

The Economics of Religion: Invest Now, Repent Later?

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Make no mistake about it; you are reading a sales pitch. As a longtime “convert” to the economics of religion, I can no more claim objectivity on today’s topic than you, my fellow Christians, can claim objectivity in the realm of religion. But insiders can also claim special knowledge, sensitivity, and experience. So I leave you to separate the wheat from the chaff, while I advocate for this new fusion of faith and economics.

1 The Economics of Religion Versus Religious Economics

Note first what the economics of religion is *not*. It is not merely the commercial side of religion. There is much to be learned from the study of religious contributions, ministerial salaries, congregational assets and expenses, mission costs, faith-based social services, government subsidies, and the economic power of churches. Yet these topics comprise only a small fraction of the whole. Nor should one confuse the field with *religious economics*—be it Islamic economics, Christian economics, Catholic social doctrine, rabbinic writings on commerce, or biblical teachings about wealth and poverty. However important these subjects may be for people of faith (and perhaps especially the readers of *Faith & Economics*), they have little to do with the economics of religion.

The distinction between religious economics and the economics of religion corresponds to the two ways in which we use the word “economics.” On the one hand, there is the *domain* of (conventional) economics: the institutions, activities, and information that give rise to systems of commercial production and exchange. This of course is what the general public means by economics: stocks and bonds, money and banking, buying and selling, profits and prices, and firms and industries. On the other hand, there is

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the economic *approach*—a brand of scholarship characterized by special methods, techniques, and ideas, and neatly summarized by Gary Becker (1976) as “the combined assumptions of maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly.”

We can likewise distinguish religious domains from religious approaches. The domain of (conventional) Christian religion comprises activities like prayer and worship, institutions like congregations and denominations, and information derived from scripture and revelation. But the heart of the Christian approach is a comprehensive way of life shaped by biblical principles and spiritual values.

Religious economics carries religious approaches into the conventional domain of economics. How should Christians view wealth and poverty? What should we tell others and ourselves about self-interest and materialism? Which economic policies or institutions are most consistent with biblical precepts?

The economics of religion addresses itself to a very different set of questions and concerns. Rather than apply religious perspectives to the domain of conventional economic action, it applies economic perspectives to the domain of conventional religious beliefs, behavior, and institutions. The questions asked by economists of religion are not much different from those long asked by sociologists of religion, psychologists of religion, church historians, denominational researchers, cultural anthropologists, and political scientists. How have rates of religious belief and participation changed over time, and how do they vary across the world? How can we account for observed patterns of conversion? Why do some congregations grow while others decline? Why do some religions seem to flourish while others decline, and why in particular have the evangelical denominations of America done so well over the past few decades while so-called “mainline” denominations have fared so badly? How can we account for the tremendous growth of Mormons, Jehovah’s Witnesses, and Pentecostal Christian groups in Latin America and Africa? Why are women more religious than men in every country, culture, and era? How do age, education, and income affect religious commitment? What causes religious militancy? What are the social, political, and economic consequences of religious commitment? Do particular forms of religion strengthen families, reduce substance abuse, deter crime, encourage education, enhance trust, promote democracy, encourage entrepreneurship, or sustain economic growth? Does science lead to secularism? The list of questions goes on and on.

By the 1960s and 1970s, scholars had largely lost interest in these questions (except for economists, who had never considered them in

the first place!). Academia had embraced *secularization theory*, which viewed religion as a dying vestige of our primitive, pre-scientific past—a phenomenon with no hold over modern minds, no social significance, and no meaningful future. But of course, even as *Time* magazine was running cover stories on “the death of God,” young Americans were turning toward Asian “cults,” televangelists were building their audiences, and the Jesus Movement was revolutionizing Protestant evangelicalism. The religious buzz of late 1970s and early 1980s was all about the Christian Right in America, radical Islam in the Middle East, and Pentecostal Protestantism in Africa and Latin America. And with the 1990s came the worldwide collapse of communism—the most ambitious atheistic experiment of all time.

I am not claiming that we have entered a new age of faith, or even a great awakening, but we are certainly living in an era of religious ferment. At the dawn of our new millennium, we can no longer dismiss the continuing importance of all the “old” academic questions about religion and society. Nor can we economists continue leaving all the work to our friends in sociology, psychology, and other fields. For more than fifty years, we have trumpeted economic approaches to every conceivable category of human behavior—including crime, discrimination, politics, education, fertility, philanthropy, family life, addiction, health, leisure, law, and history. It is high time that we economists devoted more of our time, effort, and intellectual capital to the study of religion.

You might counter this line of argument by emphasizing the differences that separate religion from other areas of human behavior. But please recall that the same objection was raised to *every* new application of economics—whether to discrimination, or crime, or family life, or politics, or education, and so on through the entire list of new approaches, many of which now enjoy “mainstream” status.

Note also that there is no need to debate the matter abstractly. The economics of religion now comprises several hundred papers, several dozen books and dissertations, an academic association, annual conferences, frequent workshops, and courses offered at many different universities. This growing body of activities and outputs demonstrates quite clearly that economic approaches to the study of religion are theoretically sound and empirically fruitful. They explain and integrate much of what is already known about religious participation, generate new predictions that suggest new avenues for empirical research, yield policy implications about the welfare effects of government intervention in the religious marketplace, and deepen our understanding of institutions, identity, and social capital.

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2 Learning from Smith and Others

Economics brings fresh light to longstanding debates about religious decline. Consider, for example, America's surprisingly high levels of religious membership, attendance, giving, and pluralism—surprising, that is, relative to the levels observed in Protestant Northern Europe, and even more surprising relative to the predictions of secularization theory. From an economic standpoint, however, the vitality of the American “religious marketplace” is entirely consistent with its competitive character. The religious diversity of the American colonies (together with the Constitution's guarantee that “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof”) gave birth to the world's first great experiment in *laissez-faire* religion. Europe was, by contrast, a centuries-old experiment in state-sponsored monopoly, a land of national churches established and maintained through government fiat, repression, and tax support.

Adam Smith (1981 [1776]) analyzed the deficiencies of established religion in a remarkably perceptive (but long-neglected) section of the *Wealth of Nations*—first published in 1776, the very year of the American Revolution. And one could scarcely demand stronger support for his claims than that which American history has supplied over past 225 years. In religion as in commerce, liberty opened the floodgates of competition, innovation, and entrepreneurship. The net result was a “religious economy” of unprecedented diversity, enthusiasm, *and* civility. Over the same period, the established churches of Western Europe followed a very different path—descending into the sort of apathy, inefficiency, and stasis that we have come to expect from our government-run post offices and public schools.

Smith also deserves credit for his economic insights into the causes of religious violence—a subject that is probably more important now than at any other time in the past 200 years. In contrast to David Hume, who advocated state-sponsored religion as the way to “bribe the indolence of the clergy” and thereby minimize religious enthusiasm and conflict, Smith (1981 [1776], p. 792) argued that the “active zeal of religious teachers can be dangerous” only where the state favors one church over another. In the absence of such favoritism, the market will fragment into hundreds or even thousands of competing sects. And civility then ensues not from laws or laziness but from simple pragmatism: “seeing themselves surrounded on all sides with more adversaries than friends, the teachers of each sect [are] obliged to learn candour and moderation” (p. 793).

We can multiply these examples many times over, drawing not only from the recently resurrected ideas of Adam Smith, but from dozens of

newer ideas gleaned from the economics of household production, human capital, club theory, industrial organization, public choice, and public finance, in combination with mountains of empirical evidence gleaned from surveys, censuses, case studies, ethnographies, and history. The programs of recent ASREC conferences testify to the immense range and rapid growth of this work. (For details, consult the archives of Association for the Study of Religion, Economics, and Culture, available via www.ASREC.org.) Apart from its non-standard subject, this body of work falls well within the mainstream of contemporary economic theory and methods.

And yet I must caution all current and would-be economists of religion not to travel this path alone. The most fruitful models spring from a marriage of abstract theory and empirical insight. Economists can often supply the theory, but the results tend to be uninteresting (and often absurd) when they ignore the work of non-economists. I especially recommend the work of sociologists, who have spent decades amassing data from surveys, interviews, textual sources, and direct participation in religious groups. Indeed, my own contributions to the field lean heavily on the work of sociologists, especially to the work of my good friends Rodney Stark, Roger Finke, and William Bainbridge. I really do view my collaborations with them as “marriages made in heaven.” I recommend sociology partly because real-world religion is always and everywhere a social phenomenon, sustained and spread through communities of faith. But I also recommend sociology as a critical complement to our field’s current fascination with psychology, neurobiology, and evolution. When we economists go hunting for better models of human behavior, we naturally gravitate toward refinements in our utility functions or a recasting of our optimizations. In doing so, however, we often forget that humans are incorrigibly social, and that economic activity is less rooted in our facility for optimization than what Smith called our “propensity to truck, barter, and exchange.”

3 Letting Others Learn from You

I would also remind you that people of faith are, for the most part, *better* equipped to do good research on religion than are their non-believing counterparts. One cannot simply assemble models of religion from bits of economic theory, sociological insights, and empirical regularities. One needs a feel for religion when choosing what to emphasize and what to ignore, and feeling comes hard for those who (like Max Weber) are “religiously unmusical.” The causes, character, and consequences of religious commitment are actually quite hard to measure. And the true relationships are easily lost in studies that simply add measures

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of religiosity to standard social statistics. When secular economists study religion, they often take the path of least resistance, augmenting their standard econometric models with whatever religious variables they find sitting in surveys. People of faith must remain on the scene if only to keep saying: “think about the meaning and measure of your variables,” “give heed to different styles of religion,” “pay attention to religious communities,” “do not neglect interactions with the larger social environment,” and “never ignore the impact of government.”

It is not that I view the scholarship of atheists as a threat to faith, nor am I calling for religious advocacy in the guise of economic scholarship. I am simply emphasizing the social-scientific value of “inside information” when distinguished from personal faith and official dogma. The Judeo-Christian tradition is especially amenable to this perspective, since it views the Bible as inspired by God but written by humans. The Christian economist should have no trouble acknowledging the human side of our activities, institutions, and history.

Christian scholars and schools should welcome the economics of religion as a valuable addition to their teaching portfolios. The central challenge facing today’s Christian universities is the integration of religious faith and secular rigor. We know how to nurture commitment and we know how to impart skills, but we struggle with the task of schooling students in both. There really is no honest way to Christianize mathematical theorems, computer algorithms, or the laws of physics. Nor is there any efficient way to Christianize microeconomic theory, econometrics, mathematical economics, and other mainstream standard economic topics. Economic skills are hard enough to acquire through mainstream methods. Pity the poor souls charged with learning (or teaching!) standard skills through the lens of Christian thought. (We can, of course, reflect upon the consequences of economic policies and perspectives, and we can also critique economic assumptions about human nature, but insofar as these additions stress *Christian* thought as opposed to normative analysis or empirical realism, they take us beyond the boundaries of social science.)

The economics of religion lets us have our cake and eat it too—even at secular schools. We can cover any number of Christian examples and use them to illustrate any number of economic concepts, yet never stray from the models and methods of mainstream economics. We can draw examples from just one religion, or several religions, or from a wide range of religious and secular contexts (which is my preferred approach to the study of extremism). The applications work well in standard courses on micro, labor, public choice, public policy, and industrial organization, and

they work better still in special electives. Students are always interested but never offended, and I have yet to receive even one charge of bias from the Christians, non-Christians, or non-believers in my classes.

4 From Economics to Religion ... and Back

I am increasingly convinced that mainstream economics genuinely needs the economics of religion—and not merely because we now study such “non-market” topics such as marriage, health, and discrimination. The traditional heartland of economics (including trade, finance, banking, unemployment, and growth) desperately needs better understanding of beliefs, norms, values, self-control, social capital, social networks, institutions, and culture. Where better to start than religion, the context in which these things are most clearly described, nurtured, and measured? Indeed, I would strongly discount any model of beliefs, norm, or values that has *not* proved relevant to religion.

Some phenomena are so obviously similar to religion that they all but demand study as such. Modern day environmentalism is the example that comes most readily to mind, and is in fact widely described as “secular” religion. A recently published book by economist Robert Nelson (2010) provides the most thorough examination yet of the ways in which environmental beliefs parallel traditional Christian thinking and now battle with both traditional and secular religions for citizens’ hearts and minds. To complete the story, however, we need work on the ways environmental organizations structure themselves like churches and denominations, embrace varying degrees of quasi-sectarian extremism, make converts, engender commitment, and elevate certain rituals, texts, and objects to semi-sacred status.

Communism is another system that draws its strength and shape from religion. In *The Plot to Kill God*, sociologist of religion Paul Froese (2008) does a magnificent job demonstrating just how thoroughly the Soviets worked to create a secular counterpart to Christianity and just how miserably they failed because no strictly secular system can ever fully substitute for the supernatural, much less one that so obviously fails by its *own* standards. Indeed, David Brooks (2003, p. 6) has rightly observed that nearly *all* modern nation-states “draw powerfully on spiritual as well as material support.” They bind people together with shared “eschatological visions—powerful ideas of where history is going and is supposed to go, what righteous rule means, and how to bring about that rule and spread it around.”

Over the past forty years, economists have devoted tremendous effort to the study of political behavior, and as a former member of George Mason

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University's department of economics I feel morally bound to sing the praises of public choice. But I am also embarrassed by our continuing failure to move beyond traditional economic perspectives. How many more elections must occur here in the U.S. and how many more conflicts must ravage other nations before we get serious about studying religion's place in politics?

I sometimes think that we have no better examples of "faith-based institutions" than fiat money and fractional reserve banking. In fact, our entire economic system rests on faith—in money, contracts, the law, government, firms, communities, and above all the future. In normal times our foundational faiths remain so stable that we can ignore them altogether, but crises sometimes shatter faith and bring down banks, money, securities, employment, and much more.

5 A New Ecumenicalism

We do not hear much about "ecumenicalism" these days, and for good reason. Ecumenical movements seek to establish unity among religious groups by emphasizing their commonalities—which inevitably leads to least-common-denominator spirituality and generates about as much enthusiasm as sermons on "lowering your afterlife expectations."

Economics and sociology provide a totally different foundation for mutual understanding across religious divides. This "new ecumenicalism" has no trouble admitting that a strong and successful religion will always emphasize its superiority over competing faiths. In fact, it helps us understand precisely why churches *must* market their faith-based goods and services with extraordinary energy and conviction. But note that this seemingly anti-ecumenical insight underscores features common to many different religions. Adam Smith's analysis of state-sponsored churches likewise transcends the specifics of time, place, and traditions, as do his observations about religious conflict. We can readily form and test many small "laws" of religious life, such as the hypothesis the more thinly-spread religions will invest more in conferences, camps, and other special trans-congregational gatherings. Scores of other insights help explain methods of religious finance, patterns of conversion, determinants of commitment, and correlates of exclusivity and extremism. They apply to many different denominations and many different religious traditions without denying the importance of different doctrines. Though lacking the power of God's word, they do at least help students and scholars of all faiths to come and reason together.

6 Looking Forward

We face an extraordinary opportunity: a new way to link academic inquiry

to spiritual life. Though no substitute for Christian thought and theology, it nevertheless complements them in a manner that enjoys respect among scholars of every religion and no religion. And why stop with a subfield niche inside mainstream economics? I myself am working (and praying) for a new academic “ecology” of scholars, students, and institutions across the social sciences and across the world—working together to advance our understanding of religion’s role in societies past, present, and future. The key elements of this ecology already exist. Demand comes from the hundreds of Christian colleges anxious to provide undergraduate training that matches the rigor of high-quality secular schools but maintains meaningful ties to faith. Supply comes from growing number of young Christian scholars anxious to apply their professional economic skills to the realm of religion. Financial support can come from individuals and private foundations committed to promoting strong academic training *and* serious attention to religion, but who are often forced to choose one over the other. And since 9/11 we certainly do not lack for government agencies funding research on religion’s role in conflict, development, and democratization.

Should this vision seem grandiose, consider the empirical evidence. Adam Smith analyzed the causes and consequences of religious monopoly back in 1776. Azzi and Ehrenberg (1976) was the next major contribution to the field. With 200 years separating its first and second publications, there can be no doubt that the economics of religion got off to a very slow start. But by the late-1980s the number of publications had grown to more than dozen, and by the late-1990s the field could claim scores of contributors, more than a hundred papers, *and* an official JEL code. The Association for the Study of Religion, Economics, and Culture was born in 2002 and its annual conferences have grown from 25 participants in 2002 to more than 150 in 2009 and (I predict) 200 or more in 2011. The “ecology” now includes courses at a variety of religious and secular schools, training workshops for graduate students, the ASREC/ARDA working paper series, seminars and centers, more than a dozen books, and scores of doctoral dissertations.

So, in the spirit of my subject, I conclude with an “altar call.” I urge all Christian economists to do the following: learn a little economics and sociology of religion. Encourage your colleagues to do the same. This is a bit like taking your neighbors to church, and decades of research affirm that successful movements invariably spread through social networks. Share the “faith” with your students by adding some economics of religion applications to your courses. Help to overcome misconceptions—such as the myth that the economics of religion is merely about money, or inherently anti-religious, or of no relevance to Christians and their congregations. And

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try adding something to the growing body of research and data. But also resist temptation: do not impose your own beliefs, stereotypes, or agenda on your contributions. The economics of religion is a field, not a faith, and its success hinges upon its continued intellectual integrity and academic legitimacy. Woe unto those who embrace regression analyses of divine action, even after correcting for multicollinearity, autocorrelation, and unobservables!

The opportunities abound — at academic conferences, within associations (including ACE, ASREC, and SSSR), in academic centers, and most especially at your own schools among your colleagues and within your classes. Though I used to warn graduate students not to pursue the economics of religion unless they relished the prospect of unemployment, the market has changed quite noticeably in recent years. Some expertise in religion may actually strengthen your job prospects, especially at religiously-affiliated schools.

So I leave you with an inspirational thought adapted from my most inspirational professor and longtime friend, Deirdre McCloskey. I once asked McCloskey what drew her to economic history. She emphasized the abundance of interesting questions and unexamined data, which littered the field like \$100 bills everywhere you turned. An economic historian of the 1960s could enjoy a high “marginal product” precisely because the field was so new and so few others had gone before. This, of course, is economic heaven: opportunities everywhere, scarcity nowhere, and extraordinary rates of return. And the same hold true for the economics of religion in 2010.

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