

## Press Release 24/2025

Halle (Saale), August 12, 2025

### **20 years after Hurricane Katrina: Church membership contributed significantly to economic recovery**

Katrina and other hurricanes caused devastating damage in the south-east of the USA in the summer of 2005. A study by the Halle Institute for Economic Research (IWH) shows: in the years following the disaster, establishments in counties with higher rates of church membership saw a significantly stronger recovery in terms of productivity.

In times of crises, social cohesion also has a positive economic effect. This is shown in a study by the Halle Institute for Economic Research (IWH) demonstrated on one of the worst natural disasters in the history of the USA. During the storm season 20 years ago, Hurricane Katrina alone caused more than 1,800 deaths, 400,000 homeless people and an estimated 100 to 150 billion US dollars in property damage in the south-east of the United States. Following the disaster, the productivity of firms in the affected areas declined. However, as the study shows, establishments in counties with a high proportion of Christian church members were able to recover much better economically: between 2005 and 2010, they achieved higher productivity than establishments in counties with a weak church affiliation. Where church membership was 10 percentage points above the average, the negative economic effect of the disaster was halved.

There are several reasons for the positive correlation between religious affiliation and economic strength. Believers meet friends and acquaintances in churches; they get food and information. The feeling of belonging strengthens the hope of a new beginning after the disaster. Especially as believers have an above-average level of trust in institutions and attachment to their own region.

As the study shows, people in counties with a high affiliation to Christianity stayed in their home regions more often than others after these were hit by Katrina and other hurricanes. This meant that more people were available to help with the rebuilding, and very talented people at that: Believers have been shown to be particularly business-savvy, they start businesses more often, tend to be thrifty and show a high willingness to co-operate. These factors have a stronger effect on Protestants than on Catholics.

The study by the Halle Institute shows that religion and other cultural factors help to shape economic development processes and support people in exceptional situations. "In times when we have to deal with different crises all at once, social cohesion is particularly helpful. Large and complex problems can often only be solved together. A high level of local cohesion makes people more resilient and lets them overcome crises faster," says Felix Noth, Deputy Head of the Halle Institute's Financial Markets department. He co-authored the study with Iftekhar Hasan and Stefano Manfredonia.

no press embargo

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Keywords

economic crises, economic recovery, firms, Hurricane Katrina, natural disasters, productivity, religion, USA

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The three economists first analysed how severely counties in the south-east of the USA were affected by the hurricanes of 2005 based on statistically recorded wind speeds. They put this information in relation to economic data from 4.7 million business establishments. In terms of turnover and number of employees, they found out how productivity had developed between 2000 and 2010, i.e. before and after the disaster. The researchers differentiated between businesses in areas with a high and low affiliation to Christian congregations. Using the difference-in-differences approach, they determined the influence of religion on the performance of the companies.

After several checks, the researchers were largely able to rule out a spurious correlation: The higher productivity can be directly attributed to the religion factor in certain counties. This is because the people there neither had better connections in politics, nor did they receive more aid money than others.

The study was published by The Economic Journal, a leading international economics journal, following a peer-review process.

#### **Publications:**

*Iftexhar Hasan, Stefano Manfredonia, Felix Noth: Church Membership and Economic Recovery: Evidence from the 2005 Hurricane Season, in: [The Economic Journal](#), Vol. 134 (664), November 2024, 3306–3332.*

*Felix Noth: Gottvertrauen hilft. Guest article in [Frankfurter Allgemeinen Zeitung](#), 16.06.2025, 16.*

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The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Financial Markets; Laws, Regulations and Factor Markets; Macroeconomics; Structural Change and Productivity –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH's guiding theme "From Transition to European Integration", the institute's research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European

context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

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