Who in his right mind would invoke economic theory to explain religious behavior? Who but Adam Smith, the patron saint of economics and author of its most revered text. In *The Wealth of Nations*, Smith ([1776] 1965, 740–766) analyzed religious activities as examples of rational choice rather than exceptions to it. He challenged his readers to recognize that self-interest motivates clergy just as it does secular producers; that market forces constrain churches just as they do secular firms; and that the benefits of competition, the burdens of monopoly, and the hazards of government regulation impact religious markets just as they do other sectors of the economy.

Although Smith laid the foundation for an economics of religion in 1776, two centuries would pass before academics built upon his insights. This was a double loss for the social sciences. The study of economics lost a provocative “nonmarket” application that broadens the field and encourages cross-disciplinary research. And the study of religion lost a critical perspective—one that complements, and sometimes contradicts, the theories of sociologists, anthropologists, religious historians, and others.

Inspired by Gary Becker’s pioneering work on the family, economists finally returned to the study of religion in the 1970s and 1980s. The earliest
papers modeled church attendance and contributions as examples of (Beckerian) “household production” (Azzi and Ehrenberg 1975; Ehrenberg 1977). Extensions to this work incorporated habit formation and human capital so as to address conversions, intermarriage, and the role of religion in marriage, fertility, and divorce (Iannaccone 1984, 1990; Neuman 1986; Lehrer and Chiswick 1993). By the late-1980s and early 1990s, the scope of inquiry had grown to include denominational growth, religious extremism, doctrinal innovation, religious risk, church market structure, and much more. And now—thanks to scores of published papers and a newly acquired *Journal of Economic Literature* code (Z12)—the study of religion can finally claim status as an “official” subfield of economics.

The economics of religion is not without detractors. As the field has grown, and especially as it has moved into the traditional domain of sociologists, its models, methods, and insights have come under fire. Despite the influential contributions of leading “rational-choice” sociologists (most notably Rodney Stark and Roger Finke), attacking the economic/rational-choice approach has become something of a cottage industry. See, for example, the publications of Steve Bruce (1993, 1995, 2000, 2001), Roland Robertson (1992), N.J. Demerath (1995), C. Kirk Hadaway and Penny Marler (1996), Gerald Marwell (1996), Mark Chaves (1995), Mary Jo Neitz and Peter R. Mueser (1997), Mark Chaves and Phillip Gorski (2001), and James Spickard (1998).

It would be unfair to dismiss these critics as mere defenders of academic turf. Better to see them as advocates for an intellectual tradition that views religious activities and institutions as “less rational” than other aspects of culture—a sacred realm “set apart” from the profane and (at least partially) insulated from the “calculation of utility” (Wuthnow 1991, 273; Emile Durkheim 1915/1965, 62; Talcott Parsons 1968, 412).1

This chapter seeks to explain and defend the economic approach to the study of religion. It complements, but does not reiterate, a broader and more representative overview of the field (Iannaccone 1998). My arguments are frankly utilitarian. Above all, I commend the economic approach as one that has borne considerable fruit in the social sciences, is well suited to the task of modeling religious behavior, and has yet to receive sufficient attention among religious scholars.

**The Basic Approach**

Gary Becker (1976, 5) has characterized the essential features of the economic approach as the “combined assumptions of maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly.” Although Becker’s “relentlessly” utilitarian analysis of subjects like “the demand for children” provoked irritation in some and
incredulity in others, I do believe his list goes to the heart of the matter, particularly for the study of religion.

Of the three assumptions, maximizing behavior is fundamental. It is, however, a simplifying assumption to be employed and assessed within the context of predictive models that are themselves simplified representations of reality. The assumption implies that people approach all actions in the same way, evaluating costs and benefits and acting so as to maximize their net benefits. Hence, people choose what religion, if any, they will accept and how extensively they will participate in it. Over time, most people modify their religious choices in significant ways, varying their rates of religious participation and modifying its character, or even switching religions altogether. Following assumption of stable preferences, economic theorists are almost never content to explain such changes with reference to changed tastes, norms, or beliefs. They seek instead to model changes as optimal responses to varying circumstances—different prices, incomes, skills, experiences, resource constraints, access to different technologies, and the like.

Similar simplifying assumptions apply to religion’s supply side. Religious “producers” are also viewed as optimizers—maximizing members, net resources, government support, or some other basic determinant of institutional success. The actions of church and clergy are thus modeled as rational responses to the constraints and opportunities found in the religious marketplace.

The combined actions of religious consumers and religious producers form a religious market that, like other markets, tends toward a steady-state equilibrium. As in other markets, the consumers’ freedom to choose constrains the producers of religion. A “seller” (whether of automobiles or absolution) cannot long survive without the steady support of “buyers” (whether money-paying customers, dues-paying members, contributors and coworkers, or governmental subsidizers). Consumer preferences thus shape the content of religious commodities and the structure of the institutions that provide them. These effects are felt more strongly where religion is less regulated and, as a consequence, competition among religious firms is more pronounced. In competitive environments, religions have little choice but to abandon inefficient modes of production and unpopular products in favor of more attractive and profitable alternatives.

For an overview of the large and rapidly growing literature oriented along these lines, the reader may wish to consult my introduction to “The Economics of Religion” in the Journal of Economic Literature (Iannaccone 1998). For book-length applications of the rational-choice perspective, one should read the recent works by Rodney Stark and Roger Finke—The Churcng of America (Finke and Stark 1992), The Rise of Christianity (Stark 1996), and Acts of Faith (Stark and Finke 2000).
Integrated Explanations

Economic theory offers a new and comprehensive approach to the social scientific study of religion. For a field long on data but short on theory, this is no small thing. Prior to the economic invasion, leading sociologists of religion openly criticized their field’s lack of coherence. Robert Wuthnow acknowledged that:

The field has grown more rapidly in inductive empirical research and in subspecializations than it has in attempts to identify theoretically integrative concepts. . . . The problem is not one of lively disagreement over serious intellectual disputes but an absence of unifying constructs. (1988, 500)

Rodney Stark and William Bainbridge summarized the situation with characteristic force:

[Despite] a major rebirth [leading to] an amazing variety of new and well-tested facts, . . . no sustained effort has gone into creating theories to give order and relevance to these facts. Indeed, there has been little theorizing about religion since the turn of the [twentieth] century. (1987, 11)

Economic theory thus provides the study of religion its first “new paradigm” in many years (Warner 1993)—a unified approach to numerous empirical regularities and dozens of (previously) distinct predictions. To summarize these contributions, it helps to distinguish three levels of analysis: the level of individuals and households; the level of congregations, denominations, and other groups; and the level of entire communities or societies.

At the individual level, “human capital” and “household production” models of religious participation explain observed patterns in denominational mobility, religious intermarriage and divorce, conversion ages, the relationship between church attendance and contributions, and the influence of upbringing and interfaith marriage on levels of religious participation (Iannaccone 1990, 1998—see also Grossbard-Shechtman and Neuman 1986; Lee 1992; Lehrer and Chiswick 1993; Sherkat and Wilson 1995; Chiswick 1999; and Stark and Finke 2000, among others).

At the level of religious groups, new models of church and sect account for the strength of strict churches, the dynamics of denominational change, and the empirical correlates of sectarianism: costly demands, definite conversions, high levels of religious participation, lower-class and minority appeal, and so forth (Iannaccone 1988, 1992, 1994; Stark and Finke 2000).

At the level of entire communities and societies, models of religious mar-

Several sociologists of religion—most notably Bruce (1993, 2000, 2001), Chaves (1995), and Demerath (1995)—have criticized much of this work. Bruce, for example, has little use for theories of household production and human capital. He claims that data on denominational mobility can be explained “perfectly well without economic metaphors” if we instead suppose that “beliefs ‘sediment’ so as to shape our receptivity to future alternatives” (Bruce 1993, 198). Likewise, data on conversion ages are “compatible” with the explanation that “the plausibility of beliefs is a product of (a) social interaction with other like-minded believers, and (b) the extent to which those beliefs produce a satisfactory understanding of the world and one’s place in it” (Bruce 1993, 199). Intermarriage patterns can be explained by noting that “churches provide an excellent venue for meeting young people who are similar not only in religion but also in social class, culture and ethnic background” (1993, 199). And the higher rates of church attendance that characterize shared-faith marriages fit the alternative hypothesis that “a significant other who reinforces [one’s own] beliefs will have a profound impact on the strength of one’s faith and hence on the enthusiasm with which one participates in collective expressions of such beliefs” (1993, 200).

I find this critique unconvincing, in that it neither undermines the logic of the production/capital model nor refutes its empirical success. Rather, it merely proposes other explanations for four of the model’s predictions. This is tantamount to conceding that the model does indeed live up to its billing. Production and capital do integrate numerous predictions within a single conceptual framework and do fit that data. The noneconomic approach substitutes a distinct (and distinctly ad hoc) “alternative explanation” for each of the phenomena in question—first social sedimentation, then plausibility, then dating venues, and finally mutually reinforcing beliefs. These explanations do not sum to any overall model of religious participation, nor are they direct implications of any standard theory of behavior. By contrast, the full set of findings come together within a single, relatively simple model that posits rational choice and the formation of religious capital, thereby linking the analysis of religious participation to a large body of research on household behavior and capital accumulation.

New Questions and Hypotheses

The rational-choice approach also generates new questions, new methods, and new hypotheses.
For a small example, consider again the production/capital model. It predicts that people will not "produce" religion in just one way (involving, say, two hours of church attendance, twenty dollars of contributions, and thirty minutes of prayer each week), but will instead alter their "input ratios" as the value of their time changes (Iannaccone 1990, 310–312). Just as businesses seek to conserve on labor when wage rates rise (turning perhaps to automated assembly lines), and just as parents seek to conserve on their household time when both work in the labor force (turning perhaps to more convenience foods and landscaping services), so also church members will shift to more "money-intensive" forms of religious activity when their value of time increases. In practice, this means that people with high wage rates will tend to contribute more money relative to their rates of church attendance, and people with low wage rates will tend to contribute fewer dollars per hour of church they attend. More importantly, congregations and denominations with higher average wage rates will tend to adopt more money-intensive (time-saving) styles of worship: shorter services, more reliance on professional staff, larger and more costly facilities, more reliance on purchased goods and services, and less reliance on volunteered labor. These predictions have no precedent within traditional models of religious participation, yet they receive both statistical and anecdotal support.

At the level of communities and countries, rational-choice models yield a series of hotly contested predictions concerning the vitality of competitive religious markets and the stultifying effects of state-sponsored religious regulation. Because the market model of religion and its challenge to traditional secularization theory has been the subject of so much attention (and debate) in recent years, I will not summarize the situation here. It suffices merely to acknowledge the model's capacity to invigorate old debates (about secularization, pluralism, and American exceptionalism) with a fresh perspective and new predictions. For an introduction to this literature, see Iannaccone (1991, 1998), Finke and Stark (1992), and Warner (1993).

Rational choice directs our attention to other issues, so obviously important that one wonders at their historic neglect. It is, for example, nearly impossible to speak of the costs and benefits of religion without inquiring into the money that people devote to it (Ehrenberg 1977, Sullivan 1985). It is equally impossible to observe or participate in organized religion, without recognizing the necessity to finance the enterprise. Yet, prior to the 1980s, virtually no surveys of religious behavior asked people about their contributions. Indeed, even after Andrew Greeley and William McManus (1987) wrote a book on contributions and the National Opinion Research Center added a contributions question to its General Social Surveys, the subject received no attention at conference sessions of the Association for the Soci-
ology of Religion, Religious Research Association, or Society for the Scientific Study of Religion or the pages of their respective journals. As if to illustrate economic principles, it finally began to generate interest in the 1990s, when the Lilly Foundation began offering substantial incentive to study the financing of American religion. For an overview of results from those studies, see Chaves and Miller (1999).

One is reminded of Kingsley Davis's (1937) pathbreaking sociological study of prostitution—the first, it seems, to emphasize that money changed hands. A student will search in vain through most texts in the sociology of religion (including those by McGuire 1987; Roberts 1990; Yinger 1970) for an extended discussion of the determinants of religious giving or the ways in which groups finance their activities. This omission may reflect a reluctance to deal with economic issues from a sociological perspective, a refusal to accept the importance of the subject, or simply a pervasive oversight. But whatever the cause, it highlights an obvious contribution of the rational choice approach.

Traditional research also neglects the time that people devote to religion. Countless studies of church attendance would appear to prove otherwise, but closer examination reveals that nearly every study treats attendance as just another "dimension" of religiosity or attribute of the individual. The field seems to have overlooked the critical difference between church attendance and a religious attitude. Attendance takes time, time that has an opportunity cost because it preempts other activities, and time that can be measured by researchers. It seems silly to have hundreds of surveys that ask people questions like "Did you, yourself, happen to attend church last week?" but scarcely any that ask them how many hours they devoted to religious activities last week or how those hours were divided among private worship, attendance at public worship services, and involvement in other group meetings and activities.

In contrast, rational choice all but requires the study of time and money and its consequences. Iannaccone, Olson, and Stark (1995) emphasize this point, and they show that contributed time and money "produce" membership growth at both congregational and denominational levels. They also show that different measures of a religion's resources (such as membership, attendance, weekday involvement, and money contributions) yield very different estimates of the relative size, strength, and "market share" of various denominations. Working within a very different religious tradition, Chiswick (1999) identifies the many ways in which time constraints and time-money trade-offs have influenced the development of twentieth century American Judaism.

Beneath the measure of time and money lie more fundamental questions about the costs and benefits of religious activities. Iannaccone (1992, 1994) provides a cost-benefit explanation for the strength of strict churches and the observed empirical regularities that came to be known as "church-sect theory."
Rather than argue the abstract merits of such explanations or debate the extent to which religious socialization alters perceptions of cost and benefit, I would draw attention to just one point. There are very few survey items (in the General Social Surveys [GSS], national polls, denominational surveys, or special studies designed and administered by scholars of religion) that even try to assess the perceived costs of religious practice; nor is there much attention to perceived benefits. Instead, we find scores of psychological batteries, attitude measures, belief inventories, affiliation items, and a few behavioral measures (Hill and Hood 1999). The value of cost-benefit models will remain hard to assess (but impossible to dismiss) until we begin asking people what they have sacrificed for the sake of their faith.

Similar observations apply to many other economic concepts—market equilibrium, the free-rider problem, the theory of monopoly, the concept of production, and more. But I will conclude this section with a single example of rational choice leading to insights that otherwise remain unthinkable or unthought.

While arguing that religion falls beyond the limits of economic rationality, Bruce (1993, 202) asserts that “one cannot hedge one’s bets by buying only a small amount of a religion . . . ; we cannot regard religious promiscuity as a form of rational diversification of investment.” This certainly sounds reasonable, and it accords with the standard sociological assumption that calculations are “off limits” when it comes to a great many areas of human behavior (Etzioni 1988). But by taking it for granted, one ignores a fascinating set of possibilities that I have labeled the theory of religious portfolios (Iannaccone 1995b).

The theory builds from the fact that religions are risky business. Their fundamental assertions lie within a realm of “radical uncertainty” beyond the range of empirical verification (Wuthnow 1988, 494; Stark and Bainbridge 1987, 39). Hence, subscribing to a religion is a bit like buying stock. A natural strategy for dealing with such risk is to hedge one’s bets. “Pascal’s wager” advocates one such hedge, trading finite losses in this life for the possibility of infinite rewards in the next. But other hedging strategies apply to the content of religiosity. “Religious investors” will be tempted to diversify their own religious portfolios, devoting their time and money to a variety of different religions, dabbling in, say, astrology, Methodism, meditation, and so forth.

As I have argued in Iannaccone (1995b, 1999), this unexpected prediction receives a great deal of empirical support when it is combined with the rational-choice theory of “strict churches.” Together they yield an elegant typology, contrasting “collective” religions (which emphasize exclusive membership, employ sacrifice and stigma, maintain high levels of participation,
and view all members as co-workers) and "private" religions (which obtain little or no brand loyalty, permit diversification, average low levels of participation, and focus on fee-for-service transactions). Western religions, particularly their more sectarian variants, exemplify the first type. Asian religions, New Age religion, and Greco-Roman paganism exemplify the second. I mention the theory of religious portfolios, not to suggest that one should accept its merits sight unseen, but rather to emphasize how a rational-choice perspective leads to hypotheses and data that otherwise are overlooked or rejected out of hand.

Resonance and Realism

Critics sometimes complain that rational-choice models house "unrealistic" assumptions. Bruce, for example, notes that a "very obvious criticism that can be made of the economic approach is that it has little resonance with the understandings of the people whose behavior it must explain" (Bruce 1993, 200; see also Etzioni 1988, 17; Feree 1992; Swedberg 1990). There is, of course, a long-standing philosophical debate over the importance of realism (Boland 1979). One is hard-pressed, for example, to defend relativistic or quantum-mechanical models of the universe as more intuitively plausible than their Newtonian predecessor. But for the sake of argument, let us accept the notion that, other things being equal, a social-scientific explanation is to be preferred if its underlying assumptions accord with perceived reality and/or resonate with people's self-described behavior, motivations, and the like.

I would argue that from casual conversation to biblical commands, we find language that is compatible with, and often equivalent to, cost-benefit terminology. In this sense rational choice theory is at least as realistic and plausible as alternative interpretations. The basic issue, after all, is whether people attend to costs and benefits and act so as to maximize their net benefits. The principal alternative is unreflective action based on habit, norms, emotion, neurosis, socialization, cultural constraints, or the like—action that is largely unresponsive to changes in perceived costs, benefits, or probabilities of success.4

Consider the utilitarian admonitions that fill the Bible. "Honor your father and mother, that your days may be long in the land" (Exodus 20:12). "Behold, I set before you a blessing and a curse: the blessing if you obey...and the curse if you do not" (Deut. 11:26). "Take delight in the Lord, and he will give you the desires of your heart" (Psalms 37:4). Consider the investment-oriented appeals to faith: "Do not lay for yourself treasures on earth where moth and rust consume and where thieves break in and steal, but lay up for yourselves treasures in heaven" (Matt. 6:19). Consider the economic meta-
phors: Cast not your pearls before swine; the kingdom of heaven is like trea-
sure hidden in a field; the kingdom heaven is like a merchant in search of
fine pearls. Consider the crowds who followed Jesus, and who follow today,
in response to reports of miracles—an indication (insofar as they are be-
lieved) that the probability of divine presence is high and the possibility of
personal benefits is great.

Turning to ordinary speech and survey data, note that regular church
attenders are far more likely than others to view their religion as personally
beneficial and satisfying. They more often believe in other-worldly benefits
(heaven) and costs (hell). They impute higher probability to the existence of
God. They express more satisfaction with their denomination, congregation,
pastor, church-based friendships, and the like. Similar cost-benefit factors dif-
ferentiate religious “dropouts” from those who remain active in their faith
(Hoge 1981). Some readers might discount these facts as obvious and unin-
formative, but they are obvious only to the extent that we adopt (or accept that
others adopt) a utilitarian perspective, persisting in behaviors perceived as
beneficial and avoiding those perceived as costly. Other readers might reject
people’s own statements, arguing that they merely reveal the natural tendency
to rationalize actions that are, in fact, determined by norms, habit, social
pressures, and the like. But even if this were so, we are left with instrumental,
utilitarian language as a natural way people describe and defend their behavior.

The irony here is that many nonrational constructs resonate less well with
people’s own statements. Ordinary people do not describe their religious
beliefs or behavior in terms of plausibility structures, status incongruity,
boundary maintenance, or their equivalents. They scarcely acknowledge the
possibility of doing what they do because they were socialized to do it. Rather,
they speak of the truth (i.e., the high probability) of their view, the blessings
(benefits) that accompany it, and the curses (costs) that accompany its alter-
native. They admit temptation (yearning for the benefits they sacrifice to
garner future blessings) and backsliding (when their degree of certainty falls
or the lure of worldly pleasures overwhelms the decision to wait for heav-
enly rewards). If we ask them to assess the dollar cost or utility gain of at-
tending Sunday services, they will surely balk. But they readily concede that
people are drawn to faith and fellowship that “satisfy their spiritual needs.”

**Pervasive Principles**

Utilitarian language may proliferate and yet utilitarian principles may fail to
account for religious behavior; people may say one thing and do another.
But here again, one finds strong prima facie evidence that people both talk
and act in accordance with rational principles.
Consider the short list of basic economic theorems given by Gary Becker (1976, 5–6) and quoted by Bruce (1993, 194–195; see also Robertson 1992, 154). They include the laws of demand and supply, the invisible hand theorem (asserting the superior efficiency of competitive markets), and the principle that taxing a commodity or activity reduces the amount that is produced. I would assert that it is nearly impossible to imagine these principles not applying to religious behavior. Moreover, even when they do (apparently) fail to apply, there is much to be gained from asking why.

The law of demand is by far the most basic economic principle, so basic that it applies to laboratory animals (Kagel et al. 1975). As Becker (1976, 151–168) has demonstrated, it is more a consequence of budget constraints than rationality, so that even those who act randomly or habitually tend to consume less when prices rise.

Does religious behavior violate this law? Consider church attendance. Consider a particular church member who averages two or three meetings a month, and consider an event that increases the “price” of attendance, other things remaining equal. Imagine, for example, a heavy snowstorm that makes the roads to and from church difficult to drive, thereby increasing the full cost of attendance. Without a doubt, this member will become less likely to attend. More importantly, we can aggregate this prediction and conclude that total attendance will be less than normal on such days. A similar phenomenon will arise on weekends with exceptionally good weather and three-day holiday weekends, because the “opportunity cost” of attendance rises with the increased availability of unusually attractive alternative activities (Iannaccone and Everton 2000). The argument extends to any event, attribute, or commitment that increases the opportunity cost of a person’s time (and hence the cost of a morning spent in church)—project deadlines, special events, hectic stages in the life cycle. The same prediction applies to reduced benefits (the flip-side of costs)—a period of undistinguished stand-in preachers, the departure of many church friends, moving to a less pleasant facility, a cutback in child care and Sunday school services.

Again, the reader may object that these are obvious facts that require neither theory nor graphs to back them up. But that is just the point. The law of demand and that of most other fundamental economic theorems are obvious, and obviously correct. The power of rational choice lies in its having expressed these principles in verbal, graphical, and mathematical forms that allow us to apply, combine, and manipulate them without losing track of our own assumptions. And even though this particular example does not yield an esoteric theory of church attendance, it does correctly identify most of the factors that prove significant in survey studies of attendance.

The law of supply is scarcely more debatable than the law of demand and
may apply even to psychotics (Hirshleifer and Glazer 1992, 7). It predicts, among other things, that the charitable contributions "supplied" to a church will increase when the rewards for doing so increase (including, for example, more public recognition). It also predicts a reduction in entrants to the priesthood, when its pay, power, and prestige decline relative to that of other occupations. It further implies that the supply of new religions (and hence the growth of new religions) will rise when barriers to entry fall (decreasing startup costs, and thus effectively increasing the net price that religious suppliers receive for their services). Again, the predictions are obvious; but again that is the point.

The beauty, of course, is that these simple laws combine to produce a large body of insights and unexpected predictions regarding the effect of taxes, subsidies, quotas, rationing, and more. A subsidy to religious private schooling (via laws that ensure the deductibility of tuition) certainly will increase enrollments in Christian schools. A voucher system (which acts as an even larger subsidy) will increase it further still. Tax exemptions in the United States encourage groups to define themselves as religious rather than social or philosophical in nature, and, as Roger Finke (1990) has emphasized, the First Amendment functions like a vast subsidy to religious dissent and pluralism. Even small changes in the legal environment can have major consequences for religious groups, as is illustrated by a 1960 rule change permitting TV stations to sell the religious air time they had previously given away. Jeffrey Hadden (1993) documents the resulting massive decline in (previously subsidized) broadcasts by liberal "mainline" denominations and the corresponding increase in broadcasts by conservative "televangelists."

The 1965 repeal of immigration quotas (which had limited the supply of Asian religious teachers) gave a major boost to new religions in America (Melton 1987, 52). David Martin (1990, 13) notes that the Protestant explosion in Latin America was contingent upon "the general deregulation of religion." And religious and political deregulation on the opposite end of the globe has inaugurated a comparable period of religious ferment in Eastern Europe and the former Soviet Union.

**Historical Relevance**

Some scholars turn the preceding claims on their head, arguing that the very evidence of religious "economization" proves its limited relevance (Robertson 1992, 150; see also Demerath 1995). According to this argument, religious traditions can only become "consumer commodities" (subject to individual choice and "the logic of market economics") within a modern, pluralistic society (Berger 1967, 138). The applicability of an economic perspective
thus proves how far contemporary religion, especially American Protestantism, has strayed from its roots (Wilson 1966) and calls into question this economic perspective's capacity to illuminate any truly religious phenomenon (Bruce 1993; Heelas 1993).

Insofar as this argument encourages historical sensitivity and global comparisons, it certainly merits attention. A large body of social-scientific research traces the evolution of markets and capitalist institutions in medieval Europe and documents its immense political, social, and economic consequences. One might imagine a similar (and similarly illuminating) analysis of the emergence of "religious markets." Indeed, the most provocative recent histories of American religion do just that (Finke and Stark 1992; Hatch 1989; Moore 1994; see also Fogel 2000).

But it would be a serious mistake to conclude that economic explanations apply only to modern times. To do so understates past opportunities for choice while also overlooking long-standing theories of noncompetitive situations. Stark and Bainbridge (1985, 111–122) have attacked "the illusion of a universal church," citing medieval Catholicism's continual and ultimately unsuccessful battles with heresy, schism, and dissent. Other state-supported churches, including the Church of England, had even more trouble maintaining a religious monopoly (Stark and Iannaccone 1994). I have already noted that choice, competition, and even "portfolio diversification" pervaded the Greco-Roman "religious economy." Competing religions filled the Roman Empire: civic worship of the old Greco-Roman gods, such as Zeus, Apollo, Artemis, Dionysus, and the like; Caesar worship; mystery religions of Isis, Mithras, Adonis, and others; magic and astrology; numerous schools of philosophy; and the intolerant faiths of Judaism and Christianity (Nock 1963). Japanese religious history reveals a complex mix of peaceful coexistence, spirited competition, and vigorous suppression. And Israel's sacred texts, from Genesis to Malachi, testify to the persistent lure and perennial presence of alternatives to the Jewish faith. Against the backdrop of the Old Testament prophets' condemnation of pervasive idolatry, apathy, materialism, and unbelief, the contemporary situation looks less unique.

It is, of course, true that modern society, particularly late twentieth century America society, provides a far wider range of choices than were previously available. Despite its many challenges, the Roman Catholic church did dominate medieval Europe's religious market, and the remnants of dominance still linger. But these facts hardly invalidate rational choice. Economic theory bristles with theories of imperfect competition—monopoly, cartels, monopolistic competition, oligopoly, and more. Insofar as historic religions kept their competitors at bay, these theories offer unique insights concerning market segmentation, price discrimination, collusion, and "economic rents."
Indeed, the first social scientific analysis of religion concerned the religious monopolies of medieval Catholicism and post-Reformation–established Protestantism (Smith [1776] 1965, 740–766).

Far from being restricted to Western capitalist settings, economic logic underpins many of the most provocative recent studies of religious history. This includes Stark's (1996) highly acclaimed The Rise of Christianity; a study of the medieval Catholic church by Robert Ekelund et al. (1996); a special (March 1997) volume of the Journal of Institutional and Theoretical Economics; and a wide range of articles on such diverse topics as the rise of monotheism in ancient Israel (Raskovich 1996); patterns of conversion to Islam in sub-Saharan Africa (Ensminger 1994); religious activity in Japan (Miller 1998); and the decline of Shaker communes (Murray 1995).

The Strength of Simplicity

In the end, most critics condemn rational choice for embracing too much and too little: too much, in that it assumes lightning powers of calculation, full information, and total self-control; too little, in that it fails to take account of preference formation, normative constraints, emotional impulses, social structures, and the like. Hence, it is said that more realistic models of human behavior must do more to acknowledge limitations of the human mind and the complexity of human culture (Etzioni 1988; Feree 1992; Robertson 1992; Wuthnow 1991, 273).

Fair enough. The rational-choice model is unrealistic in this sense (although it may be misleading to ignore the growing body of economic research that seeks to incorporate altruism, envy, cognitive biases, addiction, and limited self-control). But while being realistic about society, let us be realistic about ourselves. Researchers possess the very limitations that they observe. Etzioni (1988, 117), quoting Herbert Simon, makes much of the fact that the human brain can accommodate only three to seven items in short-term memory. The “simple” assumptions of rational-choice theory, like the pieces of a chess game or the postulates of a mathematical system, more than suffice to tax most people’s powers of deduction. How much harder is it therefore to develop, test, and extend models that incorporate cognitive limitations, preference formation, intrapersonal conflict, normative-affective constraints, and social interdependence?

Scholars rightly criticize economic arguments that border on tautology or lack testability, but they must turn the same criticisms back upon every proposed alternative. Religious researchers must work toward explanations that are well defined, consistent, and free of hidden leaps. Ordinary language jumps from X, to Y, to not-X, and never skips a beat. Formal modeling is
about keeping one's notation straight, thereby avoiding the not-so-obvious contradictions and irrelevancies that creep into most verbal arguments, and simplifying assumptions help us grind through the logic that otherwise eludes us. One cannot but admire those who attempt to build rigorous verbal theories within a complex framework of realistic behavioral principles. But recognizing the overwhelming difficulty of the task and the limited success to date, one must also sympathize with those who employ fewer assumptions and more formal analyses. In this respect, rational choice may well prove more realistic than its alternatives.

Conclusions

Social scientists have debated the merits of rational-choice theory for decades, and I make no claim to have resolved matters with this essay. Nevertheless, I have sought to clarify some issues and counter some criticisms that are of particular relevance when evaluating rational approaches to religion. The economic approach seeks to fill the theory gap within the study of religion, redressing an historic imbalance that has favored the accumulation of data over the discovery of unifying concepts. It integrates existing research on the religious behavior of individuals, groups, and societies. It also yields new questions, new methods, and new hypotheses to guide empirical research. Its utilitarian language parallels the stated promises of most religions and the explanations many people give for their own religious behavior. Its most basic principles and predictions prove relevant to religious markets, both present and past, competitive and monopolistic. Its relative simplicity greatly facilitates statements and tests of theory.

It goes without saying that I encourage attempts to construct comprehensive rational-choice models that unify existing insights, explain observed empirical regularities, and generate new research questions. Even so, it would be a mistake to interpret this position as "economic imperialism." One may harbor great hopes for one approach without denigrating every alternative.

Scholarly paradigms are subject to the same sort of diminishing returns that characterize other activities. Within the field of economics, which has been heavily mined with the tools of rational choice for more than a century, much of the most important recent work rests on insights from sociology and psychology. Consider, for example, the research on labor markets by Akerlof (1984), Frank (1985), Granovetter (1985), and Williamson (1985). Or consider studies of uncertainty and risk, for decades dominated by expected utility theory, but now revitalized by new results on cognitive limitations, stemming investigations of experimental psychologists and behavioral economists (Kahneman, Slovic, and Tversky 1982).
Within the field of religious research, the situation is exactly reversed. Economic theory now offers a high rate of return precisely because of its previous neglect. For decades, scholars have scrutinized religion from every angle except that of rational choice. Explanations of religious phenomena have stressed socialization, indoctrination, neurosis, cognitive dissonance, tradition, deviance, deprivation, functionalism, emotionalism, culture, and more. But rarely has anyone viewed religion as the product of cost-benefit decisions, and formal models of the religious behavior (rational or otherwise) scarcely exist. With so little previous work and so many potentially useful insights from microeconomics, exchange theory, and public choice, the marginal product of each additional project promises to be great.

If the recent past offers any guide, the economic approach will especially benefit those seeking to build and test models that explain broad categories of religious phenomena in terms of relatively simple principles. The human-capital approach to individual religious participation, the models of strict churches and religious portfolios, and the theory of religious markets are all cases in point. “Ideographic” research, which seeks to describe a single case or situation in all its fullness, may have less to gain. Likewise, questions concerning religious emotional states, moral imperatives, preference change, and self-control may prove difficult to explain within a rational-choice framework—though perhaps not impossible, as witness the work of Becker (1996) and others on addiction and the formation of tastes.

For my money (and time), I hesitate to concede any area of inquiry before the study of religion has accumulated more first-hand experience with the rational-choice approach. Browsing the standard sociology of religion textbooks, one finds few topics that are by their very nature off-limits. Current work has already begun to address the following: the underlying nature of religion; the determinants of individual religiosity and participation rates; conversion, commitment, and religious mobility; the emergence and viability of different types of religious institutions; secularization and its alternatives; deviant religions; the socioeconomic correlates of different types of religions; church-state issues; resource mobilization and the marketing of religion; plausibility problems; and more. The work is hardly definitive, but its future looks bright.

The genius of Adam Smith is thus again revealed (as if it needed further proof). Add “the economics of religion” to his list of seminal insights, great and small. And, while at it, chalk up a point for another great economist, George Stigler (1982, 4), who once observed that “if on first hearing a [Smith] passage you are inclined to disagree, you are reacting inefficiently; the correct response is to say to yourself: I wonder where I went amiss?”
Notes

1. Debate is further encouraged by an unfortunate but long-standing tradition distinguishing economics from sociology on the basis of rational versus nonrational action, to say nothing of other traditions that view religion as outright irrationality, escapism, or psychopathology (Swedberg 1990, 11, 13; Sigmund Freud [1927] 1961, 88).

2. This reference to the (monetary) value of time should not be viewed as an implicit assertion of the primacy of money. The predictions remain unchanged if we invert the model and value money in terms of its temporal (time-price) equivalent.


4. Positing different types of rationality (economic, social, legal, political, communal, etc.) does not strike me as a meaningful alternative, although this distinction is advanced by some (Bruce 1993, 203; cf. Smelser 1976). Swedberg (1990, 241) quotes Jon Elster arguing for “one and the same notion of rationality . . . independent of what discipline you are in,” and Etzioni (1988, 142) concludes that “none of [these alternatives] is in wide use, and hence one must assume they are not productive.”

5. For a taste of this power, compare a verbal description of a change in market equilibrium to a far simpler graphical depiction of a supply-curve shift. Few college students can talk their way through the effects of an oil embargo, but once they recognize it as an inward shift of the supply curve, they are home free.

6. See, for example, Frank (1985, 1988). My own research on habit formation grew from the decision to model religious participation with reference to a person’s past (Iannaccone 1984).

7. Etzioni (1988) outlines the general framework of one such model. The “prospect theory” of psychologists and behavioral economists may eventually coalesce into another alternative (Kahneman et al. 1982).

References


