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Religion

IT'S A MARKET

Robert and I were sitting in a doctor's waiting room. An elderly man and his son came in and sat down in the chairs opposite us. After a few moments, the man addressed Robert, "You must be a man of the cloth." Surprised at the comment, Robert asked, "Why do you say that?" The man responded, "You are dressed in black and the tips of your shoes are worn from kneeling."

Just as the elderly man in the doctor's waiting room mistakenly identified Robert as a priest, people sometimes react to our seminars and classes on religion and economy as though we were religious professionals or at least committed adherents. Almost without fail, questions arise about our personal religious beliefs. One answer that works well is to draw an analogy with a colleague who studied the economics of crime. When he gave a seminar on this topic, no one asked him whether he was a criminal. So why is the political economy of religion something different?

There are good reasons why a social-science academic inquiry into religion differs from the study of other topics. Religion is personal. People are not being narrow or unreasonable when they respond to our research by asking about our personal religious beliefs.

Individual religiosity is a potent force in people's daily lives. It is natural that one would like to understand how our own religious tendencies and beliefs inform the questions we seek to answer; how we understand religious beliefs, rituals, and organizations; and how we interpret our work in furthering human understanding of religious phenomena. People may think that, if a researcher is an atheist, she might have difficulty in finding that religiosity tends to improve people's lives. And, conversely, if someone is a committed adherent, he might find it hard to conclude that religion has adverse effects.

Others who ask us about our religious background and beliefs view religion as a cultural fabrication, an archaic vestige of primitive societies akin to superstitions and new age spiritualism. On this view, religion is irrational. These individuals view being religious as compromising the ability of a researcher to carry out objective analyses of the interplay between religion and political economy. If religion is important in a researcher's own life, she might not easily reach the conclusion that religiosity has beneficial and harmful effects on individual behavior and institutional outcomes.

Many atheists, such as the physicist Carl Sagan and philosopher Tim Crane, maintain a respectful understanding of religion. For example, Sagan ([1985] 2006, pp. 148–168), in his Gifford Lectures, concluded that the existence of God can be neither proved nor disproved; only specific conceptualizations can be evaluated. This conclusion had been reached earlier by many scholars, including Sigmund Freud. And, like Freud, Sagan thought that some aspects of religion, particularly prayer, can have a positive effect on people, even those who do not believe in God. The importance of prayer for nonbelievers was borne out by a recent survey in Britain; a quarter of atheists and agnostics pray even though they do not believe in God and do not believe that a deity hears their prayers (Alex Green 2018).

As an atheist, Crane (2017) views religion through a postmodern, scientific lens. Religion, like scientific endeavor, attempts to impose order on chaos, to explain the natural world with transcendental "truths" and beliefs. Crane posits that the difference between science and religion is that although both seek to explain our universe, religion comfortably accommodates the unintelligible in our world whereas science strives to continually explain it.

As investigators, we are not just objective observers and recorders of experience but also active participants. According to the philosopher Stephen Toulmin (1982, pp. 209–210), "Our place is within the same world that we are studying, and whatever scientific understanding we achieve must be a kind of understanding that is available to participants within the process of nature, i.e., from inside." Thus, as academic investigators, we bring our own perspectives to the context, the circumstances we are studying. Yet, it is also our responsibility as researchers to be cognizant of the implicit conceptions we function with and how to question them in light of empirical findings from our own research and that of other scholars.

Another philosopher, Thomas Nagel (1986), who sought a balance between subjective and objective knowing, argues for a more objective perspective. "The truth is sometimes best understood from a detached standpoint," he claims. Objectivity makes possible the intellectual creation of theories, the advancement of knowledge, and ultimately the attainment of truth. Nagel proposes that this perspective is acquired through a gradual process of detachment but should never be total detachment. Such perspective is false—objective blindness—and ends in the Cartesian fallacy: "I think, therefore I am." The "exploration and reorganization of the insides of our own minds" becomes the research topic and not the hypothesis we set out to investigate. Conducting research on religion is sensitive because it is personal. But we agree with Nagel that we need to be detached observers, impartial to the outcomes of our investigations.

An additional factor is that colleges and universities around the world, not just in the United States, bifurcate the sciences from the humanities. Methods of inquiry in the physical and social sciences, as well as topics considered legitimate for "scientific inquiry," are secular in many dimensions. As Nagel (1986, p. 9) expresses it, "Scientism is a form of idealism … at its most myopic it assumes that everything there is must be understandable by the employment of scientific theories." Questions about religion have been viewed, until recently, with intellectual skepticism as being outside the realm of empirical and "scientific" investigation.

We view our approach as a corrective measure for the study of religion in higher education. A social-science approach to religion is valid in that it seeks to answer questions about how religions evolve, compete, make us richer or poorer, and influence the daily lives of people around the world. The economics of religion does not concern itself, per se, with theology, doctrine, and the content of religious beliefs. Rather, we are interested in the economic costs and benefits to holding certain religious beliefs and the influence of those beliefs on behavior. We agree with Charles L. Glenn's (2017, p. 77) position that secularists within and outside academia seeking to "drive other worldviews from the public square, or from educational institutions, or from the practices of voluntary associations, is nothing less than tyranny." We want religion to be part of the discussion in the social sciences, even in a highly secular institution such as Harvard University.

As academic investigators, what is our standpoint? From what perspective do we examine and interact with the religions we are studying? We are pretty sure that we are carrying out objective research that seeks to understand how religion influences and is influenced by economic, political, and social forces. By constantly reflecting upon our assumptions, methodology, and findings, we can reach some understanding. That is, we are participating in a "search for truth," not an attempt to advocate or denigrate religion. But readers will have to judge how successful we are in this effort. And we are surely not going to say anything at this point about our personal religious beliefs!

The Economics of Religion—Beliefs Are Mostly What Matter

When we think about religion, we consider the institutions and individuals who participate. To be religious does not require membership in an institution. However, the survival of a religious institution depends on the participation of its adherents. Competition for followers among religious organizations is regulated by the marketplace of religion. Our approach to this marketplace focuses on religious beliefs, such as in salvation, damnation, an afterlife, and supernatural beings such as a god or gods, angels, and demons. We particularly want to analyze the implications of holding those beliefs for human behavior. Religious beliefs—not per se participation in organized religion and personal prayer—are important guiding mechanisms for economic behavior.

Religious beliefs are powerful incentives to behave according to the moral teachings of one's religion. If people believe that through their own efforts they can improve their chances of attaining salvation, then it makes sense that they will inculcate the moral values taught by their religion and act accordingly. Moral values, such as dedication to work, thrift, honesty, and trustworthiness, constrain a person's behavior with the aim of improving her chances of a better afterlife (attaining heaven as opposed to hell). The anticipated afterlife benefits motivate believers to behave in prescribed moral ways and to invest their time in religious activities.

We take seriously sociologist Max Weber's ([1904–1905] 1930) argument in his famous book, *The Protestant Ethic and the Spirit of Capitalism*, that religious beliefs foster traits, such as work ethic, honesty, and thrift, that contribute to economic growth. We also view distributive economic activities—tithing to religious institutions, donating to secular charities, and funding the establishment of religious schools—as possibly enhancing economic activity. In short, religion can promote economic growth through the religious beliefs and practices imparted to its adherents.

Economists Corry Azzi and Ronald Ehrenberg (1975) found by incorporating religious activity into household choices that the economic value of time (the real wage rate for people working in the formal labor market) affects the time that an individual allocates to religious activities. Their analysis predicted a U-shaped pattern of religious participation over the life cycle. In youth, the economic value of time is low, and high investment in religious activities makes sense. When a person enters the workforce, time becomes highly valued and investment in religion declines. When a person reaches retirement age, the value of time decreases and participation in religion again becomes high.

This life-cycle model of religious participation accords with a pattern whereby a person sometimes reduces time spent on formal religion—such as in middle age—without losing faith. That is, a person can continue to believe strongly while simultaneously spending less time on formal religion. The argument is that religious beliefs motivate people to be diligent at their work, save to support their family, and be trustworthy in relations with colleagues and friends *even though* they may not participate in religious activities as much as they did in the past.

According to economist George Stigler (1982, pp. 22–23), religious activities are similar to commercial transactions in that they are voluntary and repetitive. Because they are voluntary, they must make each rational person at least as well off as before the transaction. Because they are repetitive, religious activities promote honesty, transparency, and trust and create an environment in which participants resist the temptation to cheat and lie. As with other economic agents, Stigler viewed religious believers as utility-maximizers, who weigh the costs and benefits of participation in a religion.

In the mid-1980s, an innovative approach to the study of religion took off, based on ideas in Adam Smith's *Wealth of Nations* (1791) and *Theory of Moral Sentiments* (1797). This new research was motivated in part by the rise in the 1950s and 1960s of US utopian religious communities that attracted thousands of people, young, old, and families with children. Some of these movements were unorthodox Christian sects led by charismatic leaders, such as Jim Jones with his Peoples Temple (ultimately responsible for the mass suicide and murder in Guyana in 1978) and the Reverend Sun Myung Moon with his Unification Church. Others were Hindu ashrams formed around a guru or swami, such as Maharishi Mahesh Yogi, who became the spiritual guide of the Beatles and started the Students International Meditation Society. The heterodox nature of these cults in terms of beliefs, practices, and organization raised questions about the voluntary nature of conversions to these movements. Why would someone follow an Indian guru or self-appointed Christian apostle whose religion required significant sacrifice and stigmatic behavior? The characterization of conversion to a cult as a form of involuntary "indoctrination," "brainwashing," "mental programming," and "mind control" became a controversial and popular topic.[1]

Economist Laurence Iannaccone saw the attractiveness of the new religious movements differently. Iannaccone (1992) demonstrated that the psychological characteristics of converts to radical sects and cults were no different from those of the general Christian population, who belonged to Protestant denominations or the Catholic Church. Applying a rational-choice approach to new religious movements, Iannaccone argued that people voluntarily chose to participate in a religion based on maximizing their objectives through a cost-benefit analysis. Basic economic principles, summarized by Gary Becker (1976, p. 5) as "maximizing behavior, market equilibrium, and stable preferences," were fruitfully applied by Iannaccone (1988) in a formal model to understand individuals' choices of religion.

In religion, maximizing behavior translates into finding a group or church (temple, mosque, or synagogue) that satisfies one's religious needs. We can view religious groups as providing services that people consume. For example, rituals, doctrines, and beliefs are types of religious products that a person chooses. We think of these religious goods as falling on a continuum in terms of strictness at one end and laxness at the other.[2] The stricter the goods of a religious group, the higher the degree of distinctiveness, separation, and possibly antagonism between the religious group and its societal context. The higher the tension between a religious group and its surroundings, the costlier it is to belong to that group. Those religious groups with low tension with the sociocultural environment tend to be more accommodating of the secular world.

Using a version of the club model developed by James Buchanan (1965), Iannaccone demonstrated that the strict requirements of a cult kept out less enthusiastic people (free riders), while maintaining a high-quality religious experience for those who retained membership and highly valued the organization. Requiring a strong commitment through sacrifice and stigmatic behavior can enrich the religious experience of members.

Iannaccone's club model explains why utility-maximizing individuals are motivated to join a radical sect with a reward structure deviating from the societal norm. The German sociologist Max Weber, during his tour of the United States in 1904, noted that a compelling motive to join a Christian sect with "ruthlessly rigorous control over the conduct of their members" was to gain a highly religious experience, including salvation.[3] Affiliating with a sect signaled that a convert was willing to be equally as religious as the other members of the sect. Acceptance by one's fellow believers was more important than being accepted by outsiders, including family and friends.

The club model has also been used to explain why people join violent religious groups, such as Hamas, ISIS, and the Taliban, as well as commercial communal groups, such as the kibbutzim in Israel.[4] In the cases of radical Islamic groups, potential fighters compare different fighting groups by weighing the benefits and costs. Benefits for fighters include a salary and material goods, but also insurance such as medical care, postmortem arrangements for deceased fighters, and support for their families. Since there are no official insurance guarantees (and little power to enforce any in a war-torn country), fighters have to rely on a group's reputation (Mironova 2017).

From the Islamic rebel group's perspective, only the most trustworthy and loyal prospective fighters are worth attracting as members. To identify these individuals and to minimize defections, radical Islamic groups make membership costly by requiring adherence to a strict religious code that has no direct bearing on the prospective member's fighting abilities. Members of Islamist rebel groups, for example, are required to wear traditional clothes, pray five times a day, and refrain from consumption of tobacco and alcohol. These religious rules stress group homogeneity and loyalty critical to survival in an armed rebellion. The religious rules also stress conduct signaling true belief in Islam, a trait supporting engagement in ideological warfare. To be the most effective fighting group, a balance is struck between using ideology as a screening mechanism and preventing it from affecting groups' military and political strategies.

Until the 1990s, empirical research on political economy typically neglected the influence of religion. However, the work by Azzi and Ehrenberg (1975) and Iannaccone (1988) opened up the application of economic principles to various aspects of religion, and recent research on political economy has often included dimensions of religion. One important topic is how religiosity responds to economic development and to government regulation, subsidy, and suppression. Other questions concern why some countries establish and maintain official state religions and how state subsidies and regulations influence religious activities. Also important is how religious beliefs and practices affect productivity, economic growth, and the maintenance of political institutions such as democracy. Recent research, for example, considers how economic growth responds to different degrees of religious beliefs and participation in organized religion.

Our central approach is the application of economic and political principles to the study of religions across countries and over time. As an example, people face trade-offs when practicing a religion. The time spent on religious services could be used instead to engage with friends and family, participate in a sport or exercise, travel, watch television, read, or go to the shopping mall. However, participation in religious rituals and services also conveys benefits. Practitioners gain from the communal worship experience of singing, praying, reading the Bible, hearing a sermon, and interacting with people who share their faith and beliefs. People also benefit from the strengthening of religious beliefs that results from participation in formal religious services. This benefit is especially important when raising one's children in a formal religion. Each person implicitly weighs these costs and benefits when deciding how much to participate in religious activities.

A basic ingredient in the economics of religion is that people systematically and purposefully strive to achieve their objectives.

That is, *rational choice* applies to religion as much as to other individual and social decisions. To use economic terminology, we "purchase" religious goods in the sense of expending time and resources on religion. If a religion demands that you go to formal services every week or pray five times a day, donate 20 percent of your income, wear distinctive clothing, or follow a specific diet, you may decide it is too costly and opt to reduce your participation or choose a cheaper religion. As a believer, you are a consumer of religious goods and services; that is, you have a demand for religion.

There is also a supply of religion—some of it coming from organized religion in the form of formal religious services. We analyze the incentives of these organizations and, particularly, how they are influenced by government regulation of the religion market. The presence of an official or state religion is an important component of this regulation.

What Is in This Book?

The book is divided into two sections, which emphasize different applications of economics to the study of religion. In the first section, the chapters deal with the interplay between religion and economic growth.

Chapter 2 introduces the two-way interaction between religion and economic growth—economic outcomes influence religiousness and, in turn, religiousness affects economic outcomes. This chapter then examines the first causal direction—how do economic growth and government regulation of the religion market affect religious participation and beliefs?

One key idea is the *secularization* hypothesis, whereby increases in income, education, urbanization, and life expectancy are thought to diminish individual religiousness and the role of religion in governance. In extreme—and counterfactual—versions, growing education and scientific orientation are thought to sharply diminish the demand for religion. Another key concept is the religion-market model, which argues that government regulation including the establishment of a state religion can influence the extent of competition in the religion market (religious diversity) and thereby affect the quality of religion products and the extent of religious participation.

Secularization applied to some aspects of John Calvin's city of Geneva and its regulation of economic activity, especially the distinction doctrinally made between interest and usury. Interest was an economic necessity for commercial and financial transactions and was allowed by the authorities. The maximum interest rate, set at 5 percent, was regulated by the Genevan government and the Consistory, a corporate religious-moral committee of the government whose judgments were enforced by the city council (using public censure, excommunication, incarceration, and banishment). Charging interest at a rate above 5 percent was viewed as usury, in the sense of constituting "excessive" interest. Usury in this form was scripturally banned and triggered a punishment set by the Consistory.

During Calvin's lifetime, the ceiling interest rate was raised from 5 to 6.7 percent, and after his death in 1564, the Genevan government increased the rate further to 10 percent (Robert Kingdon 1959, pp. 37–38). Nicolas Colladon, a friend of Calvin's and secretary of the Company of Pastors, publicly denounced the interest rate hike from his pulpit. The Company of Pastors, rather than supporting Colladon's theological position, expelled him from the Company, setting the stage for Colladon's exile from Geneva. The wholesale clerical abandonment of Calvin's theological stance on interest versus usury and the siding with the Genevan government's decree of raising the legal interest rate began the secularization of economic activity in Geneva.

Chapter 3 examines the other causal direction—how does religiousness affect economic and political outcomes? In this chapter, we cover themes and arguments laid out by Max Weber in his *Protestant Ethic and the Spirit of Capitalism* ([1904–1905] 1930). Weber looked for "the influence of certain religious ideas on the development of the economic spirit, or the *ethos* of an economic system" (p. 27).

Using quantitative analysis of modern data, we find that economic growth responds positively to higher religious beliefs—notably those related to hell and heaven—when measured relative to religious participation (gauged particularly by attendance at formal religious services). We think that the beliefs matter (positively) mostly by promoting traits such as work effort and thrift, as stressed by Weber. We think that participation matters (negatively) mostly because it represents consumption of resources and, also, proxies for negative economic and legal regulation. Another channel of effects is that Protestantism's stress on individual reading of the Bible led to higher literacy and, thereby, promoted economic development.

In Chapter 4 we focus on Islam, especially its legal and economic regulations. Geographic regions under Muslim control excelled at scientific discovery through the eleventh century and at military prowess through the sixteenth century. However, Muslim countries declined sharply economically relative to Christian countries since the Industrial Revolution beginning in the seventeenth century. As argued by Timur Kuran (2004), Muslim countries were held back by restrictions on corporate legal form, inheritance, credit and insurance markets, and contract enforcement. These legal institutions and markets became particularly important with the expanded scale of business organizations due to the Industrial Revolution, hence the relative economic decline of Muslim societies starting in the seventeenth century.

The second section of the book has three chapters that emphasize the connection between religion and political economy. Chapter 5 focuses on state religion, which played a role in our analysis of religiousness. We try to explain why some countries have state religions and others do not. State religions—which we gauge more by practice than by legal provisions—tend to arise when most people in a country belong to a single religion. This pattern holds independently of the type of religion, with a small additional positive effect when the main religion is Islam. Higher economic development has little impact on the probability of having a state religion, but population has an inverted-U effect—countries with high population (such as India) and with low population are unlikely to have an official religion. Communist countries almost never have a state religion. There is also a remarkable durability of state religion.

Choices made centuries ago, such as the split between Catholicism and Protestantism with the Reformation in England and Sweden in the 1500s and with the Schism between the Eastern and Western Christian Churches in Constantinople in 1054, still matter a lot for the shape of today's religious institutions.

In Chapter 6, we view organized religious groups, including cults, as Buchanan-Iannaccone clubs in which members sometimes endure high costs of belonging in order to screen out free riders who do not contribute to the group's mission and social cohesiveness. We apply this framework to terrorist organizations and argue that it helps to explain aspects of religious-based violence, such as in Palestinian territory.

The tendency of scholars has been to apply the economics of religion approach to monotheistic religions. Examples are the rise of Protestantism in Europe (Robert Ekelund et al. 1996) and the connection of wars between Catholics and Protestants in Europe to the military status of the Ottoman Empire (Murat Iyigun 2008). Economist Sriya Iyer (2018) has applied ideas from the economics of religion to assess the role of Hindu and Muslim nonprofit organizations in India.

Also in Chapter 6, we incorporate our findings on state religion from Chapter 5 into the club framework to explain the rise of Buddhism to the status of a state religion in Tibet from the fifteenth century through the seventeenth. In an unregulated religion market such as the Tibet region in the twelfth century, a natural monopoly may arise. A critical element for sustaining monopoly is the presence of large fixed costs, such as those applicable to the creation and dissemination of a set of religious beliefs (for example, the construction of monasteries, patronage for the performance of merit-making rituals, the commissioning of editions of sacred texts, and the authoring of biographies). Relative to these fixed costs, the costs of membership and participation in alternative religions are small. Therefore, if people view these alternatives as close substitutes, a single type of religion might prevail in equilibrium. In the case of Tibet, this principal type turned out to be Mahayana Buddhism.

In Chapter 7 we continue the competition theme by looking at the Catholic Church's practice of saint making as a mechanism for countering the presence of Protestantism, especially evangelicals. Saint making works by reigniting religious fervor in traditionally Catholic regions. We also view saint making as a way to counter the rising tendency of Catholics to leave religion entirely. We look favorably on the Catholic Church's increased naming of blessed persons overall and in places, such as in Latin America, that were apart from the traditional emphasis on Italy and the rest of Europe. This globalization of saints applies also to popes, with the last three choices all coming from countries other than Italy. The increased naming of popular ex-popes as blessed persons is another way that the Catholic Church is attempting to enhance its popularity among its congregants.

Throughout the chapters, we employ economic concepts and principles. However, our approach is interdisciplinary, combining economic principles with sociology, anthropology, history, geography, theology, and philosophy. We believe that this type of interdisciplinary research will be critical to further advances in this field.

Hopefully, this book will persuade readers that an economic and social-science perspective is useful for understanding the interactions between religion and society. We are excited about how much we have learned about how religion matters, and we hope that readers will share in this excitement.

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