

# Pray Tell

## The Economics of Religion

**D**o sacred scriptures and exhortations by clerics shed light on optimal tax policies and other public-policy actions? Is there a relationship between a nation's prosperity and its citizens' religious beliefs? Do churches respond in their teachings or practice to their parishioners' changing economic fortunes?

Some—many?—folks would like economists to stay at home, mind their own business, and not “get out more” when it comes to extending their research to human endeavors more broadly, attempting to tease out factors such as costs, benefits, and incentives that influence decision-making when it comes to going to college, getting married, committing a crime, voting, or attending church services. But excursions by social scientists into the secular and spiritual world are not just late-twentieth—or early twenty-first-century occurrences; their roots go back many years.

The father of modern sociology, Max Weber, wrote his influential book *The Protestant Ethic and the Spirit of Capitalism* a little over 100 years ago (1905). He posited a direct link between a work ethic instilled in Protestant faiths and subsequent economic growth via capitalism. In the 1840s Karl Marx wrote in passing that religion is “the opium of the people.”

In 2008, then-Senator Barack Obama's comment in advance of the Pennsylvania primary that as economic conditions worsen the middle-class will “cling to guns or religion” drew sharp criticism. And for the last two years, a central theme of the papacy of Pope Francis has been the growing wealth disparities worldwide and humanity's obligations to help the poor.

The father of modern economics, Adam Smith, delved into several aspects of economics and religion in his *Theory of Moral Sentiments* (1759) and *The Wealth of Nations* (1776). Smith held a professorship in moral philosophy at the University of Glasgow, and in some senses might be considered the implicit founder of “the economics of religion”. He weighed in on market structures in religion—the spectrum from (state-sponsored) monopoly to a competitive marketplace—and consumer sovereignty. Later scholars have examined the issue and posited that church attendance and religious beliefs are higher in pluralistic, competitive markets than under regulated ones.

With the current focus on fairness from the Vatican to Washington DC, one might expect the Holy Writ to enlighten us, or perhaps be the definitive word, about taxation. The concept of tithing appears in the Old Testament. Based on social systems and economies of an earlier age, this meant a contribution of ten percent of one's increase. Whether that should be computed on gross income, net income, or wealth is left open, as is whether it is voluntary or compulsory.

Nevertheless, some solace for the 1%ers: this divine “tax” would be proportional, not progressive, in structure.

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Jesus's New Testament teachings note that we will always have the poor among us and it will be formidable for a rich man to enter the kingdom of heaven. But with regard to taxes, there are few specifics, other than a brief aside that one's obligation be “in keeping with income,” which is pretty vague when it comes to drawing up an actual tax rate schedule.

Using cross-country longitudinal data, Harvard scholars Robert Barro and Rachel McCleary found a direct correlation—and the direction of causation—between economic growth and religious beliefs (especially about hell!). Religiosity instills and fosters traits in individuals that in turn stimulate economy activity. Evidence suggests that religion plays a more important role in the life of Americans than for citizens in other more advanced—and secular—industrial nations. That we have also experienced more economic success may be no accident.

One would expect high-income people to contribute more in money and less in time—that is, actual church attendance—than lower-income parishioners because of the higher value of their time. Pews are more likely to be filled by lower opportunity cost people like the young and old. Check. To accommodate and encourage attendance, one might expect religious organizations to shorten the length of their services and also provide more flexible meeting schedules. Check. Contributing to a religious group may also be a form of insurance and a buffer for families in tough times. Check—literally. (Recent studies conclude that more education makes one less religious.)

For those with some free time over the holidays and who would like to dig deeper, three worthwhile volumes: *Sacred Trust: The Medieval Church as an Economic Firm* by Robert B. Ekelund et al. (1996); *Economics as Religion: From Samuelson to Chicago and Beyond* by Robert H. Nelson (2002); and *The Oxford Handbook of The Economics of Religion* by Rachel M. McCleary (2011). □

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