective, where factors of participation in formal religious functions would be what promotes growth. The special characteristic of religion that reinforces the hypotheses of this study is its potential influence on beliefs that condition individual and collective traits and values. Even in alternative contexts where religion is presented as obscure, the social capital and cultural aspects of religious services are only significant to the extent that they influence behaviour. For certain beliefs, more time devoted to common activities, would tend to be an economic lost term of GDP, at least according to market output. Therefore, belief in relation to membership or participation variables is the main channel through which religion counts for economic performance.

As far as the concept of salvation mentioned above is concerned, connected essentially to individual action influenced by religious faith, it is often also approached to the economic sector.

As Weber and other experts have explained, beliefs about salvation in the world's major religions provide various economic incentives. A key concept is that of "saving merit", which links the perceived probability of salvation to the activities of a person's life. In some religions, saving merit can be earned in this life to increase the chances of a better outcome in the next life.

Each of the major religions has some mechanism to promote labour effort and wealth accumulation, which contribute to economic success. However, the incentive to acquire and accumulate property is limited, as in the case of Buddhism for example, because it focuses on wealth sharing.

One of the fundamental issues that stress these concepts is the need to ensure the survival of the community.



Attention to the common good through networks of mutual help and spiritually rewarding charitable acts causes religion to lower the uncertainties of daily life. Charity is conceived as a form of community assurance, which can be efficient if society has many uncertainties, such as that of the agricultural sector. Religiously supported private charity would also be particularly useful if society lacked formal structures, such as insurance markets and government welfare programs, to address individual uncertainties.

In the cases of Hinduism and Buddhism, belief systems on how to achieve perfection are observable, which can be interpreted as a form of salvation. Calvinist Protestantism, with its emphasis on predestination, seems at first glance weak in economic incentives.

Moving on to a quantitative analysis of international data on religion and political economy, it can be seen how modern data are used to test the various theories of religion as a dependent and independent variable.

This analyses how religious participation and religious beliefs respond to economic development and government influences on the religious market, trying to see how different degrees of religiosity and different types of religion are important for economic growth and other economic and political variables. Weber through his socio-economic studies highlighted the importance of religion for economic development only at a particular stage of history, that of the assimilation of workers into the factory system. He thought that the religious bases of individual productivity would later be replaced by secular institutions and that religious differences no longer matter much for economic performance at that stage. In this context, Weber considered the religious differences in 19<sup>th</sup> century Europe and presumably did not expect to find important economic effects of religion during this period.

Focusing now on capitalism, it is appropriate to present an important central economic point of view in which capitalism is conceived as a true religion, distorting the theoretical-empirical studies that have been presented so far<sup>57</sup>. This capitalism-religion relationship is viewed with critical eyes by many experts. Indeed, those who propose that capitalism is a type of religion want to undermine its scientific aspect, going against the true economic nature of the term. However, there is an alternative approach that is evaluated more positively. It is presented under the name of "economy of religion" and presupposes the application of the dominant economic theories of capitalism, such as the neoclassical one, in order to understand religious activity<sup>58</sup>.

In this approach, the mechanisms of supply and demand are neutral, so that a specific religion has the opportunity to present the supply that makes it better than other religions.

This approach is very simplistic and sometimes untrue. Practical efficiency is very much based on individual choices and needs as it presents the religious market as a capitalist market where thought focuses on choosing the one that gives the greatest advantage in life, compared to other religions. This assumption is based on the idea that human beings make rational choices about what is best for themselves, and therefore from an individualistic perspective. This type of approach applied to religion is based on a whole series of hypotheses concerning economic analysis, arriving at an explanation of the actual rather than ideal world.

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<sup>57</sup> <https://www.culturematters.org.uk/index.php/culture/religion/item/2738-religion-and-capitalism> .

<sup>58</sup> Witham, L., *Marketplace of the Gods: How Economics Explains Religion*, 2010.

This would only be possible if capitalism was well established in many parts of the globe. Now focusing on another approach of a pivotal author who has studied the relationship between capitalism and religion, Karl Marx, this connection appears at different stages of his work. In the first, referring to his work "On the Jewish Question"<sup>59</sup> emerges a particularly important feature in the context of analysis. Here Marx responds to Bruno Bauer's assertion that "political emancipation" would only be achieved when everyone renounced their religious claims, the "Christian state" would be abolished in favour of a completely secular and atheistic state<sup>60</sup>. Marx responded by arguing that the "Christian State", the final form of the absolutist state after the Congress of Vienna (1814-15), would not disappear with the secular bourgeois state, but that the latter was nothing more than the full dialectical realization of the "Christian State". With this statement, the centrality of the religious factor certainly emerges also in Marxist analyses, an important characteristic in his studies.

Looking at the case of the United States, Marx maintains that religion has become a private affair, exercised by any citizen, while the State itself is apparently secular. So, Marx recognizes that this secular state is not a denial of the "Christian state", but its full realization. Indeed, the so-called "Christian State" of the 19th century was not at all Christian. Instead, the fully realized Christian state is "the atheist state, the democratic state, the state that relegates religion to a place among other elements of civil society"<sup>61</sup>.

From an economic point of view Marx's argument focuses on the fact that the bourgeois state has already found life in the context of the United States and that this form of state appears only with the rise of capitalism. Fundamental to this type of state is the separation of religion and politics and therefore religion becomes the private affair of every individual in the realm of society. In private life one can practice any religion one wants, and it is precisely this private practice that characterizes civil society in its dimensions. For Marx, taking up Hegel, this "civil society" is not a neutral term, which designates everything that is outside the control of the state, but rather "bourgeois society", as the creation of capitalism and the bourgeois state. In this context, with its cult of the private, religion becomes a private affair and influences the economic dimension in individual choices to act.

Through the presentation of these studies, which connect religion and economics in different ways, at the social level these two factors are inextricably linked. This direct relationship is understood in an individualistic and collectivistic sense, making the role of individual and collective choices essential in the social contexts of modern states such as economic and political. Often these choices are motivated by religious action, as has been seen, even in state contexts where secularization has taken over or historically dominated the national panorama.

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<sup>59</sup> Marx K., On the Jewish Question, 1844.

<sup>60</sup> Bauer, B., Die Fähigkeit der heutigen Juden und Christen, frei zu werden, 1843  
Bauer B., Die Judenfrage. Braunschweig: Otto Wigand, 1843.

<sup>61</sup> Marx, K., On the Jewish Question, 1844 p. 156.

It is therefore important to observe how every theoretical study often presupposes the existence of the religious dimension to determine individual and state economic action, so much so that they are interconnected in every social context.

## 2.3 Religiosity and economic growth

Economic growth is one of the fundamental elements that characterize the economic performance of a state. It therefore plays a central role in the economic performance of states and the global economy.

Below are some observations on the fundamental characteristics and theories that drive the relationship between economic growth and religiosity.

Theories of economic growth were mainly based on the neoclassical model. It is important to start with a general analysis of the determining characteristics of these theories in order to better understand later the interaction between the two fundamental dimensions taken in analysis <sup>62</sup>.

One of them is the property of convergence. This basic element exists when the level of GDP per capita between countries tends to assume a common level, representing the equilibrium of the growth process<sup>63</sup>. Thus, the lower the initial level of real GDP per capita, the higher the expected growth rate. If it is assumed that all economies are inherently equal, excluding the starting capital intensity, then convergence would apply in an absolute sense. The poor would tend to grow faster per capita than the rich. On the other hand, if economies differ in a number of respects, including willingness to save and have children, willingness to work, access to technology and government policies, then the force of convergence would apply only in a conditional sense, i.e. partially. According to this property, it is therefore observed that the growth rate tends to be high if the starting GDP per capita is low, in relation to its long-term or balanced position. The property of convergence stems from the neoclassical model's assumptions about declining returns on capital, according to which economies with less capital per worker tend to have higher rates of return and higher growth rates.

In general, it is possible to diversify the various theories of economic growth according to two categories linked to the nature of the changes that drive growth. Where the main issue is technological progress, i.e. the application of scientific discoveries to production processes, this refers to the reduction of production costs or the creation of new markets or market segments in which to operate, aimed at developing a country's productivity and thus its wealth. In this case we are talking about endogenous growth theory. While, the theory of exogenous growth attributes to the exogenous technical process the increase in the growth rate of a country, making it independent of internal economic dynamics. This technical process includes any change in the state of technology that makes significant changes to the production processes of existing goods and/or allows the introduction of new goods on the market.

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<sup>62</sup> Barro R. J., *Determinants of economic growth: a cross-country empirical study*, 1996.

<sup>63</sup> <http://www.treccani.it/enciclopedia/convergenza/>

Therefore, in the endogenous case, a novelty is introduced with respect to neoclassical models, namely technological progress. In this way, an attempt has been made to provide a missing explanation of long-term growth, a rather problematic issue especially in the case of exogenous growth theory.

Very often, however, the growth rate and the amount of underlying inventive activity tend to be sub-optimal due to distortions linked to the creation of new goods and new production methods. In some cases, the long-term growth rate depends on government actions, such as taxation, maintenance of public order, provision of infrastructure services, protection of intellectual property rights, and regulation of international trade, financial markets and other aspects of the economy. Therefore, the government has a great responsibility that is exercised through its influence on the long-term growth rate.

The theories of technical and technological change seem important to understand why the world as a whole can continue to grow indefinitely in per capita terms. With respect to these models, it is important to keep in mind the factor linked to internal state dynamics. Talking about processes of technical and technological change helps to understand the degree of development of a given country. In this way, the link between all interconnected public state dimensions in developed countries is highlighted.

After a brief look at the importance of the factors that determine a country's different theories of economic growth, the following will analyse how religious beliefs and participation influence economic growth. In particular, Barro and McCleary in their studies<sup>64</sup> have found different hypotheses from empirical surveys based on variables of religiosity as key factors of economic growth. The dependent variable in these surveys is the growth rate of real GDP per capita.

In addition, several explanatory variables are also included in addition to measures of religiosity such as the value of GDP per capita at the beginning of each period, the initial values of life expectancy and years of education, a measure of international openness, the rate of growth of the reasons for exchange, indicators of the rule of law and democracy, the fertility rate and the ratio of investment to GDP. The two variables of religiosity, on the other hand, are those relating to the monthly frequency of formal religious services and faith in hell. With respect to the second variable, studies show that beliefs linked to an afterlife seem to be crucial as economic influences. Probably this factor appears to be related to individual decisions related to the dimensions of civil society, including the economic one, which also consider the factors of saving merit and moral ethics. Other essential variables in these empirical studies are given by the issue of state religion and religious pluralism such as, for example, the fictitious variables for state religion and the regulation of religion by the state, the indicator of religious pluralism and the proportion of people adhering to certain religions.

The function of independent instrumental variables is to isolate the effects of religiosity on economic growth in order to better understand the mutual influence between the factors.

Among the findings of the study it was found that the greater number of believers than membership favours economic growth. Therefore, growth is favoured when the religious sector is unusually productive, in the sense

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<sup>64</sup> McCleary R. M. and Barro R. J., *Religion and Economy*, 2006.

that production is high compared to input. A greater amount of time and resources spent on formal religion could be a drain on resources, which would reduce market production, and consequently GDP.

On the contrary, referring to empirical research on data on religiosity, it was found that participation in formal religious services had a negative impact on economic growth, but the results of this study are not so categorical with respect to this aspect. This report is dependent on the extent to which greater participation has the power to instil higher beliefs. Another important characteristic that emerges from the results is related to Weber's thesis that the role of religion influences individual beliefs, traits, and values. Through surveys, preliminary results have shown that religious beliefs actually improve economic growth by shaping individual traits and values. In this context, the formation of beliefs becomes fundamental at the individual and community level. Furthermore, to underline the link between religion and economic growth, it is essential to include measures of religiosity based on beliefs, participation, types of religion and membership fees. In the surveys reported by Barro and McCleary, religious beliefs and functions acquire a different meaning depending on the type of religion referred to. This observation underlines the importance of pluralism in societies as an indicator of a country's internal cultural characteristics. Moreover, since not all these differences affect economic growth in the same way, experts have been able to derive the effects of growth from beliefs and participation through the coefficients of variables that indicate how growth responds when beliefs and participation vary from country to country or over time for a given type of religion.

Some gaps in empirical research on the determinants of economic growth with respect to the role of the influence of religion can be filled through an international investigation involving the religious factor<sup>65</sup>. The instrumental dependent variables needed for this survey are the frequency of churches and religious beliefs. It can still be seen that economic growth responds positively to religious beliefs, but negatively to church attendance. In other words, growth depends on the extent to which one believes in relation to the factor of belonging, as has been pointed out previously.

Taking up the Weberian study again, the results in question are in accordance with a model in which religious beliefs influence individual traits that improve economic performance. Therefore, for certain beliefs, a greater frequency in church means more resources used by religion.

A general observation with respect to this type of studies includes some internal country variables, i.e. political and social variables. Indeed, it is noted that explanations for successful economic performance must go beyond the limits of economic variables and include political and social forces, in particular government policies and public institutions.

In addition to this dimension, however, it would be important to include a nation's culture in the explanations for economic growth. It is believed that culture conditions economic performance by influencing fundamental traits such as honesty and work ethics.

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<sup>65</sup> Barro R. J. and McCleary R. M., *Religion and Economic Growth across Countries*, 2003.

Religion has always been an important dimension of culture and Weber also argues that religious practices and beliefs have important consequences for economic development. However, economists have rarely included religion or other measures of culture as determinants of economic growth. Only by including the influences of religious participation and the impact of beliefs on a country's rate of economic progress can one overturn what previous economists have argued about the religious factor. To better analyse the effects of religiosity on economic growth, it must consider the possibility of a special relationship between economic evolution and religion. Among the relevant theories emerge that of secularization, according to which economic development causes organized religion to play a minor role in social and legal political decisions: and that the role of economic development and other demand factors is minimized and focused on competition among supporters of religion. In this approach, a greater diversity of religions appears to be capable of fostering greater competition in a country or region, thus a religious product of higher quality and better adapted to individual preferences. Thus, greater religious diversity stimulates greater religious participation. Moreover, the extent of religious diversity and competition appears to depend on how the government regulates the market for religion. Good internal state management of the market for religion, where religion is state owned, through subsidies and aid could have a positive effect on religious participation in general. The study of the determinants of religiosity presupposes that the forces of supply and demand combine to influence levels of participation and religious beliefs. The importance of these determinants lies in being tools that facilitate the analysis of the effects of religion on economic growth. The instrumental variables identified by Barro and McCleary that can be used to determine the direction of causality from religion to economic performance have important influences on religiosity without being heavily influenced by economic growth. The differences in religiosity are determined by variations in the instrumental variables that influence economic growth.

Finally, what emerges from what Barro and McCleary studied is an interesting partial relationship between religiosity and economic development indicators. Religiousness responds to economic forces. To isolate the effect of religiosity on economic growth, the endogeneity of the variables of religiosity must be taken into account, since the religious factor is essential in the culture of countries. Consequently, religious pluralism also defines the cultural identity of a state, influencing the rest of the main dimensions.

Referring to the market-religion model, if the religion of reference is a state religion, it can be seen that in that social context a low diversity of religion will be supported. Therefore, the importance of the pluralism variable could be essential in the definition of the influence on the frequency of churches that ultimately derives from the presence of a state religion.

Therefore, considering the role of religion as a deterrent to economic growth, religion is defined as decisive in economic results. This is essentially because it promotes religious beliefs that influence individual traits such as honesty, work ethics, thrift, and openness to outsiders.

From this point of view, organized religion, and more specifically participation in religious services, would influence economic performance. The form is mostly indirect, i.e. through influences on religious beliefs.

In other words, considering religious beliefs as a product of the religious sector, and considering the presence of the church as an input to this sector, more resources are consumed in terms of time and goods for certain belief-related productions.

For certain religious beliefs, a greater presence in church would prove to be a negative influence on economic performance. The importance of places of worship as civic organisations is therefore stressed. The networks and interactions promoted by churches are important elements for social capital. Therefore, if this social capital is productive for certain religious beliefs, the presence of churches would have a separate and positive effect on economic growth.

The analysis of the determinants of religiosity has made it possible to construct a set of mental variables to estimate the effects of religion on economic growth. The concluding basic hypothesis in the studies carried out by Barro and McCleary focuses on the fact that stronger religious beliefs have the power to stimulate growth because they help support specific individual behaviours that increase productivity. At the same time, they argue that higher levels of religious participation depress economic growth because a higher presence means a greater use of resources by the religious sector.

### 3. Case study: Judaism and economy in the State of Israel

In the following chapter we will analyse in detail the role played and have played by Judaism and the economy in the state of Israel, especially considering these two interconnected dimensions. Historically, as will be more satisfactorily presented in the next paragraph, the Jewish religion has invaded all dimensions of the state of Israel, since it is predominantly composed of Jewish citizens and taking into account in a significant way the sacred texts that refer to the religion itself. The formation of the state seems to be in the hands of religion, including the individual and collective dimensions, which are shaped by it. In support of the central issue of the debate is the presence of some Jewish religious communities of the Orthodox type that really and faithfully place religious precepts as cornerstones in the social, legal, economic and political construction of their micro-society. Haredi Judaism emerged only at the end of the 18th century when the term orthodoxy was born. The confrontation between traditional religion and the advent of Jewish enlightenment, or *haśkalah*, brought to light this fundamentalist current excessively attached to biblical precepts and tradition. Orthodoxy is therefore defined as a kind of synthesis between the traditional Jewish world and modernity.

So the relationship between Judaism and economic activity is based on some basic concepts such as money, wealth, jobs and economic initiatives. All these activities find their bases in the Jewish sacred texts: the Old Testament of the Bible and the Talmud. But not only that. Also on a cultural level, these concepts are important in the definition of Judaism. It is recognized the importance of the connection between Judaism and economic activity essentially because the Jewish religion weaves in all dimensions of community life, not playing the role of a simple cultural characteristic of a population. An important characteristic is also in their conception of activities as personal service to God, thanks to which religion begins to hold a fundamental position, even in the economic aspects related to the acquisition of money. In addition, the relationship between Judaism and economic activities is also interesting with regard to its historical path. It has been studied how also at the linguistic level there are terms that are only related to the economic dimension. The word "to have" does not exist in Hebrew vocabulary, so the concept of possession is expressed through the verb "to be", in Hebrew "jesh". According to Attali, the relationship that is established through this term is precisely defined by the possessor, so as to delineate exactly the relationship that he wants to exist between himself and the thing. So indirectly through this mechanism the concept of possession is defined, but in a much deeper way. Also the word that is used in Hebrew to express the concept of money, "kesef" is an important factor in the analysis. Its literal translation refers to the terms "desire" and "longing". In turn, *leshalem*, which means "payment", is read as *shalom*, which means "peace". The term "value", "sha'ar", is also translated as "city gate", where justice is usually imposed. These terms in the context of the Book of Exodus highlight important concepts related to economic life from a Jewish perspective. The law is another fundamental element as it shapes the entrepreneurial spirit.<sup>66</sup>

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<sup>66</sup> Fel S. and Zdun M., *Judaism and Economics: The Link between Judaism and Economic Life*, 2014.



Indeed, since all dimensions of individuals' lives are touched by religion, they are equally moved by a basic question: is my action in line with God's will or is it moved by the profane? From this statement one can understand how Jewish law, the Basic Law, of the state is not only, but even the manual of rules of conduct that defines both the religious system and Jewish ethics. The latter, as will be explained in detail in the following paragraph, is nothing more than the synonym of Jewish principles. This is understandable in the light of a fundamental statement that explains a lot of all the social mechanisms linked to Judaism, namely the fear that observant Jews have towards their God. In reality this is the concept that shapes the entire ethical range of behaviour and decisions of the Jewish believer. Remuneration and money play an essential role in the definition of economic activities. Both, through the concept of compensation, are a means leading to peace and for the administration of social justice.

The importance of sacred texts in this reasoning is fundamental for understanding social mechanisms. Especially the Talmud, which from the beginning was taken as the legal and constitutional foundation for Jewish community life, has the role of guardian of the religious teachings of Judaism and at the same time of "wrapper" with the aim of protecting the Jewish people from the times of the Diaspora to follow <sup>67</sup>.

The essence of Judaism that derives from the biblical stories of the Exodus, starting from the Jewish people's journey from Egypt to Israel, appears to be the basis of the nation's history, also explaining its characteristics on a social level. The issue of migration is certainly crucial. The journey also determines the fate of the people, the norms and standards of conduct of the nation that will be formed socially and economically. With the exodus from Egypt begins a period in which poverty reigns among the components of the migrant community. Wealth is postponed to religious worship and the entire community had considered money raised to a simple instrument of God, not to an idol as until then. So, Moses' gesture towards the idol is recognized as an ideological turning point from the economic point of view. Also, the 10 Commandments define the moral framework of social activities, including economic ones. All these factors are the key to interpreting Judaism in terms of economic engagement. According to Attali the rules found in the commandments are a catalyst and adequate governor of economic activity. Therefore, the cult of wealth is not considered legitimate as an end in itself. Thus, Exodus can be considered the starting point from which to begin an analysis between Judaism and economic life. Speaking specifically of the issue that links labour market and religious dimension, those who were formerly wealthier in Jewish societies were certainly financiers, jewellers, doctors and merchants. There was a direct link that connected their wealth, due to the profession they performed, with their knowledge and study of the sacred scriptures, particularly the Talmud. To conclude, the prevailing position that Judaism holds in state contexts, where religion plays a central role, comes from traditions and sacred texts, especially from the Old Testament of the Bible, which serves as the foundation for the entire social, cultural, political, legal and economic structure of the state. <sup>68</sup>

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<sup>67</sup> Sombart W., *The Jews and Modern Capitalism*, p. 133 on, 2001.

<sup>68</sup> Fel S. and Zdun M., *Judaism and Economics: The Link between Judaism and Economic Life*, 2014.

### 3.1 Jewish business ethics in economy and evolution of Jewish economic thinking

Conceptually, therefore, there is a marked analogy between Jewish ethics and the guiding principles of the Jewish religion. Also, from the economic point of view, therefore, through the sacred texts and religious tradition, is observed how this dimension influences ethical business. Below will be explained historically what has been the path that has led to contemporary Jewish business ethics and what role it plays in the state of Israel.

The work occupations of Jews have a historical path in line with the question of the Judaism-economy connection and that of Jewish business ethics. Due to local government restrictions, agriculture did not engage a large part of the population. They were banned from owning land until the late Middle Ages and many corporations even banned every Jew from certain jobs, leading to specialization in urban occupations such as finance and trade. This process is also explained by a Kuznets theory according to which considering the Jewish community a minority with the main objective of preserving and maintaining its identity through specialization in certain occupations. This transition took place around the 8th century, a historical moment of migration of Jewish communities. Moreover, this theory foresaw that their occupation had to remain in agriculture in order to preserve their group identity built at that time for an agricultural society. Yet, Jews did not remain farmers despite their minority status by demolishing the social theory of Kuznetz. Another fundamental factor that disproves this theory is related to the level of education of those who worked in agriculture. It is important to specify that anyone who was Jewish had the right and the duty to be well educated socially and religiously. This is why Jewish farmers were much better educated than those who lived in cities and were not part of the Jewish community. Compulsory education for children and reading Torah, Mishna and Talmud have become the essence of Judaism. Surely, the professional transition of Jews, which was thought to be linked to the agricultural restrictions in force in the late Middle Ages, seems to be supported by evidence that shows a close connection with the transformation of religion many centuries earlier. In the Middle Ages, the central activity of the Jews was indeed money lending and trade, which continue to support the thesis that education, including religious education, contributed to this social change.<sup>69</sup>

It is important to remember that, for Jews, money was an essential element, considered a mechanism by which the sacred was transformed into the profane and a means of resolving conflicts, organizing solidarity, being free from constraints and serving God. All this was therefore functional to the good functioning of society, as well as one's own spiritual life. Currency and wealth were fundamental elements in this economic-spiritual thinking so much so that they were central to the management of human relations and responsibilities in the governance of civil society. At the same time, it was important for the observant Jew not to fall into individualistic and stingy behaviour, condemning excess and raising the true wealth proclaimed by religion: life. Obviously, wealth is in no way condemned if morally regulated, and especially if it is not transformed into any form of idolatry. In any case, the basis of Jewish economic ethics is that spiritual concerns and moral

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<sup>69</sup> Botticini M. and Eckstein Z., *From Farmers to Merchants: A Human Capital Interpretation of Jewish Economic History*, 2003.

demands must prevail over material ones. Only in this way is it even more understandable how the spiritual religious dimension has absolute prevalence over the "things of the world". The idea of progress from a Jewish perspective has more to do with the protection and care of nature as a gift from God than as something exogenous on a technological or material level. In this regard, they were forbidden to cut down trees and even work the land in the seventh year, the sabbatical year in which they had to rest according to the Holy Scriptures. Private property is allowed, but without its sacralisation. The work is considered praiseworthy for the individual and social assistance is provided in case someone could not or could not work. These assistances are provided both by individual communities and by the Temple, the highest religious authority. These social mechanisms are essential to emphasize once again how important for Judaism the concept of community of brothers and sisters and of aid "without personal return" is, which is difficult to observe in many societies that instead place the economic and work sector at the centre of their mentality. The various experiences that the Jewish people have had, especially in the last 2000 years, have contributed to the formation of their identity and solidarity. Religion has always remained the cornerstone of the entire community, avoiding closure in the orthodox sense and moving towards openness in order to remain on the international scene and contribute to the formation of global culture. One of the roles that according to their characteristics has been attributed to the Jews is that of "transformers" of everything into money, including social relations. Indeed, they have contributed to the transformation of contemporary society into a mercantile society dominated by money, supported by the process of globalization and virtualization of economies. This mixture certainly needs strong ethical and moral values in order not to fall into the temptation of the world. Surely, this criticism goes against those fundamental precepts of their economic ethics based on wealth and solidarity towards the poorest, but it fully describes the historical evolution that this community has had economically<sup>70</sup>.

In the definition of economic ethics, in particular business ethics, of those who are part of Judaism, it is essential to refer to sacred texts such as the Talmud, written to strengthen the integrity Jewish and improve the ethical dimension of the means involved in the transfer of funds. It is assumed that the authors were traders or otherwise persons employed in trade and financial transfers. The Talmud is therefore the central point of religious life together with the Old Testament of the Bible. The text argues that wealth is a work pleasing to God, which is why he gave man the land for the enrichment of communities since ancient times. Continuing along this line, the believer is convinced that this wealth delivered from above is not something connected to the idea of predestination, typical instead of Protestant thought. Wealth is considered a point of arrival to which the individual must aspire, not a reward from God. Wealth, for Jews, is a bearer of responsibility, which is why the individuals who possess it hold positions of government and care for the general good. An important point is to be taken into account in the previous discourse on the employment of human capital and wealth. In wealth management, it is highlighted that it is necessary for the individual to make flexible and creative decisions, which is why the investment of wealth in the land is condemned. In the Talmud, wealth is described

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<sup>70</sup> Tiberiu B., Calance M., Chiper S. and Plopeanu A., *The Jews, God and Economics*, 2012.

not as an end, but rather as a means to pursue other goals. Therefore, economic activity for the Jewish religion is but a means to achieve greater initiatives. At the economic level, wealth is expressed in certain financial categories. With regard to the prices of goods, it is necessary that there is a fair measure for their definition, making the market reliable and putting producers and consumers in the best conditions<sup>71</sup>.

In addition, the Talmud offers practical advice for positive financial management. Wealth is widely recommended while poverty, unlike Christianity, is combated. As far as work is concerned, there are recommended professions and it can be noted that these are essentially those that allow commitment to spiritual concerns or that have a spiritual component. This is one reason why the Talmud prohibits monetary speculation and usury, but paradoxically, due to historical circumstances, it is the jobs in which Jews have specialized the most. Indeed, in their period of exile after the Arab invasion, many Jews who had moved to European countries began to develop a special relationship with liquid assets and money, until they held the most important positions and controlled the trade of Western Europe. Even in the 17<sup>th</sup> century Jews were well accepted in the courts of the monarchs because of their commercial and administrative skills which contributed to the development of finance and trade at the European level. All these considerations are in line with the religious foundations of Judaism in terms of economic support and equality among community members. Among the Jewish precepts there is a sort of obligation to do acts of charity for the less well-off members of the community. Through this method of sharing wealth, we try to connect again the religious dimension to the economic one, looking for a way to be useful to others in a "missionary" sense<sup>72</sup>.

The study of the Talmud is necessary because of the complexity of economic life, as it provides a guide to Halakhah. At the heart of Jewish law is the Decalogue, the Ten Commandments. Three of these specifically concern economic matters, the commandments not to work on the Sabbath, not to steal and not to desire the goods of others (Exodus, 20, 8-11, 15, 17). Jewish religious law was designed to ensure that the affairs of ancient Israel were conducted in an orderly manner and that anarchy did not prevail. There is also an obligation for Jews to devote as much time as possible to the study of the Torah. In the Mishnah, this has been interpreted as meaning that people should not overwork themselves in search of material rewards at the expense of their spiritual obligations. Moreover, religious devotion should not be at the expense of gain, since without material provision spiritual activity cannot continue. Finally, the commandment not to covet one's neighbour's property concerns both economic behaviour and attitude towards property.

Obviously, the debate about whether Jews are a nation, an ethnic people or a religious group has implications for how the economic teaching of Judaism is interpreted. Considering different areas of economic life such as the creation, ownership and distribution of wealth; usury laws and their implications for the banking and financial sector; markets and good business practices; and the role of government in regulating economic activity<sup>73</sup>.

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<sup>71</sup> Fel S. and Zdun M., *Judaism and Economics: The Link between Judaism and Economic Life*, 2014.

<sup>72</sup> Tiberiu B., Calance M., Chipur S. and Ploeanu A., *The Jews, God and Economics*, 2012.

<sup>73</sup> Rodney W., *Economics, Ethics and Religion Jewish, Christian and Muslim Economic Thought*, 1997.

It is particularly interesting to consider the implications of the Torah both for the economic behaviour of Jewish individuals and businesses at the microeconomic level and for government policy in Israel. The followers of Yahweh, God's chosen people, initially lived in an Egypt where the majority worshiped other gods. Consequently, the question of how to conduct business with those who did not profess the same religion is as old as Judaism itself, and the Torah provides explicit guidance in this regard. Ancient Israel was not an egalitarian society, and there were differences in income and wealth. There is no virtue in poverty in Judaism; on the contrary, it is to be avoided because it involves unnecessary suffering. It is recognized, indeed, that those who have enjoyed the goodness of the earth, perhaps exercising the talents given by God, have a duty to help the poor and needy. The Jewish societies of ancient Israel were tribal in nature, and there was an obligation to help all members of the tribe. In the Torah, moreover, there is the possibility to address inequalities by creating a level playing field for each generation, so that the material advantages acquired through the acquisition of wealth by a generation are not passed on. Land rights and labour were central to the production system of ancient Israel, despite the laws that forbade its processing in medieval times. Since the final owner of the land is God, human beings do not have the right to sell it permanently, nor to acquire free property through purchase. As the book of Leviticus makes explicit, the assignment of tribal lands is made by God, and must be respected. Tribal society had few natural material inequalities, but through the people who used their talents this would inevitably occur because some had more economic success than others did. Land could be purchased, but the right to property expired with the next Jubilee. In particular, there is support for the poor of the Torah through agricultural laws. A fear that resided in high religious offices and that still worries the most orthodox today is that the accumulation of material wealth will become the driving force of society and create a distraction from the worship of God. To go into the specifics of the description, over the centuries Jews have been involved in loans and money exchanges in Europe, North Africa and the Middle East. From the early days of banking in Lombardy to the international financial centres of the late twentieth century, many of the leading bankers and financiers were Jews, as this work practice had allowed them ethically.

A paradoxical aspect involving Jewish economic ethics concerns interest transactions. These were strongly forbidden by Leviticus against the poorest, while they were allowed with non-Jews. This justified the involvement of Jews in the lending of money and landed estates. Since Jews throughout medieval Europe were usually prevented from owning land and were discriminated against at work, often refusing to join the guilds of artisans and merchants, their chances of earning a living were limited. Money lending and money exchange were therefore open occupations for them. The fact that the Jewish usurers maintained close contact with each other meant that they had additional financial resources that could be requested in case of need. What could almost be considered a Jewish interbank market developed. The exchange of money and credit for international trade was facilitated by the fact that the Jewish community in one state maintained frequent contact with Jews in other countries. As a result, they were in a good position to organize export and import financing and currency exchange. These practices have certainly historically shaped the economic consciousness of the Jewish people. Taking up the concept that was based on seeking an occupation that would allow the believer

to cultivate his spirit, one of the main advantages of borrowing and exchanging money as an occupation was that it took less time than hard work in agriculture or crafts in the medieval world. This allowed more time for religious observance and the study of the Torah. Sombart defines Jewish ethics as "double barrel" in the sense that their behaviour is different depending on whether they are dealing with their Jewish companions or non-Jews. The Jew, in this view, is more concerned about himself, his family and his Jewish companions, regardless of their nationality, acting economically but with very exclusive characteristics. As for the markets, in the Torah they are seen as a natural part of economic life. The advantages of a market system are not particularly exalted, but neither are they criticized. Economic transactions are subject to the provisions of the Jubilee, but there are no limits on what private property can be traded. Of course, the focus is on fair trade and honesty in all transactions. Deception is considered a temptation to avoid, since high ethical standards must be maintained in commercial transactions, especially in relation to religion. Market intervention by national authorities may therefore be permissible, including price regulation. The concept of fair price, *ona'ah*, in Judaism seems to imply an honest price without exploitation. The *ona'ah* applies however only to transactions between Jews. Honesty is required in all business relationships, but specifically no restrictions are required if the Jewish partner is in a superior contractual position to protect the financial position of a non-Jew. In business life, exclusivity in economic relationships can be interpreted in terms of mutual financial help in times of need, implying a sort of insurance underwriting only for those elected. This concept is closely related to the question of the moral position of the Jew in his community, which would be compromised if he did not respect the law of the Torah. Given the impossibility for non-Jews to be bound by Jewish law, this is perceived differently according to the circumstances. Finally, nowhere in the Torah is unlimited competition seen as a virtue. Instead, there is support for restrictive trade agreements in the Talmud. Artisans and traders can reach agreements, recognized by Jewish law, to limit competition by establishing barriers to entry, fixing prices and determining the quantity of goods produced. The authority for this comes from Deuteronomy. Traders, artisans and workers should have their livelihoods protected by restrictive agreements. This will encourage economic security and respect for the work and position of others. In such circumstances, economic change and occupational mobility may still arise through new opportunities, but not by taking away a Jewish colleague's existing opportunities to earn a living. The point today is to understand how the economic laws of the Torah should be applied in the modern nation state, and what the government's regulatory role should be. There seems to be some scepticism about the position of the rulers, with the fear that they will simply tax the income and expropriate the wealth of the citizens, providing few assurances. According to Jewish law, Jews are required to pay taxes imposed by any sovereign, even a non-Jewish one. Often in medieval Europe and the Ottoman Empire, the authorities of the Jewish community organized the collection of taxes and delivered the proceeds as a lump sum, even when the taxes were arbitrary and confiscatory. Obviously, the main concern of the Jewish authorities was to protect their community, even if this involved paying taxes to non-Jewish rulers. The main principle of Jewish taxation lies in the existence of some relationship between payment and benefit. Tamari suggests that the reasoning behind this concept of utility was the idea that taking a benefit from another

person's money without his or her consent is theft. This has important implications for progressive taxation involving redistribution.

An important aspect of economic ethics regarding prices is found in the Talmud. This book also highlights interesting insights into economic thinking. With the concept of a fair price, according to Ephraim Kleiman's analysis it is relevant to consider as it relates to the history of economic thinking, and not to the functioning of real economies. Kleiman, sees the Talmudic concept of the right price as coming from the teaching of Leviticus. He explores the circumstances in which it is legitimate to revoke a deal that is considered unfair, and sees it defined functionally in terms of seeking market information. The buyer or seller could be given a period of hours to ascertain that a fair price had been paid for a good, after which the deal was binding. Price competition can be used to expand the market, although non-price competition through product differentiation was also justified in the Talmud. The ethical objective of the *ona'ah* rules governing transactions in the Talmud was, according to Kleiman, to prevent inequality of information from affecting income distribution.

About the question of temporal compensation, Roman Ohrenstein shows how in Talmudic literature the concept of *s'kbar b'teilo* or lost time was very close to the modern economic notion of opportunity cost<sup>74</sup>.

It would be morally wrong for a rabbi, a religious teacher, to be paid for his work, since this would imply profiting from preaching and interpreting the word of God, this also applies to judges and scholars of religion. In practice, however, some reward was necessary for the purpose of survival under the concept of *s'kbar b'teilo*. Speaking in purely economic terms, it has been highlighted that modern economics is linked to a study of the scarcity of resources allocated. It is assumed that economic agents act rationally, in the sense that their goal is to maximize well-being, although not necessarily in a material sense. In this context, the market remains one of the means of allocating resources, along with the distributive economy. The economic debate around this issue remains on the relative merits of market economies.

The position of the Mishnah, the oral Torah, on the role of markets and more generally on allocative issues refers to a series of pronouncements and concise examples relating to the issues of everyday life in ancient Israel, including economic life, to be observed through the lens of Judaism.

The economic order is therefore permanent and should reflect the divine order. This approach to economics is clearly very different from that of modern economics, but some of the languages and symbolisms may be related to the search for some religious ideal.

Given the importance attributed to the Sacred Scriptures, economic policy in ancient Israel had to be seen as an attempt to restore balance, the perfect order. The purpose of civil sanctions through monetary compensation was to restore the injured party to its original condition. The balance had to be restored between those who had unfairly profited from transactions and those who had suffered damage through deception. If the value of human capital had been reduced through criminal action, then it would have been important to try, as far as possible, to compensate for any depreciation.

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<sup>74</sup> Roman A. Ohrenstein, 'Economic thought in Talmudic literature in the light of modern economies', 1968.

Work itself is also seen as important to satisfy God's will, and not simply as a means to satisfy the needs of the worker as a consumer.

At this point, it is essential to find out whether the State of Israel can actually recognize a clear economic system within it. In particular, Sombart has tried to explain the economic position of Jews in Europe since the 16th century in terms of Jewish ethics.

The first part of Sombart's work is an economic history of the Jews as a people during the period when capitalism was developing in Europe as a modern economic system. He attempts to define the role played by the Jews in this process, moving from a predominance of trade in European cities, to being the financiers of capitalist expansion. One aspect of his analysis examined the peculiar socio-psychological and moral forces in Jewish religious ethics and Jewish models of life that were adapted to Jews to promote this new set of economic relations. Sombart even believed that those parts of the Protestant religion that Weber identified as significant for the development of capitalism actually came from Judaism. He sees Judaism as a rationalist religion, devoid of mysticism, which is largely concerned with the observance of the law, seen almost as a legal contract with God. The observance of the law brings rewards, which can be translated into capitalist profit. Loyalty is to Jewish comrades, not to their Christian neighbours or Christian nation-states, as has previously been analysed. In his study of the Jews and modern capitalism, he analyses the individual microeconomic picture more specifically than the macroeconomic picture of the nation-state. He sees the stability of the Jewish family as important to its economic success, and attributes it to Jewish rationalism, which, in his view, sees the family as a business. The Jew was motivated by the acquisition of wealth, which in the Torah was praised as a right of God to the faithful, since there is no Christian view of the virtues of poverty or simplicity in life.<sup>75</sup>

To conclude, from the point of view of Judaism, the oral Torah is a crucial source, codified in Talmudic writing starting from the Mishnah for the definition of Jewish ethics in the economic field. Ephraim Kleiman<sup>76</sup> shows how the Talmudic writings can be fundamental in the definition of the concepts of right price, opportunity cost and evaluation of human capital. Sombart's controversial work on what he identifies as a distinctly Jewish economic system provides some insight into Jewish economic survival in the Diaspora, but is largely detached from the economic teachings of the Torah, posing much like a critique of the exclusive policies that Jewish communities have within them, not considering those outside Judaism.

The case of the economy in the State of Israel turns out to be modern and at the same time very Western, despite the fact that in political terms it is considered a Jewish State very much linked to Jewish religious traditions, which regulate many spheres of economic action. In light of this, it is also interesting to note that religious parties are relatively little committed to economic policy in Israel, damaging the historical efforts made for inclusion in the developed world and for the modification of practices closely anchored to the religious dimension.

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<sup>75</sup> Rodney W., *Economics, Ethics and Religion Jewish, Christian and Muslim Economic Thought*, 1997.

<sup>76</sup> Kleiman, Ephraim, "Just price" in Talmudic literature', 1987.



### **3.2 Haredi Judaism and its complex economic internal system: a socioeconomic analysis.**

Sink down the roots of the analysis in the context of fundamentalism, it is important to remember that there has always existed a part of the Jewish religion with particular characteristics at the social, economic and organizational level of society, the Haredim. This ultra-orthodox current is divided into different communities that follow spirituality with different facets.

In the following we will try to analyse carefully their particular economic system and highlight the characteristics that most differentiate it from the ethics and social organization of mainstream Judaism.

As the only stable democracy in the Middle East and the only democratic Jewish country in the world, Israel faces unique challenges.

It is good to explain the social organization of this Jewish current to better understand the dynamics that are created in this type of society between the religious and economic dimensions in particular.

The Haredim are a rapidly growing ultra-Orthodox part of Israel's Jewish population that has exerted considerable political influence since the origin of the nation. Refusing to seek employment in a secular economy or participate in the military, these Jews perceive themselves as an independent religious community and actively seek to preserve this distinction.

This community welcomes the most faithful interpretations of the Torah and insists that Israel's democracy incorporates the central principles of biblical law within its governing bodies.

The rejection by Haredim of the economic, educational, social and military pillars that constitute the backbone of modern Israel has a high cost for the State. The high rates of unemployment and the refusal to participate in Israel's conscripts put the Haredim at odds with the vast majority of Israeli Jews who do not share their values and support them with financial contributions to support them.

The Hebrew word "Haredim" translates "those who tremble," a reference to the Book of Isaiah (66:5) when the prophet implores his followers to "hear the word of the Lord, you who tremble (Haredim) at his word. Haredim firmly rejects modern lifestyles common among Israelis in favour of a traditional life according to biblical law, or halakhah.

Haredi Judaism did not exist before the Enlightenment in the 17<sup>th</sup> and 18<sup>th</sup> centuries. The notion of Haredim as a distinct segment of the Jewish population only emerged when Orthodox Jews distanced themselves from the philosophical movement from Europe, Zionism. The values of the Enlightenment implored reason and rejected blind faith, striking at the root of the traditional Jewish way of life, and Haredim emerged as a direct response to this threat. This community has its roots in Eastern Europe, where secular attitudes toward Jews did not allow them a lifestyle that was fair to that of non-Jews. In the 19th century, the Jewish people still lived largely among themselves in small towns known as shtetls, where their own rabbis governed them. Within these walls they maintained their Talmudic studies and special professions. The most important figures in their lives were indeed the rabbis who presided over the legal and social issues that directly affected their communities. Having a separate legal and economic system, governed by the rabbis, responded to and

reinforced the exclusion of Jews from the host countries. Thus the community itself defined its members as "true Jews", unlike all the others.

The Haredi currently make up about 11% of the total population of Israel and is expected to reach 20% by 2040. The two largest concentrations of Haredim are in Mea Shearim (Jerusalem) and Bnei Brak. The members of these communities are equipped with all the services necessary for the daily life of the community: yeshivot, synagogues, kosher stores, ritual baths or bookstores. This increase is largely due to their exceptionally high birth rate linked to a command in the Torah about fertility.

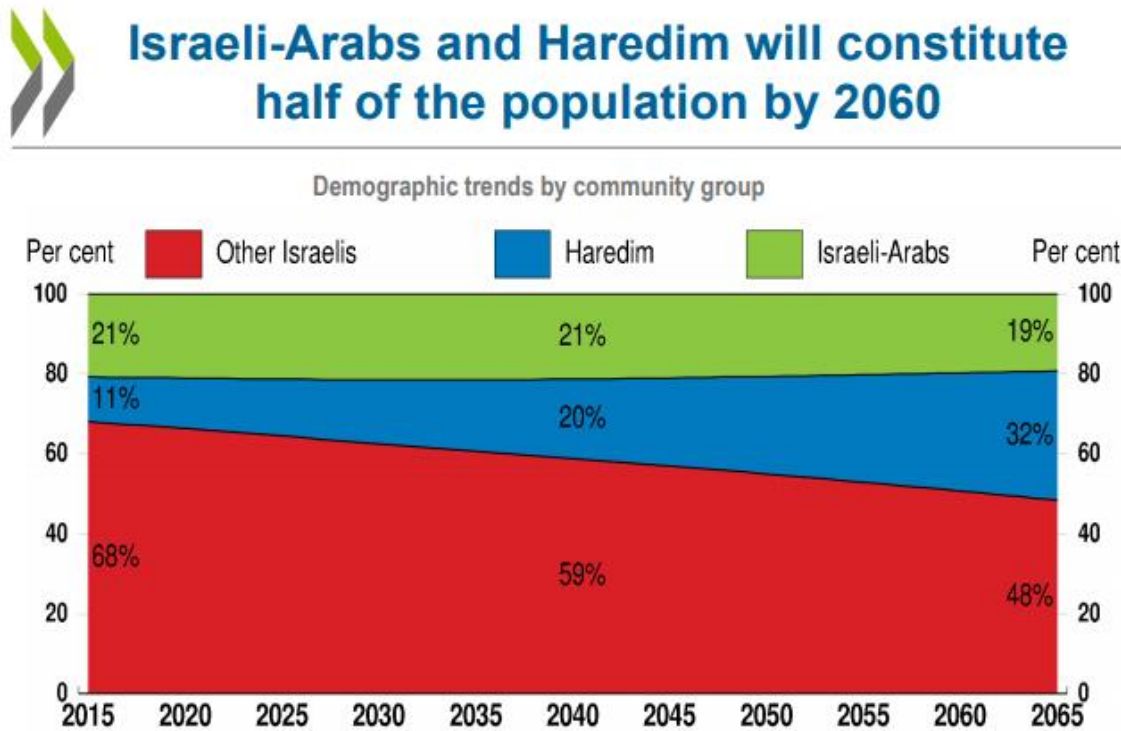


Figure 1. 2018 OECD ECONOMIC SURVEY OF ISRAEL, Source: Central Bureau of Statistics, [http://www.cbs.gov.il/reader/newhodaot/tables\\_template\\_eng.html?hoda=201701138](http://www.cbs.gov.il/reader/newhodaot/tables_template_eng.html?hoda=201701138).

According to the OECD Report<sup>77</sup> the growth of the Haredi population is so significant that by 2065 it will be greater than the percentage growth of the Israeli-Arabs and other Israelis population. Statistics like this one create the urgency for Israel to address its complicated relationship with the Haredi in a global way.

The main occupation of the Haredi is the full-time study of the Torah, which they consider a lifelong learning process that begins in youth and continues until death. Indeed, this represents the highest aspiration of the Haredi, which gives a higher social status to those who demonstrate a deep mastery<sup>78</sup>.

<sup>77</sup> OECD Economic Survey Of Israel, 2018

<sup>78</sup> Shannan B. A., Israel's Haredim Effect: Theocracy In A Democratic State, 2014.

So economically, the Haredi continues its traditional dependence on the surrounding society. They do not cover all the roles necessary for a fully functioning community. Among the few occupations, the members of the community are responsible for the supply of religious artefacts; the jewellery trade; supplies; currency exchange, both legal and illegal; and finally, the production of clothing and food for their exclusive use. Religious work is much more popular in ultra-orthodox communities and includes work as teachers and yeshiva leaders, rabbis and religious judges. These activities are in harmony with the worldview and lifestyle of the Haredi. Indeed, it is well known that many men are engaged in unpaid work such as studying in yeshiva or Kollel, and all this has made it necessary for an important social phenomenon to appear.

From this moment on, women had a duty to support their families. The dependence on women's work has never been as great as in Haredi communities. Indeed, the entire infrastructure of Haredi economic life has become so dependent on women's work that it probably could not exist without it. Women work as teachers in Haredi women's religious schools, supported by state funds. They also work as employees and salespeople in the Haredi neighbourhood.

The Haredi's scientific activities preclude their active employment in the Israeli economy and exempt them from military service. This exemption means that the Israeli army persists without a significant number of skilled Haredi men and prevents these men from finding employment. This is because employers see military training as an essential prerequisite for employment. Therefore, Haredi's exemption from military service contributes heavily to the high unemployment rate among the Haredi. The Israeli government distributes large amounts of government unemployment benefits to Haredi as a result of their full-time Torah studies and rejection of secular norms.

Complaints from Israeli taxpayers alarm politicians and economists in the country.

One of the main accusations made by the secular community is that the Haredim are deliberately poor individuals and are unable to support themselves financially without significant help from the Israelis who instead work and contribute to the wealth of the state.

For purely religious reasons, the Haredim do not consider themselves Israelis, nor do they accept the legitimacy of Israel as a state. They feel absolved of their responsibility to fulfil the obligations of the State, except for those prescribed by the Torah.

Through a document known as "Status Quo", a framework was outlined that included rules and concessions regarding Church-State relations in Israel from 1948 onwards. Among these concessions, Ben-Gurion, the Prime Minister of the time, promised that there would be no divergence from the "Status quo" in religious matters even under a secular government, and assured Haredim that certain principles regarding important aspects of daily life would be safeguarded. These principles included observance of the Sabbath, food laws, marriage and divorce, and education. In the same way this gave the rabbis enormous power to supervise the daily activities of the Jewish people, undermining the balance between Church and State government, sowing dissent.

One of the negative aspects of these concessions was certainly the difficulty for Israel to operate fully as a secular democratic state.

An important aspect, even contradictory, is that in the same letter that outlined the project for the creation of a state whose government incorporates religious law, Ben Gurion expressed the desire that Israel should avoid becoming a theocratic state.

The primary objective was the creation of a Jewish state and Ben-Gurion knew that without the support of the Haredi community Israel could face obstacles to the sovereignty of the state.

To satisfy the ultra-orthodox was an important step to ensure that the United Nations Special Committee on Palestine (UNSCOP) would approve the legality of the Jewish state.

In a short time, these concessions made to a tiny religious minority in a moment of urgency would overwhelmingly define Israel's political, economic and social struggles.

The impact of the Labour and Rest Act passed in 1951 to support weekly observance of the Sabbath in Israel was crucial. In contemporary society these two laws require that most businesses be closed on the official day of rest of the state and provide for a fine for those who do not comply, with exceptions for agriculture and the entertainment industry. Businesses and non-Haredi citizens, who make up the vast majority of Israelis, must respect this law even if they do not personally observe the Sabbath. Even today, this is a frustrating reality for many non-observant Israelis whose lives are affected by the intersection of religion and government.

In addition, the State of Israel would promulgate the controversial state education law in the same year, consolidating a clear cultural division between the Haredim and lay Israelis.

The Law on State Education provided autonomy to religious schools, which benefited from state funding, but without compliance with public school standards in the curriculum.

Separate government funding for secular public schools and Haredi Religious Schools put students on very different career paths, as public schools taught traditional basic subjects and Haredi yeshivas focused only on religious studies. The term yeshiva refers to a Jewish educational school whose primary purpose is to teach young students' traditional Jewish religious texts such as the Torah. The study path for men, once married, moves to the Kollel, where they continue their religious learning for the rest of their lives. Since these schools do not teach traditional programs that include mathematics, science, English or other humanities, they serve as incubators for Haredi uniqueness.

These dynamics create division in the population and make it clear how important the education factor is in the construction of a state, especially in the cultural and religious sphere, as will be seen later.

The diversified education system and the exemption from military service leads to the situation that most Israelis do not grow up interacting with Haredim, thus creating a physical and social detachment between the two communities<sup>79</sup>.

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<sup>79</sup> Friedman M. and Heilman S.C., *The Haredim in Israel Who Are They and What Do They Want?*, 1991.

Haredi fundamentalism is based on yeshiva as the exclusive site where you can learn the authentic version of Judaism and where you can update the Haredi way of life.

The yeshiva is a "total institution" that covers the full range of the individual's life cycle, and is a place of prayer and study, a facility for socialization and leisure, and a community centre that provides material aid, housing, and psychiatric support. The yeshiva scholar is asked to withdraw from all worldly practices and to devote himself totally to intellectual and spiritual activities. The study of the Torah is a goal to be pursued all day long, and the interruption of this duty, for whatever purpose, is defined as a sin. For this reason, the national service and economic relations are considered profanation of the study of the Torah and therefore violations of central community's principles.

This certainly derives from the fact that for historical reasons related to inclusion in secular society, the Haredi community has always benefited from religious sanctions related to the ethno-national issue. At the same time, it is to be observed that their growing involvement in politics is also linked to the need for resources given the economic conditions of the community. Since the 1990s, the Haredi community in Israel has been undergoing important changes. Members of the community have recently questioned its distinctive traits such as dedication to the Torah, male asceticism and separatism. As a result, the Haredim have changed their views on politics, religion, economy, medicine, aid, gender and family. This change certainly stems from growing interactions with the wider non-Haredi public. In this process, Haredi members have gradually accepted elements of secular Israeli attitudes and minimized tensions between the state and civil society. The economic crisis has also been crucial in religious dynamics. Although the ideal of religious poverty is strong, the current deterioration in living standards affects even the most devout members. For economic issues, there is an increasing participation in Haredim's work outside the community.

Fundamentalism also has the power to create new notions and practices related to participation and contribution to the collective. An important aspect to emphasize is the different relationships that have developed in recent years between the members of Haredim, the state and civil society.

Below will be analysed Yad Sarah, a humanitarian organization initiated by members of the Haredi as a response to the weakening of the welfare state and the lack of aid for the poor and elderly in Israel. Through this analysis, it is important to show how this type of community also participates in state dynamics, according to its own terms and conditions<sup>80</sup>.

Today the organization, which is the largest volunteer organization in Israel, has 103 branches throughout the country, both in Jewish and Arab cities, run by more than 6,000 volunteers who are not all Haredi. What the organization offers is a comprehensive package of services to the sick, the disabled, the elderly and their families. Other services it offers include transportation and day care centres for the disabled, day care centres and dental clinics at minimum rates for the elderly, computer monitored personal emergency alarms and orientation centres that help the disabled choose the devices best suited to their needs. The organization also

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<sup>80</sup> Stadler N., Lomsky-Feder E. and Ben-Ari E., *Fundamentalism's encounters with citizenship: the Haredim in Israel*, 2008.

provides equipment and services for new mothers, infants, recently discharged hospital patients and other people in need<sup>81</sup>.

In terms of national profits, Yad Sarah saves the Israeli economy in hospitalization and medical expenses. Yad Sarah's annual operating budget is almost entirely funded by donations, especially collected in Israel (over 70 percent). It is important to specify that the government, in this case, does not provide any assistance.

Yad Sarah's growth is linked to the decrease in state support for the needy. According to studies, one in two Israeli families has been helped by the organization. Yad Sarah's mission is described as keeping the sick and elderly in their homes and out of institutions for as long as possible, supporting them in every accessible way. In addition, the organization provides services to all Israeli citizens, including non-Jews. This sign of inclusion towards those who do not embrace the same religious movement is very innovative in the dynamics of the Haredi community. In this way there is a real integration of the religious dimension with that of economic and social aid, which is crucial for the modernization of ultra-orthodox communities.

As a non-profit volunteer organization, the work of volunteers is explained as focusing on the basic problems of humanity but with a particularly Jewish religious touch.

The importance of this organization aimed at volunteering for a type of community that lives on subsidies, to pursue what its religious current defines as the right way of life, makes one understand how, indeed, Jewish concepts are actually implemented for the good of the public. Judaism teaches to respect and care for every human being, created in the image of God. But the Jewish concept of *chesed*, - i.e. gentility, love to people - goes beyond, supporting, and active volunteer work.

In Yad Sarah, we can see how the Haredi have developed a model of contribution that bypasses the state and strengthens the boundaries of the Jewish community. Moreover, while the weakening of the state has allowed various groups in society to separate and withdraw, this same process has paradoxically allowed groups like the ultra-orthodox community to join the larger collective through the initiation and support of Yad Sarah. Fundamentalist voluntary organizations therefore mobilize resources on a religious basis, highlighting the importance of mutual aid. Yad Sarah uses the concepts of Jewish compassion to mobilize and encourage people to work voluntarily for civil society and contribute to individuals left behind by the Israeli state. The innovation of this community lies in their activism to give Jewish Israeli society a broader religious legitimacy in the ethno-national context.

This phenomenon can be defined as "inclusive fundamentalism" because it is based on a worldview of religious inspiration and actively involves broader notions of belonging and commitment.

The one just presented is a sociological vision of the actions that Yad Sarah applies on the territory, mixing the spiritual dimension and the dimension of belonging and social commitment. At the same time in the actions of this organization, a dimension responds to changing economic pressures and the weakening of the welfare state in providing health care. Indeed, Haredi does not only use the institutions of the state and civil society

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<sup>81</sup> <http://www.yadsarah.org>

for its own limited instrumental purposes, but also seeks to achieve a role through active participation in the wider civil sphere.

Although much criticized by the secular community of Israel, fundamentalism also has positive aspects that help integration. The lack of subsidies to this particular non-profit Haredi organization highlights how there is a paradox in this type of exclusive community. Since the Haredi people need state subsidies for their livelihood, it seems strange to note that the largest volunteer organization in the State of Israel is precisely led by Haredi people and does not receive any kind of government subsidy. This could indeed be the intersection of the economic and religious dimensions of the case of Haredi Judaism: the provision of services to the poorest and neediest described in detail in the Holy Scriptures and which defines Jewish ethics in the economic field, is placed above the welfare of the community, which, in turn, would need help. The particular note in this case is of course that Haredi Judaism chooses to conduct this type of economic and social life, but one of the foundations of Jewish economic ethics about fighting extreme poverty remains stable and clear.<sup>82</sup>

Continuing the analysis, one of the decisive evidences to explain how and how much Haredi Judaism differs from mainstream Judaism in the economic field lies in the different economic ethics that these have developed, strongly linked to the educational system.

The Haredi educational system, financed by the State of Israel, refuses to teach those "secular" subjects typical of public schooling. Indeed, Haredi school graduates do not have, as we have said, marketable skills in the labour market. They are often not interested in entering the labour market even after having obtained exemption from military service having studied in the yeshivot until the age of about 26 years. Thus, the voluntary and involuntary unemployment of men is extremely high and the employed are poorly paid due to their low level of economic skills. Even with the contribution of Haredi working wives and mothers, the Israeli welfare system endures most of the economic support of Haredi families provided by Israel's working population.

Indeed, in order to benefit from exemption from military service, Haredim must demonstrate that he is engaged in full-time study in Jewish yeshivot. David Ben Gurion created this agreement in 1948 to obtain the political support of Haredi when the State of Israel was founded.

The result of this political move was detrimental to the economy. Also, from a social point of view, the Haredi are socially isolated from the workforce due to their lack of experience in the army. In this way, the Haredi society becomes more and more dependent on state subsidies for survival.

Many policies with unexpected effects have fostered this new form of Judaism. Israel has subsidized this new and extreme choice to develop a full-time study community for most men for most of their lives.

The economic consequence is that these yeshiva students are not allowed to do vocational training during this period, so as not to lose the exemption. Therefore, given this obvious impossibility to be part of the labour

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<sup>82</sup> Stadler N., Lomsky-Feder E. and Ben-Ari E., *Fundamentalism's encounters with citizenship: the Haredim in Israel*, 2008.

market for purely economic reasons, we have tried to go ahead with national legislative reforms for a partial inclusion in the labour market for young Haredi.

One of the shortcomings of Israeli governments has certainly been the decision to adopt Haredi schools as government schools, but without reforming their curricula to teach democratic values or economically necessary skills.

The important catalyst for the transformation of the ultra-orthodox society in Israel was the law of 1949 establishing compulsory and free education. This is because state funding made possible the opening of new ultra-orthodox schools, the payment of stable salaries and higher education became the norm. In particular, the state helped to finance the ultra-orthodox secondary schools, but the high schools for Haredi boys were entirely dedicated to religious studies. So, for men there were new jobs to teach the Talmud to an increasing number of Haredi. For the young Haredi women, education meant that most of them became teachers and got a job in elementary school to support their husbands' studies at the expense of the state.

From the political and economic point of view, the Social Democratic governments of Israel, because of their concern for social justice and the welfare of children from large and poor families, provided graduated maintenance subsidies.

In particular, as part of the collaboration agreements with the Haredi parties reached in the 1980s, the rules on child support changed so that a large family would have an income to support their children.

Thus, the Haredi families, while remaining very poor, had support through this government aid. The benefits were not offered in the form of tax deductions, so heads of families did not have to work to receive them.

Given the government's permissive policies regarding the educational system, previously analysed, it was possible for the Haredi political and rabbinical leadership to create a new Haredi Judaism without economic responsibility.

The internal Jewish debate on the value of work, the dignity of economic self-sufficiency, the religious ideal and voluntary unemployment in Haredi is ethical, religious and economic.

Indeed, the Haredi leadership in Israel strongly defends its community policies that discourage work. Even with the social revolution after World War II, the percentage of Haredi men engaged in lifelong learning increased from 5% to 90%, regardless of external factors relating to personal propensity to study and community needs. This is certainly accentuated by factors such as the Talmudic exemption of rabbis from taxes, especially those provided for defence, since their protection comes from God.

In any case, the law did not require the majority of the Haredi male community to spend most of their time studying the Torah.

However, it is now essential to strengthen the religious argument for economic independence. Among the main issues forming this argument is the parental duty to prepare children for adult life as self-sufficient citizens. Moreover, an important basis for the question of work lies in the scriptures themselves, particularly in Genesis where it is stated that God has done his work (Gen. 2,2), so human beings must do it even more".



Thus, most Talmudic rabbis were themselves skilled workers, a factor in support of the complete integration of haredi people into secular society.

In the unorthodox Jewish community, there is much criticism of Haredim who do not work and do not pay taxes to contribute to the common good of society.

One important thing to point out is that sensitivity to the needs of the poor is central to Israeli society, with widespread criticism of the excessive capitalist free market. Undoubtedly, the Haredi community is one of the most generous to the needy per capita, see Yad Sarah.

In a practical sense, at the end of this analysis one wonders what is the economic price that Haredi men are actually willing to pay for their religious beliefs. Certainly, the Haredi norms represent a challenge to standard economic theory, according to which the behaviour of an individual depends on economic variables. These models cannot explain why so few Haredi men achieve a university degree in Israel, despite the significant economic returns of university degrees. Indeed, about 80% of Haredi men who have acquired an academic education participate in the labour market and their pay is about 80% higher than that of their Haredi peers, who do not have a higher education<sup>83</sup>.

So, the economic compensation needed to entice Haredi men to acquire a secular academic education at the expense of their religious identity lies in the economic price they might be willing to pay for their orthodox religious beliefs.

Through the analysis of social and behavioural characteristics, such as religious identity, in the process of individual choice this data can be obtained<sup>84</sup>.

This characteristic allows to evaluate the trade-off between the economic benefit associated with the acquisition of a higher secular education and the loss of the Haredi identity that this choice entails.

It should be borne in mind that the ultra-orthodox Jews live in Israel in extremely segregated communities and a consequence of this ideal is widespread poverty among the Haredi families.

This situation poses a challenge to standard economic thinking, since positive and negative economic incentives do not seem to attract Haredi people to study to avoid poverty.

The idea that only economic incentives involving the economic calculation of the cost-benefit ratio can determine the behaviour and actions of individuals has been questioned by explanations combining the economic-rational approach with the cultural-social one.

It turns out that individuals benefit not only from the material benefits but also from the extent to which the characteristics meet the standards of the community they belong to. In addition, individual decisions also depend on personal identity.

It emerges indeed that Haredi men respond to economic incentives, but the extent of the incentives needed to induce them to change their behaviour depends on the strength of their personal religious identity.

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<sup>83</sup> Zion N., ISRAELI HAREDIM AND ISRAELI ARABS - THE DUTY TO WORK AND THE DUTY TO PROVIDE WORK, 2012.

<sup>84</sup> Akerlof and Kranton model, 2002.

According to this theory, economic variables determine human behaviour and actions and it is shown that religious identity and ideology can be overcome by economic incentives.

There is already ample evidence to suggest that ultra-orthodox Jews in Israel are very sensitive to external economic incentives. For example, the labour force participation rates of ultra-orthodox men between the ages of 35 and 54 in Israel have dropped from about 85% in 1979 to only 40% in 2005, in parallel with the government's growing welfare policy to benefit the Haredi lifestyle.

Equally important, when the then Finance Minister Netanyahu abruptly cut welfare budgets in 2003, the Haredi men responded with an increase in the workforce of about 25%, from 40% to almost 50%. The point to underline is that even in a protected community like the ultra-orthodox Jewish community in Israel, the logic inherent in the homo economicus paradigm works, with an additional cost factor linked to their religious fervour and community membership.<sup>85</sup>

This may certainly seem a paradox compared to what has been said about the preservation that Haredi communities have always pursued in secular state contexts. At the same time, what becomes clear is that sometimes there is a reversal in overly spiritual communities that sees an influence of profit oriented economic factors that prevail and influence religious ones, both in economic ethics choices and in social behaviour.

It is evident how much the economic factor the religious one in the Haredi panorama influences, but according to this last theory, it is also evident how Jewish integrity also leaves room for personal interests for the purpose of profit. This is certainly more evident in the secular community of the State of Israel, but also in the ultra-orthodox communities, it is quite widespread.

### **3.3 Analyse the connection between the religious and economic dimension in the contemporary society of the state of Israel: analysis of evidences through data.**

The analysis in the previous chapters about the influence that religion can have on the economic ethics of the community or population embracing that particular faith was very significant. This therefore also has direct effects on the economic policies of the state. Moreover, it is often linked to the type of religious belief that has representation in government bodies.

An important finding in light of this evidence is that most Jews believe that religion should be kept separate from government. According to studies conducted by the Pew Research Center, six out of ten (60%) Israeli Jews say that religion should be kept separate from government policy. In contrast, a third (36%) say that government policies should promote religious beliefs and values in Israel.

The vast majority of Hilonim, those who are less influenced in their lives by Judaism, (88%) prefer that religion and government remain separate. But as many Haredim (82%) and Datiim (80%) say that government policies should promote religious values and beliefs. The Masortim are about equally distributed, with similar shares in each position.

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<sup>85</sup> Yaish I.M., Perelman Y. and Bental I.B., The price of religiosity: Enticing young Haredi men into secular academic studies, 2019.

Moreover, if the educational factor is taken into account, Israeli Jews with a university degree have more separatist ideas. Even those who have received a secular education are much more likely to say so (62%) than those who have received their highest formal education from a religious institution (18%)<sup>86</sup>.

### Secular-religious divide among Jews on role of religion in government

*% of Israeli Jews who say ...*

	Religion should be kept separate from government policies	Gov't policies should promote religious values and beliefs	DK/ref.
	%	%	%
All Jews	60	36	4=100
Haredi	12	82	6
Dati	15	80	6
Masorti	46	51	3
Hiloni	88	8	4
Men	57	39	4
Women	62	34	4
Ages 18-49	59	37	4
50+	61	35	5
Less than high school	42	54	4
H.S. or more without college degree	57	39	4
College degree	76	19	5
Jewish education	18	78	4
Secular education	62	34	4
<i>Language spoken at home</i>			
Hebrew	58	38	4
Russian	82	10	8
Yiddish	4	92	4
Ashkenazi	70	25	5
Sephardi/Mizrahi	49	47	4

Source: Survey conducted October 2014-May 2015. Figures may not add to 100% due to rounding.

PEW RESEARCH CENTER

Figure 2. Pew Research Center, Source: Survey conducted October 2014- May 2015, <https://www.pewforum.org/2016/03/08/religion-politics-and-public-life/>

The motivation behind this desire to divide the government sector from the religious sector can certainly be linked to what is written in the Sacred Texts of Ultra-Orthodox Judaism about this involvement of the believer in social, especially economic, dynamics that can harm spirituality.

<sup>86</sup> <https://www.pewforum.org/2016/03/08/religion-politics-and-public-life/>

Despite this desire for separation, governments since 2008 have conducted economic activities and decisions in a fruitful manner<sup>87</sup>. A huge economic growth has been found through the analysis of macroeconomic factors such as nominal and real incomes, GDP, unemployment, as can be seen in the Focus Economics report<sup>88</sup>.

The decline in public debt is also an indicator of economic recovery that can be observed in the analysis of recent data, rising from 63.8% in 2015 to 59.6% in 2019.

It is certain that the increase in the population has also had an impact on this growth, especially due to the increase in the workforce to be placed on the market. This increase is logically also linked to the phenomenon of opening up many Haredi communities in Israel, which, as previously highlighted, thanks to secular and economic studies, enter the labour market of secular society, partially breaking with some ideals of the ultra-orthodox Jewish mentality.

## Israel Economy Data

	2015	2016	2017	2018	2019
<u>Population (million)</u>	8.4	8.5	8.7	8.9	9.1
<u>GDP per capita (USD)</u>	35,790	37,350	40,563	41,674	43,658
<u>GDP (USD bn)</u>	300	319	353	370	395
<u>Economic Growth (GDP, annual variation in %)</u>	2.2	4.0	3.6	3.5	3.5
<u>Consumption (annual variation in %)</u>	3.8	5.7	3.3	3.8	3.8
<u>Investment (annual variation in %)</u>	0.0	12.9	4.2	5.0	1.1
<u>Industrial Production (annual variation in %)</u>	2.2	1.7	3.7	3.5	2.9
<u>Unemployment Rate</u>	5.3	4.8	4.2	4.0	3.8
<u>Fiscal Balance (% of GDP)</u>	-2.1	-2.1	-2.0	-2.9	-3.7
<u>Public Debt (% of GDP)</u>	63.8	61.8	59.9	60.4	59.6

Figure 3. Focus Economics, Israel Economy Data, 2020

Socio-economic studies were carried out in the 2000s, highlighting even more how culture, and in particular religion, plays a central role in economic dynamics. This can also be counterintuitive from a modern logical point of view. In the society of the State of Israel the secular factor has always played a marginal role compared to the religious one. Indeed, being the homeland of Judaism, there are four types of main religious subgroups in society. The Hilonim recognized as the least religious, which constitute about half of the Israeli Jews (49%).

<sup>87</sup> Gregg, Samuel, Culture, religion and Israel's economy, <https://www.jpost.com/opinion/culture-religion-and-israels-economy-413748>.

<sup>88</sup>Focus Economics, Israel Economy Data, <https://www.focus-economics.com/countries/israel>

The Datiim, also called modern Orthodox Jews, generally follow Jewish traditions and are the most integrated in modern society compared to the Haredim.

The Masortim occupy the religious "middle ground," but seem to be in decline as a proportion of Israeli Jews. Finally, the Haredim, the ultra-Orthodox, analysed in the previous paragraph, are in clear growth in modern society<sup>89</sup>.

Therefore, the values, as has already been analysed, also affect certain economic consequences. A key indicator for understanding to what extent this influence occurs is that of economic freedom, which connects performance and economic ethics.

In the context of the state of Israel, religion, finds in the Sacred Texts the concept of economic freedom and trade, thus attributing to Judaism the role of promoter of modern capitalism.

Therefore, this freedom has a close connection with the economic prosperity of society, so much so that, since 1995, a real index has been created in order to measure the economic performance of states from the point of view of economic freedom.

Israel enjoys a strong democracy, unique in the region, although there are complications at the governmental level today. From an economic point of view, the Israeli high-tech sector is recognized as a significant source of foreign investment. The discovery of large offshore natural gas fields has also improved energy security and balance of payments prospects. Despite the wars in the Middle East, Israel's modern market economy remains fundamentally sound and dynamic.

To date, Israel's economic freedom score is 74.0, making its economy the 26th freest, updated to 2020. Its overall score has increased by 1.2 points, with a significant increase for the integrity of the government. Israel ranks second among the 14 countries in the Middle East and North Africa region, placing it above the regional and global average.<sup>90</sup>

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<sup>89</sup> Pew Research Centre, 7 Key Findings about religion and politics in Israel, <https://www.pewresearch.org/fact-tank/2016/03/08/key-findings-religion-politics-israel/> .

<sup>90</sup> Index of Economic Freedom, 2020, <https://www.heritage.org/index/country/israel>

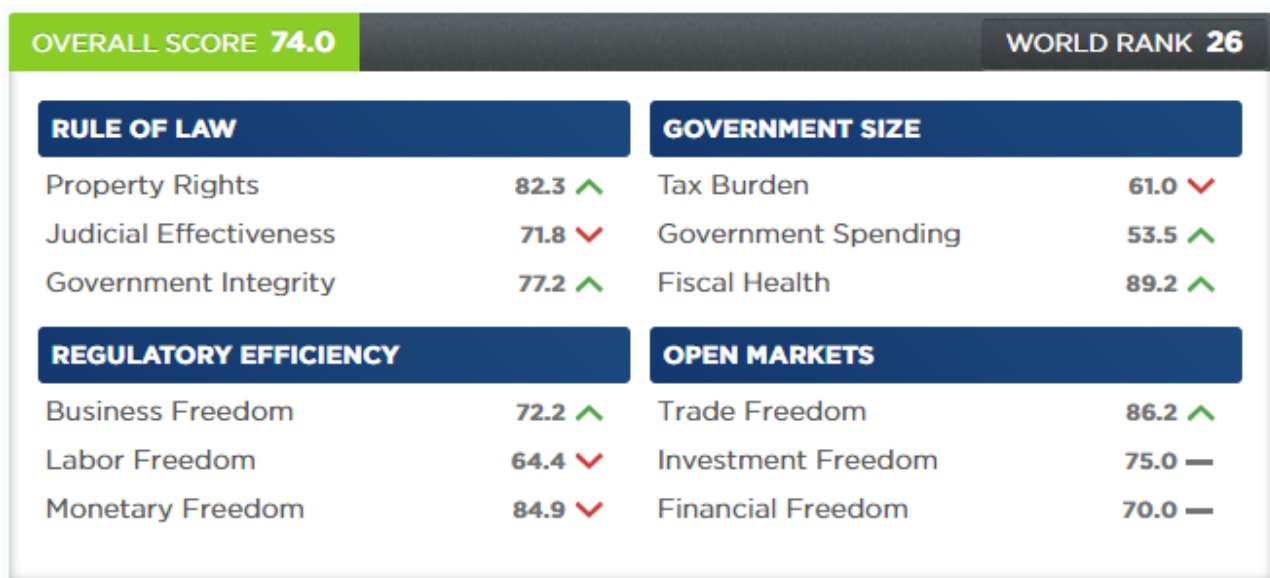


Figure 4. Index of Economic Freedom, <https://www.heritage.org/index/country/israel>, 2020.

Since 1995, public spending has been the indicator that has consistently hindered greater economic freedom in Israel. Considering this, the decline in public spending in recent years highlights even more how economic freedom is actually growing in Israel.

Through further spending cuts and fiscal restrictions, this index could rise to the levels of the more financially developed Western countries. Other policies towards business could also be useful for economic progress such as monetary stability, free trade and open capital markets.

The size of the state that most affects the economic freedom index is that of the Rule of Law, Government size, regulatory efficiency and market openness.

In the context of the Rule of Law, property rights are recognized and protected, and contracts respected, even in cases where bureaucratic processes are difficult. Government integrity, according to available data, has increased, thus improving policy performance.

At the government level, the maximum rate of personal income tax is 48% and the corporate tax rate has been reduced to 23%. The total tax burden is 32.7% of total national income, which is not particularly positive for the overall index analysis. Public expenditure was 39.4% of the country's GDP in the last three years and budget deficits averaged 1.5% of GDP. The public debt is 59.6% of GDP, a decrease compared to previous years.

In addition, Israel includes numerous scientific and technological start-ups and has a highly skilled workforce that allows for increasing business freedom. The government has made it easier to register property and labour market regulations have been changed. The government also offers subsidies to foreign investors, and price controls on specific goods and services.

Finally, from a commercial point of view, the total value of exports and imports of goods and services is 56.8% of GDP, improving trade performance. The average tariff rate applied is 1.9% and 88 non-tariff measures are in force, a stable figure compared to previous years. The investment regime is modern and efficient and

supports high levels of foreign investment. Financial institutions also offer a wide range of services and credit is readily available at market conditions. This general improvement in trade is certainly linked to the liberalization of capital markets<sup>91</sup>.

In conclusion, the most obvious role of this analysis of economic freedom is played by public spending. An article from 2016<sup>92</sup> highlights the real cost of Israel's public spending on religious services. This has led to quite a few controversies on the national scene, but it gives a better understanding of the interconnection in a practical sense between the two dimensions, economic and religious in the Israeli context.

The budget allocations for religious services are usually divided between different ministries, including the Ministry of Education, the Ministry of Culture and Sport, the Ministry of Justice and the Ministry of Agriculture.

According to a study by Haaretz and the organization Israel Hofsheet - Be Free Israel, these appropriations amount to about 8.7 billion shekels (2.3 billion dollars). This sum is 2.3% of the total state budget of 424.8 billion shekel and 13 times more than the budget allocated to the Ministry of Religious Services, which would amount to about 640 million shekels.

The two organizations promoting this financial study have a mission based on the promotion of religious pluralism and freedom from religion. They then examined the budget in detail to determine the amount of money allocated to religious institutions and causes such as, for example, Jewish identity and non-governmental organizations.

The budget for religious services is not fixed and strictly depends on the approval of extra funding for any organization or budget cut, directly managed by the Knesset's Financial Committee.<sup>93</sup>

It is important to remember that there are formal funds that are not part of the official budget for religious services, such as those for yeshivas and ultra-orthodox school systems.

Indeed, the extent of government investment actually allocated to strengthen Jewish religious rootedness in secular social contexts is challenged by secular society.

This certainly brings out an evident secular dissent, but it makes it clear how broad the religious influence is, especially of the ultra-orthodox Haredi community in economic government contexts.

### **3.3.1 A detailed study on no profit organization sector**

Therefore, by broadening the practical analysis of policies concerning the third sector, in particular the one on non-profit organizations, we want to highlight how effectively the religious and economic dimensions are linked. The decision to take into consideration this type of sector with regard to non-profit organizations, in which volunteering is included, is to create continuity with what was said in the previous paragraph, which

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<sup>91</sup> Index of Economic Freedom, 2020, <https://www.heritage.org/index/country/israel> Index of Economic Freedom, 2020, <https://www.heritage.org/index/country/israel>

<sup>92</sup> Haaretz, <https://www.haaretz.com/israel-news/.premium.MAGAZINE-revealed-the-hidden-cost-of-israel-s-public-spending-on-religious-services-1.5430804>, 2016.

<sup>93</sup> See 92

highlights the social and economic contribution of the Haredi communities in the society of the State of Israel, and to approach it to a law of the secular government.

The context of the State of Israel is particular in that it is a country with a large non-profit sector (NPO). The Israeli NPO sector, known locally as the "third sector", after the commercial and public sector, has about 36,000 active and registered non-profit organizations. These organizations work in all sectors and populations of Israeli society and deal with issues such as religion (25%), education and research (20%), culture and recreation (17%), welfare (15%), environmental protection (1%), human rights and international aid.

It should be noted that the highest percentage of Israeli NPOs is precisely related to the religious sector. This data could be instrumental in understanding how these works according to religious economic ethics, especially Judaism.

Much of the growth of the sector has been fuelled by the privatization of public services, which has led to a transfer of responsibility for the provision of social services to the commercial and non-profit sector. Israel's non-profit organizations have become the main providers of social services, taking on many roles and activities that were traditionally carried out by the government, such as the NPO Haredi Yad Sarah itself. These organizations often go beyond traditional welfare roles.

The Israeli NPO sector is considered one of the largest in the world in terms of contribution to the nation's GDP and the number of people employed. Half of the total income came from government transfers to health and education organizations.

Part of the revenues for the Israeli NPO sector came especially from donations, both from the State of Israel and from abroad.

Historically, at the time of its foundation, the State of Israel was perceived as a collective responsibility of the Jewish people and Jewish communities to help build the state's infrastructure provided funds.

Most of the funds were collected by local Jewish Federations on American territory and distributed to Israel through Jewish intermediaries. A managerial culture for clearly defined objectives and capable of measuring the effectiveness of investments has also been introduced.

So foreign financiers are the driving force of non-profit organizations working in particular to promote minority rights, religious pluralism within Judaism, women's empowerment, LGBT rights, peace building. Since most Israeli human rights organizations depend heavily on external funding so much so that often up to 90% of their income comes from donations, especially European ones, recent regulatory initiatives such as the bill to limit foreign funding of politically active organizations that are critical of government policy are creating new challenges for these organizations.

The third sector workforce is relatively young and well educated. Salaries are generally lower than the parallel positions in the business world, but despite this, the higher positions in the non-profit sector is quite competitive as it is a very popular sector.<sup>94</sup>

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<sup>94</sup> <http://kishurim.com/non-profit-sector-in-israel/>



The organizations that are part of this sector play a central role in the formation of basic social and economic policies of the country even before the creation of the state.

Non-profit organizations have continued to provide services and contribute socially by acting as instruments of social change.

Since the mid-seventies, however, the third sector in Israel began to grow dramatically in terms of size and activity. Surely, the changes historically depend on social and economic influences in the country after the Six-Day Wars and Yom Kippur and on the recent influx of Jewish immigrants after the collapse of communism in Russia and Central Europe. Although there are data on non-profit organizations in Israel, they are scattered among many public agencies and there are no links to provide a systematic, comprehensive and accessible picture of the sector, always remaining in the shadows at the national level.

Israel's third sector plays vital roles in providing services and representing the interests of the population. In addition to its social and political importance, the non-profit sector turns out to be one of the main economic forces in Israel, with very significant shares of national spending and employment.

There are more employees in the third sector than in the commercial sector in other sectors. So much so that employment in the Israeli non-profit sector exceeds total employment in several industries.

Obviously, the inclusion of volunteers increases the size of the sector. A central factor is certainly also religion. Because of the multifaceted nature of Judaism, little is the workforce that comes from religious organizations and thus contributes to the expansion of this sector. Moreover, Israel does not have a clear separation between religion and state, and includes some religious activities, such as religious courts, whether Jewish, Muslim or Christian, within public sector institutions. Thus, individuals who perform local and national religious functions are employees of the local or national government. Thus, only a small percentage of all religious employment is in the non-profit sector. The real economic impact of religion on the non-profit sector in Israel lies more in the provision of services affiliated with religion, especially in education.

For a variety of social and cultural reasons, the Jewish religious population is very active in setting up non-profit organizations. This population has initiated more than 40 percent of all NPOs in Israel; however, only a fraction of them receives ongoing public support.

As far as funding is concerned, the Israeli non-profit sector receives most of its revenues from central government and local authorities, and less from philanthropy and labour income, such as taxes and charges. Public funds dominate, in the form of grants and contracts. The structure of non-profit income in Israel changes as volunteers enter the dynamics of the organization. This general model of non-profit funding does not change further if religious institutions, such as synagogues and churches, are taken into account. Indeed, with religion included, the philanthropic share of total non-profit income in Israel remains stable.

Of the total private philanthropic support to the Israeli non-profit sector, about half comes from foreign sources (Central Bureau of Statistics, 1996). The growth of organizations in this sector is primarily fuelled by public payments and its steady expansion is darkly linked to the expansion of public sector support. New wage agreements with health and education professionals have certainly, played a central role.

All these results contradict the common perception that the growth of the modern welfare state is antagonistic to non-profit organizations. In the case of Israel, the growth of the welfare state has promoted the expansion of the non-profit sector by mobilizing public funds to finance third sector services. This has certainly been the model in Israel, where a long tradition of close collaboration between the state and the non-profit sector has made such agreements easy to establish and support, particularly in some fields, such as education and health, where this sector enjoys significant political support.

This growth reflects in part the continued expansion of public sector support in the education and health sectors and in part the growing diversity of the Israeli population and the proliferation of social concerns that has accompanied the slow normalization of public life.

Specifically, it is of fundamental importance to analyse how economically, this sector, widely supported through government grants, has changed and evolved to date.<sup>95</sup>

From the fiscal point of view, the types of organizations qualified as public institutions are granted tax exemption. To determine this characteristic, it is important to examine the legal structure and public purposes of the organization, as well as the activities in which it is engaged. In general, any activity involving religion, culture, education, science, health, welfare, sport or any other objective approved by the Minister of Finance constitutes a public purpose.

In addition, it is provided that tax relief may not be granted for contributions to a foreign NPO unless it adheres to Israeli standards for public institutions and is registered in Israel.

The role and definition of "public benefit purpose" varies somewhat for each form of NPO. The Law of Associations allows amutots to have a wide range of purposes.

According to the Income Tax Ordinance, an organization must meet certain conditions to be recognized as a public institution for tax exemption purposes. One of these conditions is that the organization pursues a "public purpose", i.e. it includes activities related to religion, culture, education, science, health, welfare, sport and any other public purpose approved by the Minister of Finance.

The Law of Associations does not specify what public purposes are permissible for an exchange but prohibits activities that undermine the democratic nature of the State of Israel or serve as a screen for illegal activities [Law of Associations, Article 3].

Finally, the purpose of a public endowment must be to benefit a specific public community or to achieve a public purpose.

The economic activities carried out may be taxed unless they are a central or integral part of the fulfilment of the public purposes of the organization and do not constitute a substantial part of its activities or income [Article 9 of the Income Tax Ordinance].

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<sup>95</sup> Salamon L. M., Anheier H.K., List R., Toepler S. and Sokolowski S.W. and Associates, *Global Civil Society Dimensions of the Nonprofit Sector*, 1999.

About taxation, although there is no automatic exemption when an organization is established, the exemption is granted if the institution submits an annual financial report and a self-assessment indicating the sources of income of the institution.

In order for an organization to obtain malkar status (Jewish abbreviation for "Not-for-Profit Institution"), it must be a group of people, a definition that includes individuals and companies; not engaged in commercial activities for profit; not a financial institution. These are some of the characteristics that according to the legislation of the State of Israel must be pursued by the NPOs in order to be defined as such. It should be noted how important it is, for the purpose of tax exemption, the pursuit of certain directives, so as to be able to benefit economically from governmental facilitations.<sup>96</sup>

Previously it was pointed out that a large amount of funding to Jewish NPO comes from abroad, and especially from the American Jewish communities, which are very deeply rooted and supportive.

Then in 2013, the Government of the State of Israel issued an amendment with the aim of limiting the involvement of foreign state entities in Israeli democracy through the financial support of non-profit organizations. This is seen as an attempt to damage and interfere with the basic characteristics of the State of Israel and its sovereignty.

The Bill to Amend the Income Tax Ordinance of the Amotut Law proposal includes that a non-profit organization that receives a donation from a foreign state body that does not follow the directives added to the law, including denial of Israel's existence as a Jewish and democratic state and incitement to racism, will be subject to a tax rate of 45% on the donation.

This legislative change has an important ethical impact on the Israeli landscape because it subjects foreign donors to the conditions that the State of Israel considers essential in its national context, even at the expense of economic wealth to those who are not Jews.

In addition, taking up the discourse related to NPOs which include charitable actions, central to religious dynamics, it is highlighted that all accounting and financial reporting obligations that apply to Amotot also apply to Charitable companies (CCs).<sup>97</sup>

Among the prime examples of these charitable NPOs, the American Jewish Joint Distribution Committee (JDC) is the world's leading Jewish humanitarian aid organization. Since 1914, the JDC has exemplified that all Jews are responsible for each other and for improving the well-being of vulnerable people around the world. To date, it works in more than 70 countries and in Israel to alleviate hunger and hardship, safeguard Jewish minorities, and provide immediate aid and long-term development support to victims of natural and man-made disasters.

Given the core values of mutual accountability, JDC holds a position essential to the survival of millions of people and the advancement of Jewish life around the world.

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<sup>96</sup> NONPROFIT LAW IN ISRAEL, <https://www.cof.org/content/nonprofit-law-israel>.

<sup>97</sup> The Amotot (Non-Profit Organizations) Law, Bill to Amend the Income Tax Ordinance, 2013.

Another NPO affiliated with JDC is Israel Unlimited. It works in collaboration with various departments of the Government of Israel, including the Ministries of Finance, Health, Interior, Senior Citizenship, Social Affairs and Social Services, as well as the National Insurance Institute and local authorities. This cooperation is aimed at systemic change, forming new collaborative services and ensuring the continuity of the JDC-Israel Unlimited programs.

Israel-Unlimited was established as a partnership between JDC Israel, the Israeli government and other partners, as a leader in the development of services and programs for people with disabilities in Israel. The mission of this organization is to research, design and implement new social services for people with disabilities, which can lead to an improvement in life, greater participation in society and a change in reality. So especially in these last two examples of charitable companies, we see the influence of the Jewish religious factor, so much to emphasize even more its fundamental role in the state and society.<sup>98</sup>

Its influence is evident in this area in relation to the values that underlie its birth and activity, in its financing, in its structure and in its relations with other institutional actors.

As has already been pointed out, philanthropy, volunteerism and mutual aid have always been the determining factors in Jewish society. Religion and tradition have encouraged Jews to contribute to the needy, both as individuals and in organizations, without expecting anything in return.

Historically, many social aspects in the times of the Jewish diaspora have been managed through the non-profit sector, and the welfare functions of society have been seen as a community task. This is in line with what is stated in the definition of Jewish economic ethics. The culture of giving and volunteering triggered a model of using non-profit organizations as a means of social and community action and to provide services both before 1948 and after the establishment of the state.

In particular, funds raised by the Jewish Agency and similar organizations have been directed to the government through the non-profit sector and have been designated for programs developed according to the government's priorities. This flow of funds was an important complement to the national budget as a source of funding for various social and economic enterprises. In this way it is clear how the Jewish community has always contributed to the welfare of the State of Israel, making the division between these two dimensions increasingly difficult. In support of this, it is clear that

Judaism, being both a religion and a nationality, defines the State of Israel as strongly religious. Indeed, the guiding principle in Israel is that of the "status quo" between religious and non-religious, established during the first government by Ben-Gurion. According to this bilateral compromise, the religious will renounce the ideal of enforcing traditional Jewish law in all aspects of life, while the secular population will grant the principle of personal freedom in some areas such as marriage, divorce, burial, Sabbath laws and others, which are carried out by religious institutions founded and funded by the government.

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<sup>98</sup> <http://israelunlimited.jdc.org.il/en/partners>

This, together with the monopoly given to the orthodox Jewish orientation in the interpretation of Jewish law has influenced the structure of the non-profit sector. This has enabled them to secure government funding for their non-profit organizations, with the result that a large number of these organizations comprise about one-fifth of the entire sector, dependent on government funding.

In addition, the great influence of Judaism in its various forms pushed out of the environment of the non-profit sector other religious orientations as considered a threat to Orthodox hegemony. In terms of funding and legitimacy, they have had to operate completely outside the realm of state-funded religious institutions, and consequently all their activities are in the form of non-profit. So religious values and a sense of community have always moved behaviour, not only social, but also economic, as in the case of the Jewish charitable NPO who have contributed to the general welfare of the State of Israel.<sup>99</sup>

What has been said in the previous paragraphs of this chapter about Jewish economic ethics certainly has an impact in the non-profit sector, especially if one takes into account the scope of wealth accumulation and its fight against poverty as an evil to be eliminated in Jewish society. The condemnation of individualistic behaviour has therefore moved Jewish communities to be the first promoters of the non-profit sector, and most likely this has economically elevated the entire society of the State of Israel, emphasizing the core values of Judaism and not greatly loading public expenditure in the financing of those activities aimed by CC NGO.

According to what has been analysed especially in relation to CC and the economic impact on society's expenditures, the labour market and the exemption from taxation, it is evident how this dependence between the religious and economic dimensions exists.

Everything that depends on the Jewish religion, starting with donations, the increase in national wealth through religious NGOs, which are the highest number among all the NGOs in the country, and the ethical contribution they make to society. Therefore, it becomes evident, especially in the NGO sector, the overlap between national and Jewish values, making it increasingly difficult to split the state and religious dimensions.

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<sup>99</sup> Salamon L.M. and Anheier H.K., DEFINING THE NONPROFIT SECTOR: ISRAEL.

## Conclusion

Given the historical evidence, religion has always played a fundamental role in the formation of the state, especially if one considers the case of Judaism in the State of Israel. What is more particular and decisive here is the very close interconnection of the two dimensions, precisely because Israel was built to be the homeland of the Jewish people. The dimensions of the state are evidently imbued with the religious factor, being the majority of the population of Jewish religion.

The economic field, on which we focus our research, has important foundations that can be found in the Sacred Texts of Judaism and which form it in detail. It is precisely from the Talmud, the Torah and the Old Testament of the Bible that the economic ethics of the Jews are extrapolated. Especially how the question of wealth and poverty is presented in these texts is essential to understand how economic and social actions must be well defined and in conformity with religion in order to consider them just.

In general, the position that culture holds in every society defines and actually makes one understand how fundamental it is in every type of society. In every dimension of the state, including its internal organization, the supremacy of the cultural element, and therefore also the religious element, is recognized.

Analysing also how religion has always had to do with economic growth, one starts from the assumption that religion itself has the power to influence and direct the behaviour of individuals and the community. Ethics is in fact a fundamental part of economic behaviour for the promotion of growth, creating the conditions for development. It follows that at the social and economic level the two dimensions under analysis are inextricably linked, both in an individualistic and collectivistic sense. This is because often the choices of economic and political action are driven by the religious, even in state contexts where secularization has sought to set religion aside.

Every theoretical study exposed has as its basis the existence of the religious dimension to determine individual and state economic action. With regard to the variables of religiosity and economic growth, it is strongly noted that the strongest religious beliefs have the power to stimulate growth because they help to sustain specific individual behaviours that increase productivity.

The role that Judaism and the economy play and have played in the State of Israel, especially considering these two interconnected dimensions, is certainly made even more particular by the presence of some ultra-orthodox Jewish religious communities that really and faithfully place religious precepts as cornerstones in the social, legal, economic and political construction of their micro-society. Some of the members of these communities are less interested in Jews as a united people and prefer a vision of communities only as deeper spiritual environments. As a result, this has broad social and economic implications in relation to the labor market and the economic government subsidies they receive because of their complete devotion to the spiritual dimension of the individual and communities of which they are part.

Thus, Judaism has its own important contribution to make to social ethics, and that this has clear economic implications.

In fact, all economic and commercial aspects have been accepted as legitimate by Judaism, as long as they derive from fair, honest, equitable and ethical business relationships.

Also, from the educational point of view, the Jewish teaching of economics and commerce exalts the application of fundamental Jewish ethical precepts in the field of socio-economic activity.

The importance of economic freedom in society, linked to the factor of public spending, helps to frame the level of modernity and socio-economic development of the country.

Moreover, Jewish economic ethics also impacts the policies of the social sector, especially the non-profit sector. The condemnation of individualistic behaviour has moved Jewish communities to be the first promoters of the non-profit sector, and most likely this has economically elevated the entire society of the State of Israel, emphasizing the core values of Judaism and lightening the state economic commitment to the activities of the sector.

The clear dependence, above all from the Jewish ethical and moral point of view, of the non-profit sector has also had an economic impact on national spending and the labour market.

Therefore, in conclusion, religion has a decisive influence on the economic performance of states, the latter being a dimension that often finds its foundation in religious precepts. In particular, as mentioned above, the case of Judaism in the State of Israel is particularly relevant given the unique nature of management and organization between the secular and the spiritual. The modes of influence therefore derive from what defines the guidelines of religion, namely the Sacred Texts. These are concerned with clearly defining the economic ethics of religion in matters of wealth, poverty, economic aid, labour market, macroeconomic adjustments related to the right price, always placing at the center what is called social justice related to God.

## Summary

The basis of this dissertation is focused on the study of how religion is able to influence economic performance especially by focusing the analysis on the case of Judaism in the State of Israel towards economic policies.

Analysing this dimension connects the two areas, the sociological and social one of religion and the economic one, pointing out that with economic policies I decided to focus on a particular sector that contributes to the economy of the State of Israel: the third sector, which in particular includes non-profit organizations.

The main objective is to understand through the right means how particular the context of Israel is, since it is a young state with specific characteristics compared to neighbouring countries.

How the religious dimension has the power to influence the economic dimension and from what this derives is to be found in the other dimensions of the State: the political, historical and cultural dimensions.

The religious factor in societies has always been prevalent in the composition of all the community dimensions and influences in many aspects especially the economic one, placing culture and society at the centre and how these two are intertwined in order to create a harmonious economic environment with all the internal and external input in the country.

The relevance of religious experience is a phenomenon that affects the individual and social level. It is a factor that marks personal identity and is able to significantly characterize the political and institutional dynamics of many contemporary state systems.

Despite the advance of the cultural phenomenon of secularization, which tends to exclude the religious factor from human dynamics, there is a sort of recovery of the individual and collective religious dimension.

A political analysis is useful to understand the relationships between the religious and economic dimensions. In history, political exponents, through their ideological tendencies, placed the religious factor at the top of the scale of values that they presented to their voters, as in the case of American President Kennedy. The political culture of the country and its historical evolution have a central role in defining the internal cultural dynamics of a country by defining it in its internal and international political identity. The historical background of the country is essential in explaining the path and development of the political and historical tradition. The influence of religious faiths has impacted the functioning of the state politically, legally, and economically.

The civil role of religion is the result of the constitutional status granted to religion itself and related to the fact that it is often not proclaimed as a state religion, but that there is generally fluidity.

The religious dimension of a modern state can play a primary role, if considered by the internal system as a state religion and involved in decision-making processes; a secondary role, if in the state there is freedom of religious belief and importance is given to any religion that defines the identity of the state and the population; finally a combination of the two previous roles, as in the case of the State of Israel and Judaism, the subject of the case study of this thesis.



In particular, in the case of the state of Israel it is important to highlight how this is a Jewish and democratic state. These two characteristics may seem incompatible, but their integration derives from the founders of the state and constitute the guiding principles of the nation. The Talmud, a corpus of Jewish law, and the Jewish Bible define the authoritarian character of the law, the individual and humanitarian interest, the exhortation of prophets and rabbis derived from the reading and interpretation of the Holy Scriptures. In these sacred texts the care of the weakest members of society and the importance of equality before God, also connected to modern democratic philosophy, are encouraged. Care for the members of society who are most in difficulty was also one of the concerns of the community institutions, a factor which in the Israeli democratic system has been translated into welfare policy.

Jewish society in Israel is composed of observant and non-observant Jews, who form a spectrum ranging from the ultra-orthodox, who live in isolated and separate communities, to those who consider themselves secular. The purpose of the State of Israel is to serve primarily as the motherland of the Jewish people, and extensive debates have been held on the role that religion should play in setting the policies and laws of the state. The country is committed to upholding and maintaining the fundamental freedoms that such a political system entails, but as a state with a clear Jewish heritage, it strives to preserve its particular character, derived from Jewish sources. Although Israel has no state religion, there is no clear distinction between religion and state. At the legislative level it is well known that there is no real constitutional charter that regulates all dimensions of the state.

The new state of Israel born in 1948 turned out to be an unexpected economic force compared to its small size, but it derived from the resources coming from outside, especially the European and American Jewish communities, and from the preparation and initiative of the political leaders who led the country towards independence, such as the Labour exponent David Ben Gurion.

The origin of the state-religion relationship lies in the Proclamation of Independence. From here it is clear that the religious and political dimensions, with state-building, are effectively interconnected.

The socio-economic analysis on which the research question is based is aimed at analysing the extent to which the economic performance of states is influenced by the cultural and traditional factors of a country.

In the Sacred Texts, as in the Jewish Bible, an ideal of total equality between rich and poor is not indicated, but the rich has limits in the accumulation of goods and in the centralization of productive resources. Promoting progress, innovation and economic development is part of the plan of creation and is one of the main tasks that have been entrusted to humanity.

The general concept of economic ethics, decisive for the research of theses, was introduced only in the 20th century, when the first scholars began to study the subject in depth. The studies were based on the negative impact of misconduct that in economic life would damage the foundations of the market economy.

Therefore, from this assumption was built the idea that it is precisely individual and collective ethics that ensure the proper functioning of the market and trade, both in the state and global reality.

Ethics is a fundamental part of economic behaviour in promoting growth, creating the conditions for competitiveness and employment. In this ethical dimension there are all kinds of conditionings that form the overall being of the individual.

Among these, the moral and religious dimensions, together with the political, social and economic dimensions, form not only individual ethics, but also collective ethics.

Therefore, the centrality of the study of the religious dimension emerges in order to give an overall interpretation of Western civilization, its transformations and a comparative analysis of social and cultural structures, to then explain how the ethical dimension is built.

Through Weber's studies, it is highlighted through the concept of economic ethics how important are the mutual influences between some variables that characterize a social organization and its culture.

The main intent of his studies has been to re-evaluate the importance of the contents of religious consciousness for the conduct of individual life, for culture and for the distinctive characteristics of a people, without neglecting historical interpretation. With his analysis Weber did not intend to mechanically link religion to the characteristics of certain social strata, but rather believed that this relationship was variable, and that the function of an economic ethic based on religion could not be defined in a simplistic way. In fact, despite the depth of social, economic and political influences conditioned by religious ethics, religious sources are still primary. Therefore, economic ethics is one of the fundamental testimonies of the effort made by universal religions to regulate on a religious basis the activities of daily life. Historically it is argued that business ethics is probably as old as commerce itself.

In general, the term ethics refers to right and wrong conduct within a framework of rules and principles, a kind of moral principle that guides individual values and is used for the analysis and interpretation of situations in order to make the right decision in terms of behaviour. Taking into account the particular case of ethics in business, its main purpose is to induce individuals to comply with codes of conduct to ensure public trust in the services and products offered. While, business ethics is a form of applied ethics that examines ethical principles and moral or ethical issues that arise in a business environment. To best define this ethical decision-making process, it is fair to highlight the existence of various factors that can have a direct or indirect impact on business ethics, whether it be gender, age or cultural values, in addition to those related to business.

Certainly, religion has something to offer business because it makes there a close relationship between the business person's responsibility to contribute to human satisfaction and what religion calls charity.

Religion and religiosity have much to say about moral and ethical behaviour in a business context. This, of course, does not mean that religion is the only source of morality, but rather that it is a source of morality, however important.

It is important to take into account the factors that influence the consumer to understand how religiosity is rooted in this dimension as well. A study has highlighted the correlations between consumer religiosity and lifestyle constructs, measuring religiosity by church attendance, the importance of religious values, trust in

one's religious values and religiosity. One of the most important results was that church attendance alone is not a satisfactory measure of religiosity, and a multidisciplinary measure is clearly needed.

However, despite numerous studies, it has emerged that a consistent measure of religiosity remains elusive. Religiousness is a very internal dimension of the individual and the variables used for the measurement are poorly defined to create a precise empirical scale.

Therefore, it is important to take into account multiculturalism in the analysis of the relationship between business ethics and religion, considering culture as an essential factor in the definition of the general individual ethical dimension. Therefore, religiosity influences people's values, habits and attitudes. Religion also favours or disapproves of social behaviour and, therefore, is an important institution that exercises control over beliefs and behaviours.

Also, the political factor, like the cultural factor just analysed, seems to have an essential importance in the definition of business ethics related to the question of religiosity, privileging an exclusivist perspective. Despite this, through empirical evidence, it is concluded that the inclusion of the religious factor in the definition of ethics is also essential at the political level.

Experts over the years have focused on the study of capitalist systems, since their first presentation in the economic apparatus due to the influence of the American capitalist system.

In addition, approaches have been developed that also include the role of religious influences in the functioning mechanisms of some economic systems. The studies have mainly concerned the effects on religiousness of economic development, governmental institutions and the composition of religious affiliation, as well as an evaluation of the influence of religion on economic growth. The effects on the growth of religious belief and participation and the composition of religious adherence in the main religions were the elements underlying the studies. The challenge for modern societies is therefore to be able to fully interpret the meaning and scope of the religious dimension, considering how the religious factor is able to influence the different modernity that is emerging in contemporary times.

It is well known that religious beliefs influence the economy by promoting characteristics such as work ethics, honesty, thrift, charity, hospitality to foreigners and so on. It has therefore been noted that, by valuing these traits, greater religiosity could stimulate investment and economic growth. For Weber, religious belief is what counts for economic results. This approach is at odds with a social and cultural capital perspective, where the factors of participation in formal religious services would be those that promote growth. The special characteristic of religion that reinforces the hypotheses of this study is its potential influence on beliefs that condition individual and collective traits and values. Even in alternative contexts where religion is presented as obscure, the social capital and cultural aspects of religious services are only significant to the extent that they influence behaviour. For some beliefs, more time devoted to common activities would tend to be a lost economic term of GDP, at least according to market production. Therefore, belief in relation to the variables of belonging or participation is the main channel through which religion counts for economic performance.

Capitalism is interpreted as a true religion, distorting the theoretical-empirical studies that have been presented so far. This capitalism-religion relationship is seen with a critical eye by many experts. In fact, those who propose that capitalism is a type of religion want to undermine its scientific aspect, going against the true economic nature of the term. However, there is an alternative approach that is evaluated in a more positive way. It is presented under the name of "economy of religion" and presupposes the application of the dominant economic theories of capitalism, such as the neoclassical one, to understand religious activity. Through the presentation of these studies, which link religion and economy in different ways, these two factors are inextricably linked at the social level. This direct relationship is understood in an individualistic and collectivistic sense, making the role of individual and collective choices essential in the social contexts of modern states, such as economic and political. Often these choices are motivated by religious action, even in state contexts where secularization has taken over or historically dominated the national panorama. It is therefore important to observe how every theoretical study often presupposes the existence of the religious dimension to determine individual and state economic action, so much so as to be interconnected in every social context.

Economic growth is one of the fundamental elements that characterize the economic performance of a state. The theories of economic growth are mainly based on the neoclassical model. One of them is the ownership of convergence. This fundamental element exists when the level of GDP per capita among countries tends to assume a common level, which represents the balance of the growth process. Therefore, the lower the initial level of real GDP per capita, the higher the expected growth rate.

Several hypotheses have emerged from empirical surveys based on religiousness variables as key factors of economic growth. The dependent variable in these surveys is the growth rate of real GDP per capita. Among the results of the study was found that the greater number of believers than membership favours economic growth. Therefore, growth is favoured when the religious sector is unusually productive, in the sense that production is high relative to inputs. A greater amount of time and resources spent on formal religion could be a drain on resources, which would reduce market production, and consequently GDP.

On the contrary, referring to empirical research on data on religiosity, it was found that participation in formal religious services had a negative impact on economic growth, but the results of this study are not so categorical with respect to this aspect. This relationship depends on the extent to which greater participation has the power to instil higher beliefs. Another important feature emerging from the results is Weber's thesis that the role of religion influences individual beliefs, traits and values. Through surveys, preliminary results have shown that religious beliefs actually improve economic growth by shaping individual traits and values. In this context, the formation of beliefs becomes fundamental at the individual and community level.

Resuming the Weberian study, the results in question conform to a model in which religious beliefs influence individual traits that improve economic performance. Therefore, for some beliefs, greater frequency in church means more resources used by religion.

It is believed that culture conditions economic performance by influencing fundamental traits such as honesty and work ethics. Religion has always been an important dimension of culture and Weber also argues that religious practices and beliefs have important consequences for economic development. Relevant theories include that of secularization, according to which economic development means that organized religion plays a minor role in social and legal political decisions: and that the role of economic development and other demand factors is minimized and focused on competition among proponents of religion.

The study of the determinants of religiosity presupposes that the forces of supply and demand combine to influence levels of participation and religious beliefs. The importance of these determinants lies in being tools that facilitate the analysis of the effects of religion on economic growth. Thus, religiosity responds to economic forces. To isolate the effect of religiosity on economic growth, it is necessary to take into account the endogeneity of the variables of religiosity, since the religious factor is essential in the culture of countries.

Therefore, considering the role of religion as a deterrent to economic growth, religion is defined as determining economic performance. This is essentially because it promotes religious beliefs that influence individual traits such as honesty, work ethics, thrift and openness to outsiders. From this point of view, organized religion, and more specifically participation in religious services, would influence economic results. The analysis of the determinants of religiosity has made it possible to construct a set of mental variables to estimate the effects of religion on economic growth.

The concluding basic hypothesis of the studies conducted by Barro and McCleary focuses on the fact that stronger religious beliefs have the power to stimulate growth because they contribute to supporting specific individual behaviours that increase productivity. At the same time, they also argue that higher levels of religious participation depress economic growth because greater presence means greater use of resources by the religious sector. The Jewish religion has invaded all dimensions of the State of Israel, since it is predominantly composed of Jewish citizens and taking into account in a significant way the sacred texts that refer to the religion itself. Therefore, the relationship between Judaism and economic activity is based on some basic concepts such as money, wealth, jobs and economic initiatives. All these activities find their basis in the Jewish sacred texts: The Old Testament of the Bible and the Talmud. The importance of the connection between Judaism and economic activity exists because the Jewish religion creeps into all dimensions of community life, not just as a cultural characteristic of a population. An important characteristic also lies in the Jewish conception of activities as personal service to God, thanks to which religion begins to hold a fundamental position, even in the economic aspects related to the acquisition of money. The law is another fundamental element as it shapes the entrepreneurial spirit. Remuneration and money play an essential role in the definition of economic activities. Both, through the concept of compensation, are a means that leads to peace and for the administration of social justice.

The essence of Judaism that derives from the biblical stories of Exodus, starting from the Jewish people's journey from Egypt to Israel, appears to be the basis of the nation's history, also explaining its characteristics on a social level. The wealth is postponed to religious worship and money raised to a simple instrument of

God. Speaking specifically of the issue that links the labour market and religious dimension, those who were formerly wealthier in Jewish societies were certainly financiers, jewellers, doctors and merchants. There was a direct link that connected their wealth, due to the profession they performed, with their knowledge and study of the sacred scriptures, particularly the Talmud.

Conceptually, therefore, there is a marked analogy between Jewish ethics and the guiding principles of the Jewish religion. Also, from the economic point of view, therefore, through the sacred texts and religious tradition, one can see how ethical business is influenced by this dimension.

The work occupations of Jews have a historical path in line with the question of the Judaism-economy connection and that of Jewish business ethics.

For Jews, money was an essential element, considered a mechanism by which the sacred was transformed into the profane and a means of resolving conflicts, organizing solidarity, being free from constraints and serving God. All this was therefore functional to the good functioning of society, as well as one's own spiritual life. Currency and wealth were fundamental elements in this economic-spiritual thinking, so much so that they were central to the management of human relations and responsibilities in the governance of civil society. Moreover, for the observant Jew not to fall into individualistic and stingy behaviour, condemning excess and raising the true wealth proclaimed by religion: life.

In any case, the basis of Jewish economic ethics is founded on the fact that spiritual concerns and moral demands must prevail over material ones. Only in this way is it even more understandable how the spiritual religious dimension has absolute prevalence over the "things of the world.

Work is considered praiseworthy for the individual and social assistance is provided in case someone could not or could not work. These assistances are provided both by individual communities and by the Temple, the highest religious authority. These social mechanisms are essential to highlight once again how important for Judaism the concept of community of brothers and sisters and of aid without personal return is, which is difficult to observe in many societies that place the economic and work sector at the centre of their mentality. Jewish communities have contributed to the transformation of contemporary society into a mercantile and money-dominated society, supported by the process of globalization and virtualization of economies, thanks to strong ethical and moral values. Surely this criticism goes against those fundamental precepts of their economic ethics based on wealth and solidarity towards the poorest, but it fully describes the historical evolution that this community has undergone economically.

In the definition of economic ethics, in particular business ethics, of those who are part of Judaism, it is essential to refer to sacred texts such as the Talmud, written to strengthen the integrity Jewish and improve the ethical dimension of the means involved in the transfer of funds. The text argues that wealth is a work pleasing to God, which is why he gave man the land for the enrichment of communities since ancient times. Moreover, the Talmud offers, on an economic level, practical advice for positive financial management. As far as work is concerned, there are some recommended professions and it can be noted that these are essentially those that allow commitment to spiritual concerns or that have a spiritual component.

All these considerations are in line with the religious foundations of Judaism in terms of economic support and equality among community members. Among the Jewish precepts there is a kind of obligation to do acts of charity for the less well-off members of the community. Through this method of sharing wealth, we try to connect again the religious dimension to the economic one, looking for a way to be useful to others in a "missionary" sense.

It is particularly interesting to consider the implications of the Torah both for the economic behaviour of Jewish individuals and businesses at the microeconomic level and for government policy in Israel.

A paradoxical aspect implying Jewish economic ethics concerns interest transactions. These were strongly forbidden by Leviticus against the poorest, while they were allowed with non-Jews. In this way the involvement of Jews in the lending of money and landed estates was justified.

Obviously central is the focus on fair trade and honesty in all transactions. Deception is considered a temptation to be avoided, since high ethical standards must be maintained in commercial transactions, especially those related to religion. Market intervention by national authorities may therefore be permissible, including price regulation. The concept of a fair price, *ona'ah*, in Judaism seems to imply an honest price without exploitation. The *ona'ah*, however, applies only to transactions between Jews. Honesty is required in all business relationships, but specifically no restrictions are required if the Jewish partner is in a superior contractual position to protect the financial position of a non-Jew.

Given the importance attached to Holy Scripture, economic policy in ancient Israel was to be seen as an attempt to restore balance, the perfect order.

The case of the economy in the State of Israel turns out to be modern and at the same time very Western, despite the fact that in political terms it is considered a Jewish State very much linked to Jewish religious traditions, which regulate many spheres of economic action. In light of this, it is also interesting to note that religious parties are relatively little committed to economic policy in Israel, damaging the historical efforts made for inclusion in the developed world and for the modification of practices closely anchored to the religious dimension.

Sink down the roots of the analysis in the context of fundamentalism, it is important to remember that there has always existed a part of the Jewish religion with particular characteristics at the social, economic and organizational level of society, the Haredim. Refusing to seek employment in a secular economy or to participate in the army, these Jews perceive themselves as an independent religious community and actively seek to preserve this distinction.

This community welcomes the most faithful interpretations of the Torah and insists that Israel's democracy incorporates the central principles of biblical law within its governing bodies.

Haredim's rejection of the economic, educational, social and military pillars that constitute the backbone of modern Israel has a high cost to the state. The high rates of unemployment and the refusal to participate in the Israeli army put the Haredim at odds with the vast majority of Israeli Jews who do not share their values but support them with national financial contributions provided by the government.

The main occupation of the Haredim is the full-time study of the Torah, which they consider a lifelong learning process that begins in youth and continues until death. Economically, the Haredim continue their traditional dependence on the surrounding society as they do not play all the roles necessary for a fully functioning community.

One of the main accusations made by the lay community is that this community is made up of deliberately poor individuals and is unable to sustain itself financially without the significant help of the Israelis who instead work and contribute to the wealth of the state.

For purely religious reasons, the Haredim do not consider themselves Israelis, nor do they accept the legitimacy of Israel as a state. They feel absolved of their responsibility to fulfil the obligations of the State, with the exception of those prescribed by the Torah.

Since the 1990s, the Haredi community in Israel has been undergoing important changes. As a result, the Haredim have changed their views on politics, religion, economy, medicine, aid, gender and family. This change certainly stems from growing interactions with the wider non-Haredi public. In this process, Haredi members have gradually accepted elements of secular Israeli attitudes and minimized tensions between the state and civil society. Although the ideal of religious poverty is strong, the current deterioration in living standards affects even the most devout members. For economic reasons, there is an increasing participation in Haredim's work outside the community.

An important aspect to emphasize is the different relationships that have developed in recent years between the members of Haredim, the state and civil society. Yad Sarah, a humanitarian organization initiated by Haredi members that provides services to all Israeli citizens, including non-Jews, was born in response to the weakening of the welfare state and the lack of aid for the poor and elderly in Israel.

As a no profit volunteer organization, the work of volunteers is explained as focusing on the basic problems of humanity but with a particularly Jewish religious touch. This phenomenon can be defined as "inclusive fundamentalism" because it is based on a worldview of religious inspiration and actively involves broader notions of belonging and commitment.

There exists in the actions of this organization a dimension that responds to changing economic pressures and the weakening of the welfare state in providing health care. In fact, Haredim does not only use the institutions of the state and civil society for its own limited instrumental purposes, but also seeks to achieve a role through active participation in the wider civil sphere.

The intersection of the economic and religious dimension of the Haredi Judaism case stems from the offer of services to the poorest and neediest described in detail in the Holy Scriptures and which defines Jewish ethics in the economic field. The particular note in this case is of course in the fact that Haredim Judaism chooses to conduct this type of economic and social life, but one of the foundations of Jewish economic ethics about fighting extreme poverty remains stable and clear.

One of the decisive evidences to explain how and how much Haredi Judaism differs from the mainstream in the economic field lies in the different economic ethics that they have developed, strongly linked to the



educational system. The Haredi educational system, financed by the State of Israel, refuses to teach those "secular" subjects typical of the public school. The economic consequence is that these yeshiva students are not allowed to do vocational training during this period, so as not to lose the exemption. Therefore, given this obvious impossibility to be part of the labour market for purely economic reasons, an attempt has been made to go ahead with national legislative reforms for a partial inclusion in the labour market for young Haredi. Given the government's permissive policies regarding the educational system, it was possible for the political and rabbinical leadership of Haredi to create a new Haredi Judaism without economic responsibility. The internal Jewish debate about the value of work, the dignity of economic self-sufficiency, the religious ideal and voluntary unemployment of Haredi communities is ethical, religious and economic.

In a practical sense, at the end of this analysis one wonders what is the economic price that Haredi men are actually willing to pay for their religious beliefs. Certainly, Haredi norms represent a challenge to standard economic theory, according to which an individual's behaviour depends on economic variables. Therefore, the economic compensation needed to entice Haredi men to acquire a secular academic education at the expense of their religious identity lies in the economic price they might be willing to pay for their orthodox religious beliefs. This may certainly seem a paradox compared to what has been said about the preservation that Haredi communities have always pursued in secular state contexts. At the same time, what becomes clear is that sometimes there is a reversal in overly spiritual communities that sees an influence of profit-driven economic factors that prevail and influence religious ones, both in economic ethics choices and social behaviour. It is evident how much the economic factor is influenced by the religious one in the Haredi panorama, but according to this last theory it is also evident how Jewish integrity also leaves room for personal interests for profit.

So, there are direct effects about the influence that religion can have on the economic ethics of the community or population, even on the economic policies of the state. This is often linked to the type of religious belief that has representation in the governing bodies. In fact, most Jews believe that religion should be kept separate from government. The motivation behind this desire to separate the government sector from the religious sector can certainly be linked to what is written in the Sacred Texts of Judaism about this involvement of the believer in social, especially economic, dynamics that can harm spirituality. The economic growth that has characterized the state of Israel since 2008 is certainly linked to the increase in population, and above all to the increase in the workforce to be inserted into the market, also linked to the phenomenon of opening up many Haredi communities in Israel that enter the labour market of secular society, partially breaking with some ideals of the ultra-orthodox Jewish mentality.

Socio-economic studies have been carried out in the 2000s highlighting even more how culture, and in particular religion, has a central role in economic dynamics. This may also be counterintuitive from a modern logical point of view, but in the society of the State of Israel the secular factor has always played a marginal role compared to the religious one.

A key indicator to understand the extent to which this influence occurs is that of economic freedom, which connects performance and economic ethics. This freedom has a close connection with the economic prosperity of society, so much so that, since 1995, a real index has been created in order to measure the economic performance of states from the point of view of economic freedom. The most obvious role of this analysis of economic freedom is played by public spending.

Therefore, by broadening the practical analysis of policies regarding the third sector, in particular that of non-profit organizations, it is intended to highlight how the religious and economic dimensions are effectively linked. The context of the State of Israel is particular in that it is a country with a large non-profit sector (NPO). These organizations work in all sectors and populations of Israeli society and deal with issues such as religion (25%), education and research (20%), culture and recreation (17%), welfare (15%), environmental protection (1%), human rights and international aid.

The highest percentage of Israeli NPOs is related to the religious sector. This figure could be instrumental in understanding how these works according to religious economic ethics, especially Judaism. Much of the growth of the sector has been fuelled by the privatization of public services, which has led to a transfer of responsibility for the provision of social services to the commercial and non-profit sector. Israel's non-profit organizations have become the main providers of social services, taking on many roles and activities that were traditionally carried out by the government, such as the Haredi NPO Yad Sarah itself. The Israeli NPO sector is considered one of the largest in the world in terms of contribution to the nation's GDP and the number of people employed. Half of the total income came from government transfers to health and education organizations. Historically, at the time of its founding, the State of Israel was perceived as a collective responsibility of the Jewish people and funds were provided by international Jewish communities to help build the state's infrastructure.

Foreign funders are the driving force behind the non-profit organizations working in particular to promote minority rights, religious pluralism within Judaism, women's empowerment, LGBT rights, and peacebuilding. The organizations that are part of this sector play a central role in the formation of basic social and economic policies of the country even before the creation of the state.

There are more employees in the third sector than in the commercial sector in other sectors. So much so that employment in the Israeli non-profit sector exceeds total employment in various industrial sectors. Obviously, the inclusion of volunteers increases the size of the sector.

In this context, religion plays a central role. The real economic impact of religion on the non-profit sector in Israel lies more in the provision of services affiliated to religion, especially in education.

Religious influence is evident in this sector in relation to the values that underlie its birth and activity, its funding, its structure and its relations with other institutional actors. Philanthropy, volunteerism and mutual aid have always been the determinants in Jewish society. Religion and tradition have encouraged Jews to contribute to the needy, both as individuals and in organizations, without expecting anything in return.

Historically, many social aspects in times of the Jewish diaspora have been managed through the non-profit sector, and the welfare functions of society have been seen as the task of the community. This is in line with what is stated in the definition of Jewish economic ethics. The culture of giving and volunteerism has triggered a model of using non-profit organizations as a means of social and community action. The flow of funds has been an important complement to the national budget as a source of funding for various social and economic enterprises. In this way it is clear how the Jewish community has always contributed to the welfare of the State of Israel, making it increasingly difficult to divide these two dimensions.

The guiding principle in Israel is that of the "status quo" between religious and non-religious, established during the first government by Ben-Gurion. According to this bilateral compromise, the religious will renounce the ideal of enforcing traditional Jewish law in all aspects of life, while the secular population will grant the principle of personal freedom in some areas. This, together with the monopoly given to the orthodox Jewish orientation in the interpretation of Jewish law, has influenced the structure of the non-profit sector, securing government funding for their organizations. The result has been that a large number of these organizations depend on public funding.

Therefore, religious values and sense of community have always driven behaviour, not only social, but also economic, as in the case of the Charitable Jewish NPOs who have contributed to the general welfare of the State of Israel. The condemnation of individualistic behaviour has moved Jewish communities to be the first promoters of the non-profit sector, and most likely this has economically elevated the entire society of the State of Israel, emphasizing the core values of Judaism and not greatly charging public expenditures in financing those activities aimed by CC NGO.

In conclusion, given the historical evidence, religion has always played a fundamental role in the formation of the state, especially if we consider the case of Judaism in the State of Israel. What is more particular and decisive here is the very close interconnection of the two dimensions, precisely because Israel was built to be the homeland of the Jewish people. So, the dimensions of the state are evidently imbued with the religious factor, being the majority of the population of Jewish religion.

The economic field, on which we focus our research, has important foundations that can be found in the Sacred Texts of Judaism and which form it in detail. It is precisely from the Talmud, the Torah and the Old Testament of the Bible that the economic ethics of the Jews are extrapolated. Especially how the question of wealth and poverty is presented in these texts is essential to understand how economic and social actions must be well defined and in conformity with religion in order to consider them just.

In general, the position that culture holds in every society defines and actually makes one understand how fundamental it is in every type of society. In every dimension of the state, including its internal organization, the supremacy of the cultural element, and therefore also the religious element, is recognized.

Analysing also how religion has always had to do with economic growth, one starts from the assumption that religion itself has the power to influence and direct the behaviour of individuals and the community. Ethics in fact is a fundamental part of economic behaviour for the promotion of growth, creating the conditions for

development. It follows that at the social and economic level the two dimensions under analysis are inextricably linked, both in an individualistic and collectivistic sense. This is because often the choices of economic and political action are driven by the religious, even in state contexts where secularization has sought to set religion aside.

Every theoretical study exposed has as its basis the existence of the religious dimension to determine individual and state economic action. With regard to the variables of religiosity and economic growth, it is strongly noted that the strongest religious beliefs have the power to stimulate growth because they help to sustain specific individual behaviours that increase productivity.

The role that Judaism and the economy play and have played in the State of Israel, especially considering these two interconnected dimensions, is certainly made even more particular by the presence of some ultra-orthodox Jewish religious communities that really and faithfully place religious precepts as cornerstones in the social, legal, economic and political construction of their micro-society. Some of the members of these communities are less interested in Jews as a united people and prefer a vision of communities only as deeper spiritual environments. As a result, this has broad social and economic implications in relation to the labour market and the economic government subsidies they receive because of their complete devotion to the spiritual dimension of the individual and communities of which they are part.

Thus, Judaism has its own important contribution to make to social ethics, and that this has clear economic implications.

In fact, all economic and commercial aspects have been accepted as legitimate by Judaism, as long as they derive from fair, honest, equitable and ethical business relationships.

Also, from the educational point of view, the Jewish teaching of economics and commerce exalts the application of fundamental Jewish ethical precepts in the field of socio-economic activity.

The importance of economic freedom in society, linked to the factor of public spending, helps to frame the level of modernity and socio-economic development of the country.

Moreover, Jewish economic ethics also impacts the policies of the social sector, especially the non-profit sector. The condemnation of individualistic behaviour has moved Jewish communities to be the first promoters of the non-profit sector, and most likely this has economically elevated the entire society of the State of Israel, emphasizing the core values of Judaism and lightening the state economic commitment to the activities of the sector.

The clear dependence, above all from the Jewish ethical and moral point of view, of the non-profit sector has also had an economic impact on national spending and the labour market.

Therefore, in conclusion, religion has a decisive influence on the economic performance of states, the latter being a dimension that often finds its foundation in religious precepts. In particular, as mentioned above, the case of Judaism in the State of Israel is particularly relevant given the unique nature of management and organization between the secular and the spiritual. The modes of influence therefore derive from what defines the guidelines of religion, namely the Sacred Texts. These are concerned with clearly defining the economic

ethics of religion in matters of wealth, poverty, economic aid, labour market, macroeconomic adjustments related to the right price, always placing at the centre what is defined as social justice related to God.

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