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Anne Koch

Economics of religion

The economics of religion, as a very recent perspective, is based on academic traditions that initially described interrelations between religion and the economy, and increasingly analyze it in its cultural embeddedness. The neoclassical market model is still mainstream, but it has become more culture-sensitive through its transformations in behavioral economics and new institutional economics. For instance, choices are seen as being bounded (intransparency, transaction costs, non-rational players), and institutions are considered not as a given frame but as negotiable variables. Thus there is something outdated about studies which correlate religion as a separate factor with affluence, gender, number of children, etc., and predictions concerning the (de-)secularization of a region. By contrast, those studies are successful which examine the production of knowledge and goods in the context of religious cultural systems; their mediation and distribution through marketing and property rights; their consumption, which involves the destruction of certain values and the creation of others, such as identity, or specific human capital. In addition to the use of economic theory for an understanding of religion within cultural studies, this perspective also permits examination of the symbolic elevation and normativity of economic behavior and institutions.

Academic work in economics of religion can be systematized in three groups. A first group considers the relation and interdependence of religious and economic action, mentality or habitus. The framework of this work is culture theory more than economic theory. A second group critically examines theories of economics as capitalism, market liberalism or or (popular) books or trainings on leadership. They question these discourses for their normative or even ideological pattern. A third group borrows analytical tools from economics in order to understand religion. Even if these endeavours are not entirely separable it is mainly works in the third sense that recent found a discipline of economics of religion.

The economics of religion (as distinct from a religious economy) has existed in the narrow sense as a discipline only since the 1980s, following American studies in rational choice sociology by Rodney Stark, William S. Bainbridge and Roger Finke, and studies in the neoclassical economics of religion by Laurence Iannaccone. In Germany, Burkhard Gladigow urged in a programmatic article that scholars of religion should make a study of the financial conditions and the economic embeddedness of religion (1995). The late development of this new perspective in the study of religion is explained by referring to the fixation on religious meaning, textuality and experience. However, discourse traditions which also, or among other things, see a relationship between religion and economy are much older, and are more

diversified today (Wuthnow 2005, Koch 2011). The economics of religion as a specialization within the study of religion is part of a more comprehensive development in which cultural analyses are extended to include the economic system. It also plays a role in economic anthropology and new economic sociology, economic ethics, the psychoanalytical critique of capitalism, and other disciplines. Today, even suicide bombers are analyzed in terms of their economic calculation in a symbolic economy of gift, sacrifice and annihilation (e.g. Strenski 2003, Iannaccone/Berman 2006). In some cases it has given rise to polemical arguments: Pierre Bourdieu, for instance, has used the term economic imperialism with reference to the way rational choice (RC) economics has been extended to the description of society (as in the classic studies by Becker 1976 of 'household' (in sociological terms: family), and 'human capital'). At the same time, Bourdieu's sociology does something similar when it refers to social analysis as a general theory of the economy of practices under conditions of struggle for reputation.

Ever since the beginning of cultural studies around 1900, and even more so since the *cultural turn* of the 1970s, scholars have worked on a bridging theory to explain the relations between market, organization and community. From a historical and methodological point of view, this was done using functional approaches and theories of action and structure. In this sense, Bronislaw Malinowski's functionalist study of a Pacific trading ring is just as good an example of an integrative approach as *New Institutionalism*, which puts human capital, socialization and education in a special relationship to each other. With the aid of such concordances, the economy finds its place in cultural and social theories. For the creation of value always goes beyond purely material scaling and involves symbolic relations. Thus, for instance, human capital as reputation depends on the social milieu, which in some cases attaches more importance to titles and in other cases to muscle power. Relations of recognition, as in G.W.F. Hegel's master-and-servant dialectic, are bound up in economic value chains. For value is socially determined, in respect of both material usefulness and affective, aesthetic and communal usefulness.

In what follows we will describe some key positions, then sketch specific approaches in the study of religion, and conclude with some remarks on main themes and the potential of the economics of religion.

Historical pioneers

In *The Wealth of Nations* (1776), Adam Smith reflected upon religion and religious personnel along with other occupations and market processes. He knew about motivation problems, profit orientation and the advantageous effects of competition in respect of religious actors. Karl Marx emphasized the creation of value through performance; under the influence of the evolutionist model common in his day, and in reaction to the first globalization, he visualized the development of a society with no social layering of economic processes, ruled by a global working community. Equally important is his upgrading of material things as the basis for ideas and the creation of meaning. Early scholars in the field of cultural studies had diverse aspects of the economics of religion on their agenda: Max Weber made a close examination of the way religious ethics affect people's way of life and production methods all over the world, and his approach to questions of economics and religion was to become extremely influential. He discovered the *Berufsmensch* (man with a vocation), specialized production by different types of religious actors, and, similar to Marx's concept of alienation, a depersonalizing bureaucracy. For Weber it was especially a religious normativity, which engaged in a discursive formation with the early capitalist form of economy in Central Europe (*Die protestantische Ethik und der Geist des Kapitalismus* 1904/05, *Die Wirtschaftsethik der Weltreligionen* 1915-20). Georg Simmel showed the social consequences of money as a growing material and symbolic medium of exchange, together with its substitutes, such as the gift (*Philosophie des Geldes* 1899/1907). Thorstein Veblen criticized the way the American rich enjoyed a reputation based on conspicuous consumption, in continuation of the aristocratic *habitus*, thus referring to correlations which Bourdieu later discussed in connection with different sorts of cultural capital (*The Theory of Leisure Class* 1898). These scholars were all involved in the early and increasingly differentiated debates of their era on sociological, socio-political and economic issues, and they were interested in the value systems that determine economic behavior.

Marcel Mauss also belongs to this tradition. Using the evidence of ethnographic and historical material, he showed that the social function of gift exchange is to create social networks involving mutual obligations (*Le don* 1935). His work was a reaction to the debilitating trench warfare of the First World War, and he advised the West to adopt the gift economy as a more peaceful social form. In this context, Mauss also acknowledges the potlatch as a destruction of economic values, or the vicarious death in combat of the group leader. Even if the simple reciprocity of giving and taking was subsequently

criticized as being too bipolar (later scholars preferred to speak of the transfer and collective management of resources), it is always important to ask what are the social and material benefits of gift exchange processes.

Continental philosophy in France freed itself from logocentrism with a new philosophical irrationalism and in a wider context re-shaped by this the discursive allocation of economics, religion, and ethics. In this discourse, economics classically appeared on the side of the rational pole. In 1933 Georges Bataille used the term "expenditure" (*dépense*) with reference to the overturning of the capitalist assumption of benefit in loss, sacrifice, crisis. His base materialism was designed to leave behind all oppositions between the material and the spiritual. Gilles Deleuze and Felix Guattari presented a psychoanalytical social analysis and critique of capitalism, in which the individual is oppressed since he is subjected to materialist desires (*Capitalism et Schizophrénie 1972*). As a counter concept to this split ("schizophrenia"), they proposed desire in the irrational discursive pole.

Pierre Bourdieu's religious field was shaped largely by his reading of Weber, and his economic field by empirical studies of the French home buyers' market. He achieved great success with his concepts of types of capital, *habitus* and competition for recognition. He unambiguously touched on the economics of religion with his negative view of the religious field, taking the example of the French Catholic Church, which, as he put it, functions in the "economic universe" according to the rules of the pre-capitalist "family economy" (1998). The family economy is based on hierarchy, patriarchy and honorary office, rights of primogeniture and similar institutions. Thus, according to Bourdieu, religious economies function by means of various strategies aimed at rendering invisible the economic character of value-creation or exchange processes. These strategies include the idealization of jobs connected with the celebration of church services (cleaner, verger), disguising the offering as self-sacrifice instead of exchange, unbounding the job of the priest so that he devotes his entire life to God, euphemization of work performed in an honorary capacity and the commitment to brotherliness; and finally, denial of economic activity in general.

In economic anthropology following Malinowski, two schools developed which saw economic activity as a social phenomenon: the formalist school took up neoclassical premises which are universally applicable but which are realized differently on the local level; profit maximization, for instance, can be understood in terms of recognition, integration or wealth (Raymond Firth, Melville J. Herskovits). The so-called

substantialist school, on the other hand, carried out a complete discursification of the object and argued that the neoclassical premises could not be applied to social systems without a market economy (Karl Polanyi, George Dalton). These schools differ in their point of reference: in the first case this is the individual and his (rational) choice, while in the second it is the social and cultural context. Against this background, religion is approached either empirically in terms of its local embeddedness in the political economy (e.g. Donham 2002) or formalized (e.g. Chesnut 2007).

Rational choice sociology and economics of religion ("market model")

The market model based on the neoclassical rational choice theory has led to the development of a highly interconnected discourse strand since the 1970s. Unlike secularization theories, it predicts that the density of religion is dependent on factors such as state regulation of the religious market, the degree of religious pluralism (supply-side explanations: supply creates demand) and wealth. To this day, many studies are based on these axioms (McCleary 2010) or revise them (Stolz 2006). Ten years before the classic study by Azzi and Ehrenberg, an application of the microeconomic analysis of household production in which they found that the accumulation of religious human capital is a benefit (1975), Peter L. Berger wrote in remarkably stringent economic terms about the market of American Protestant denominationalism, its competition, its cartelizations, and the forming of specific bureaucratic interdenominational dialogue actors (1965). But it is mainly due to the sociologists Stark, Bainbridge and Finke, and the economist Iannaccone, that the neoclassical economics of the Reagan era have been applied to religion. The premises of utility maximization, stable preferences and market equilibrium are the model for explaining human behavior. It has often been misunderstood as anthropology, instead of being appreciated as a useful prediction model. Iannaccone, Stark and Finke discuss themes that are typical of the 1980s and 1990s: the retreat into privacy, spirituality and informal forms of religious belonging. The theory of religion presented by Stark and Bainbridge in 1987 contains a social exchange variant of the RC paradigm. Actors expect a compensation proportional to their contribution in an interaction. Compensation in the afterlife is the specific offer made by religious firms. Iannaccone also notes some correlations worthy of discussion (1994). So the uncertainty associated with faith goods is treated in a manner similar to risks in the world of financial investments and insurance: diversification or long-term specialization. Two types of religion are derived

from these two approaches to risk management, based on private or collective production. In the private production of religious goods, the portfolio is diversified by considering the offers made by different suppliers. Private production concentrates on fee-for-service transactions. If a product is not up to expectation, there are other products available from independent suppliers. Iannaccone sees this type mainly in esoteric religions and in "Asian religions". Typical examples of collective production are the Christian churches as profit-maximizing firms which create institutions for information purposes (theology), set up authorities, create forms of interaction like witnessing, and generally yield social capital. In order to solve the problem of free riders, exclusivity is required and the costly demands of membership of a religious group are increased by stigma and sacrifice. Stigma, or social labeling based on lifestyle, increases the cost of participating in social activities outside the group, and sacrifice means high contributions, a special moral code or commitment. The two latter strategies function most effectively in small religious groups. This leads to the conclusion that a market equilibrium exists in cost-intensive sects and low-cost churches.

Critique of rational choice economics of religion and new institutionalism

Two forms of critique of rational choice can be distinguished: 1. the way it is applied to culture and religion, and 2. the development of neoclassical theories leading to bounded rationality in economics.

ad 1.: Scholars of cultural studies criticize that rational choice religious economics uses conventional economics to explain practices that have long ago been dealt with in the more comprehensive context of a cultural theory (Chidester 2010: 84). Thus, the new economic sociology examines the social embeddedness of institutions and markets (Mark Granovetter, Richard Swedberg). Among others, Christian triumphalism (Alles 2010) and the historical propositions (Bruce 2002) in Stark are criticized. Also conclusions on the basis of data from a worldwide survey of religion are somewhat more ambivalent than the market model that explains worldwide church growth, especially in the area of Christian Pentecostalism, which goes against the tendency towards secularization, as a result of competition in unregulated religious markets (Inglehardt/Norris 2004, Barro/McCleary 2006).

ad 2.: Results from empirical economics (behavioral economics, game theory) have entered into the concepts of bounded or quasi rationality: this means questioning whether economic behavior is rational, as a result of decision theory, which also

describes in intercultural terms (Henrich et al. 2004) the broad variety of behaviors such as altruism, fairness and reciprocity (Kolm/Ythier 2006, Tan 2006). Equally weighty is the development of a second branch of the theory, starting from so-called transaction costs, meaning information search costs, costs of monitoring and control (problematized as principal-agent relation), bargaining and decision costs, or opportunity costs (e.g. of free riders). For this transaction-costs approach, and the governance approach (chiefly developed by the economists Ronald H. Coase in the 1930s and later by Oliver Williamson), firms are crucial coordination mechanisms **in addition to** the market – an insight that is yet to be taken into account by scholars interested in the economics of religion with their focus on the market. The early model premises (e.g. market transparency for actors, viewed as calculating without deceiving, institutions as exogenous) are too idealized to offer sufficiently accurate predictions in small institutional structures.

A small number of recent studies in the economics of religion have taken these criticisms into account in the new-institutional tradition (Brinitzer 2003). When applied to an institutionalist economics of religion, the difficulties involved in measuring loyalty, reputation, advice and so on become clear. The exchange rates for goods and types of capital in the religious field and in interaction with other embedments, where there are no organizational coordinations, also have to be reconsidered.

Themes and potential of the economics of religion

In recent years the discussion has tended to centre around more specific concepts borrowed from economics and economic sociology: cultural religious production, distribution, signaling, path dependency, market phases, ritualistic formal structures of organizations, mental models, free riders, risk behavior, and types of goods. Little attention is so far paid to the discursive construction of markets, for instance, the signaling of narratives. A socio-culturally sensitive perspective would also take other things into account. For instance, when considering the commercialization of religious objects, the value of the goods as specifically religious must first be constructed. This happens, for instance, when they are authenticated on the graves of religious figures (Zaidman/Lovengart 2001), or when their aesthetics match the *habitus* of the buyer. For identity is created through consumption, as demonstrated recently by the demand for halal food products of an educated Muslim middle class. Still from the point of view of RC, the growth of certain groups, whether Pentecostal groups in Latin America, or Afro-

Brazilian and New Age groups, is by some scholars explained by means of attractive products (supply side explanation) such as faith healing and money charms offered by religious firms that see themselves as "personal problem-solving agencies" (Chesnut 2007). The decisive thing is that they all have to make these products attractive to the poor and to women, as the biggest consumer groups. Besides market-related factors, Chesnut also takes into account the fact that success links cultural conceptions of pneumacentrism as penetration by the Holy Spirit with the gender understanding of femininity.

The potential of the economics of religion is that:

1. Religious and economic action is explained in the context of cultural patterns of action and institutions.

Economic models are extremely valuable, empirically effective and differentiated action theories, which can also be applied to the study of practices and conceptions in the area that is constructed as religion in a society. New economic institutionalism and behavioral economics, but not so much the older rational choice theory, take into account the embeddedness of both religion and economics in cultural dynamics (on the convergence of religion and capitalism Roberts 1995). These studies are influenced by economic anthropology and economic sociology. Of all studies, those must be emphasized which describe religion and economics as an interface between identity-formation, means of coping with life, political power strategies and strategies of social recognition, as creation of value, path-dependent, or as aestheticization, symbolization or materialization. And it is important that neither the cultural character of actions – in other words institutions as endogenous factors – nor the stringent, and in some cases arithmetical, application of any particular economic theory in order to justify the name economics of religion, should be neglected.

2. Economic theories and economic models and their ideologies are subjected to critical examination by scholars of religion.

In the sense of a most-attractive and most widely-encompassing value system, today's financial-market capitalism has been called the "first truly world religion" (Loy 1997, see also Foltz 2007). The overvaluation of money as a medium of exchange, for instance, or of trust as the basis of market, the regulative effect of anonymous market forces, new green religion in karma capitalism which is claimed to be sustainable, the utopias of communism, the silent take-over of spirituality through brands (Carrette/King 2005), identity-formation or social

exclusion through consumerism, the management consultant as savior, business ethics: all these economic models, economic evaluations and actors belong to the field of study of the economics of religion. Just as economic history is written as a part of cultural history, it is time to write it also as a part of the global history of religion.

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