

THE POLITICAL ECONOMIST

NEWSLETTER OF THE SECTION ON POLITICAL ECONOMY, AMERICAN POLITICAL SCIENCE ASSOCIATION

Co-Editors:

RANDALL CALVERT & MATTHEW GABEL, WASHINGTON UNIVERSITY IN ST. LOUIS

WHAT'S INSIDE THIS ISSUE

FROM THE EDITORS.....1
 RANDALL CALVERT & MATTHEW GABEL

CALL FOR NEW EDITOR.....1

2011 APSA PROGRAM CHAIR.....1



SECTION ORGANIZATION.....2

FEATURE ESSAY.....2
 WILLIAM ROBERTS CLARK



The Political Economist is a publication of the APSA Organized Section on Political Economy. Copyright 2010, American Political Science Association. All rights reserved. Subscriptions are free to members of the APSA Section on Political Economy. All address updates should be sent directly to APSA.

FROM THE EDITORS

This issue of the Political Economist features an essay by William Clark (University of Michigan). Clark’s essay surveys research on the political economy of religion. Sociologists and economists have traditionally dominated this literature. Thus, for political scientists, the essay provides a valuable introduction to the rich theoretical and empirical literature outside our discipline. But as Clark argues, a variety of interesting questions remain on the table and he suggests an agenda for political science research on these topics.

We also include a solicitation for a new editor or editorial team for this newsletter. If you are interested in serving as editor or would like to nominate someone else, please consult the posting for further information.

Finally, it is our pleasure to announce that Jennifer Gandhi has agreed to serve as the 2011 Program Chair.

Randall Calvert
calvert@wustl.edu

Matthew Gabel
mgabel@artsci.wustl.edu

CALL FOR NEW EDITOR OF THE POLITICAL ECONOMIST

The Organized Section in Political Economy seeks a new editor or editorial team to assume responsibility for The Political Economist. The Newsletter is published electronically twice yearly on behalf of the Section. Currently edited by Randall Calvert and Matthew Gabel (Washington University in St. Louis), the editors are responsible for soliciting articles for each issue and for publishing the Newsletter on a regular schedule.

Editors are expected to serve a term that may range from three to five years. The Section provides financial support for assistance with the production of the Newsletter. The Section would be especially interested in proposals that include making use of newly available electronic resources, such as those associated with the APSA Connect site, in place of publishing an electronically-available but traditionally-formatted Newsletter based on a hard-copy template. Editorial responsibilities in this case would include webmaster responsibilities.

Individuals interested in considering the editorship should contact the Section Chair, Miriam Golden (golden@ucla.edu). Nominations of others and self-nominations are welcome.

2011 APSA PROGRAM CHAIR

Section Chair Miriam Golden has announced that Jennifer Gandhi, of the Department of Political Science at Emory University, will serve as Division Chair for the Political Economy panels at the 2011 APSA annual meetings in San Francisco. Details about submissions to 2011 panels are forthcoming.

AMERICAN POLITICAL SCIENCE ASSOCIATION

POLITICAL ECONOMY
SECTION OFFICERS, 2010



CHAIR

MIRIAM A. GOLDEN, UNIVERSITY OF
CALIFORNIA, LOS ANGELES

SECRETARY/TREASURER

DAVID LEBLANG,
UNIVERSITY OF VIRGINIA

PROGRAM CHAIR

JONAS PONTUSSON,
PRINCETON UNIVERSITY

EXECUTIVE COUNCIL

SARA BROOKS,

OHIO STATE UNIVERSITY
BRANDICE CANES-WRONE,

PRINCETON UNIVERSITY

SANDY GORDON,

NEW YORK UNIVERSITY

NATHAN JENSEN,

WASHINGTON UNIVERSITY IN ST. LOUIS

PHILIP KEEFER,

THE WORLD BANK

DUANE SWANK,

MARQUETTE UNIVERSITY

NEWSLETTER EDITORS

RANDALL CALVERT,

WASHINGTON UNIVERSITY IN ST. LOUIS

MATTHEW GABEL,

WASHINGTON UNIVERSITY IN ST. LOUIS

NEWSLETTER ASSISTANT

AMANDA HARRIS,

UNIVERSITY OF CALIFORNIA, SAN DIEGO

FEATURE ESSAY

Toward a Political Economy of Religion?

William Roberts Clark, Washington University of Michigan

Over the last few decades, a fascinating field of social scientific inquiry has developed that applies economic reasoning to the study of religion. Economists and sociologists have used a rational choice approach to explain many questions in a field of human behavior thought by many to be intrinsically irrational. This literature referred to, variously as “the economics of religion,” or “the religious markets approach to the sociology of religion,” has challenged much of the received wisdom in the sociology and warrants the label “new paradigm” that some in sociology apply to it because it really does constitute a new way of seeing a traditional, if not always familiar, phenomenon. In this brief essay I would like to introduce readers of *The Political Economist* to some of the most interesting and counter-intuitive insights produced by this research community and explore the question of whether political economists have anything distinctive to add to ongoing debates in this exciting field.

Secularization and Market Competition

Perhaps the broadest disagreement between proponents of the religious markets approach and the traditional sociology of religion revolves around the so-called secularization debate. At least since Durkheim, sociological intuition suggested that religious belief was a sort of pre-modern vestige that would gradually die away as education, scientific understanding, and material well-being rendered it incredible and irrelevant.¹ Casual empiricism suggests that if religious belief is dying, it is dying an extremely slow death, and survey data suggests that religious belief is alive and well. In the United States, for example, surveys suggest that belief in God has been widespread and relatively

constant since the 1930s (various Gallup polls). Furthermore, large numbers of individuals across all walks of life continue to report religious experiences that have had profound effects on their lives. In a June 2002 Gallup survey (Gallup 2003), for example, 41% of respondents said that the statement, “I have had a profound religious experience or awakening that changed the direction of my life” applies “completely” to them.

Unlike traditional sociologists, proponents of the religious markets hypothesis are not surprised by the persistence of religion. For example, Stark and Bainbridge (1996) view religious belief as based on an exchange between individuals who engage in costly behaviors in exchange for rewards provided by religious organization or compensation promised in the afterlife. Preference heterogeneity is assumed – that is, some individuals desire few and modest exchanges with the deity while others desire deep and frequent exchanges. Variation in the level of religious piety across individuals can be explained by individual attributes. For example—counter-intuitively in light of Durkheim, Marx, and Freud—individuals with high socio-economic status are more inclined to engage in such exchange than low SES individuals.

The religious markets approach typically explains variation across time and space in terms of the regulatory environment. In the absence of over-regulation of religious markets, a variety of religious firms hawking variegated religious products can be expected to arise in response to the natural heterogeneity of religious preferences. Consequently, one would expect to find a vibrant religious market where the regulatory environment allows low cost entry of new firms and where state-run monopolies are absent.²

1 Similar views can be found in the writings of Marx and Freud and their students.

2 Regulation of religious activity comes in two

continued on page 3

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 2

Thus, this approach produces predictions at odds with the secularization hypothesis. There is no inherent reason why religious practice ought to decline over time. In fact, if the trend is towards the deregulation of religious markets, the religious markets approach would predict an increase in religious activity. In addition, while Durkheim expected increased religious pluralism to leave individuals confused and skeptical, the religious markets approach predicts that religious diversity will lead to religious competition and, therefore, innovation. When faced with competition, religious organizations in danger of losing followers to competitors are likely to put forth greater effort and to cast about for new ways to keep the faithful, well, faithful.

Finke and Stark (1992) provide a revisionist history of the United States that argues that it is precisely the deregulation of the religious market and not, as is often assumed, the residue of the “puritan founding” that explains why Americans are so much more religious than Europeans. They estimate that rates of religious adherence in the colonies reached their maximum at about 20% and religiosity took off only after previously protected monopolists lost their privileged access to colonial markets (starting in 1776). Low levels of religiosity in the colonies is also consistent with the fact that the colonies constituted western Europe’s frontier, complete with an alarmingly large number of individuals convicted of capital crimes in England and too few women to induce good behavior in the rest of the men. These challenges to personal piety were aggravated by the fact that this motley group was frequently shepherded by ministers who had been sent to the colonies after getting into so much trouble in England that they were too much of an embarrassment for

polite company there. When the federal Constitution mandated disestablishment, however, religious practice changed. Upstart sects such as the Baptists and Methodists introduced bold new organizational and marketing strategies and by the 1850 rates of religious adherence were, on average, almost twice as high as they were estimated to be at the time of disestablishment (Table 1). Rates of religious adherence continued to increase and by 1980 reached about 60%. The methodology used to estimate historical adherence rates is certainly subject to dispute, but if Finke and Stark’s estimates come within an order of magnitude of the true historical values, their work should induce a fundamental rethinking of religion in America for anyone who believes the current levels of religiosity are a product of our religious past.

Anthony Gill (1998) finds a similar dynamic at work in Latin America.

As the Catholic Church lost its ability or willingness to impose monopolies, Latin America countries came under increased pressure from protestant groups who attracted many followers and also spurred Catholics into action – first through begrudging acceptance of the “preferential option for the poor” and other forms of “liberation theology” and later, tolerance of the “charismatic revival” that narrowed the difference in product offered by Catholic Churches and Pentecostal protestant churches.³

If religious belief and practice has been growing in the United States even as the country has become richer, more educated, and more religiously diverse, there is considerable reason to question the traditional secularization argument. Stark and Finke (2000) offer additional

³ See also Chestnut (2003). *Competitive Spirits: Latin America's New Religious Economy*.

Table 1: Rates of religious adherence in America before and after disestablishment

	1776	1850	Percentage Increase
Connecticut	20	36	80%
Delaware	21	33	55%
Georgia	13.5	42	208%
Maine	19.5	26	31%
Maryland	14.5	42	191%
Massachusetts	22	33	49%
New Hampshire	20	30	48%
New Jersey	26	38	45%
New York	16	33	107%
North Carolina	11.5	35	206%
Pennsylvania	24	37	53%
Rhode Island	20	35	75%
South Carolina	22.5	37	63%
Vermont	9	32	258%
Virginia	17	31	85%
Average	18.43	34.5	103% (average of increases)

broad forms - limits on the freedom to practice religion and government support or subsidy for one or more sanctioned religions. Some states do both, some do one or the other, very few do neither. See Gill (2008) for an excellent primer on religious liberty.

Source: Finke and Stark 1992. The 1776 figures are an average of their two measures – one using whites only as the denominator, one using entire population as the denominator. They conjecture that true rate is probably between these two measures.

continued on page 4

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 3

evidence by citing a 1969 Carnegie Commission survey of more than 60,000 professors in the United States. If the mechanism behind secularization is that belief wanes as education in general, and science in particular, advances, we might expect to find few academics in general – and few scientists in particular – with orthodox religious beliefs. In fact, on average, natural scientists reported levels of religiosity remarkably similar to the population at large. Social scientists, in contrast, were less likely than members of the general public to report that they attend religious services or consider themselves religious. Interestingly, there is considerable variation across the social sciences – economists, political scientists, and sociologists were only slightly less religious than the general public while psychologists and anthropologists reported much lower levels of religiosity.

Stark (1999) reports on two studies, 85 years apart, that suggest that belief among American scientists has been quite stable. The first, published in *Nature* in 1914, reports that 41.2% of random sample of scientists believed in “a God to whom one may pray in the expectation of receiving an answer.” This survey was replicated in 1996 and 39.3 of the scientists surveyed subscribing to the same belief. The observed difference is not statistically significant, suggesting that the great scientific, social, and cultural changes occurring during the 20th century have not made a dent in religious belief. Stark places one more nail in the secularization hypothesis by arguing that its acceptance has been fueled in part by what he calls the “myth of past piety” in Europe. Current differences in religious behavior between the U.S. and Europe are not the result of secularization in Europe but rather the fact that Europe was never as christianized as commonly believed. In 1551 the Bishop of Gloucester found, for example, that more than half of his 311 parish priests could not recite the Ten Commandments and 27 could not recite the Lord’s prayer (Thomas 1971, cited in Stark 1999:256).

In light of the old saying among preachers that “if there’s a mist in the pulpit, there’s a fog in the pew,” one can only hazard a guess what the level of religious knowledge (and, therefore, belief) in the general population of an allegedly christianized Europe might have been. By 1738 Anglican bishops reported that less than 5 percent of the population in their parishes took communion during a given year. Other reports suggest that “only 125 of 400 adults in a particular English village took Easter communion late in the eighteenth century and notes “much smaller attendances” in other villages (Stark 1999: 259).”

Iannaccone (2003) uses retrospective questions on ISSP surveys to estimate religious attendance in 32 countries from 1925 to 1990 and finds no evidence of a downward trend. Some countries show evidence of a downward trend, some show modest increases and many countries exhibit little or no change suggesting that there is cross-national and inter-temporal variation in religious behavior.

Proponents of the religious markets approach argue that the key to understanding this variation lies in the regulatory environment and the amount of religious competition it induces. One implication is that where religious organizations face competition they put forth more effort. Analysts, for example, have found that denominations are more effective in gaining adherents when they are in the minority (Silberstein, Rabinowitz, Ritterband, and Kosmin 1987; Zalenski and Zech 1995; Jelen and Wilcox 1998; Finke, Guest, and Stark 1996) because religious groups possessing “small market share” (say, Catholics in the southern U.S. or Southern Baptists in the Northeast) have incentives to put forth greater effort to gain adherents. Finke and Stark tell a tale of Pope Leo XIII that is startlingly similar to the tale of the two King Leopolds told by Bueno de Mesquita, Siverson, Smith, and Morrow (2003). King Leopold of Belgium acted one way in the constitutional monarchy of 19th century Bel-

gium and another in the Congo that he ruled as an unconstrained dictator. Pope Leopold appeared to tolerate a lethargic clergy in the Catholic monopoly of Italy while strenuously urging bishops in the U.S. to compete vigorously against the Protestants who were dominant there.

Finke and Starke (1988) and Finke (1990) use data from the Department of Census collected about once a decade from 1890 to 1926 to show that American cities with higher levels of religious diversity (i.e. using a measure of concentration of protestant denominations) had higher rates of church adherents. A result some may find particularly surprising is that large cities tended to have higher rates of church adherents than small cities and rural areas, perhaps due to the availability of a wider range of religious products.⁴ Iannaccone (1991) analyzes a cross-section of advanced industrialized countries and finds results similar to those in the U.S. Where protestants are concentrated in a small number of denominations, they are less likely to pray or attend services (see Figure 1, page 5) or believe in God, Heaven, Hell, or that the Church is meeting people’s needs.

These results, and others like them, have been criticized on methodological grounds (Breault 1989; Voas, Olson and Crocket 2002). Voas, Olson, and Crocket, for example, argue that studies that use rates of religious practice as the dependent variable and Herfindahl-type concentration indices on the right hand side confuse a purely mathematical relationship between these variables for evidence of a substantive effect. This criticism has cast doubt on many of the findings related to the regulation argument, but has, unfortunately, not led to a rash of new studies re-evaluating the hypothesis using alternative tests.

Explaining denominational growth rates

It is, of course, possible for both

⁴ This is consistent, however, with Stark’s argument that Christianity began and flourished as an urban movement (Stark 1996).

continued on page 5

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 4

the secularization and regulatory arguments to be false. Casual empiricism suffices to show that the triumphalism of 19th century secularists was, at the very least, extremely premature. But, even if we believe studies showing that higher levels of religious participation are the result of deregulation and the market competition it induces, a puzzle remains. The increase in average religious adherence that occurred after disestablishment hides important variation. From 1776 to 1850 there was a secular decline in the religious market share of establishment churches like the Congregationalists and Episcopalians. That decline was more than offset by the rapid growth of “upstart sects” like the Baptists and the Methodists. What explains denominational variation within a single regulatory environment? There are two standard responses. The first, called the “church-sect dynamic,” has been around for about a century. The second, what I shall call “the industrial organization of religious firms”, is of more recent vintage. I will

briefly review both arguments and present some stylized facts consistent with each and then argue that they might be fruitfully combined in future work.

The Church-Sect Dynamic

German theologian and sociologist Ernst Troeltsch (1911) is often credited with introducing the distinction between religious organizations that stand in a high state of tension with their social environment (sects) and those that are conformed to the values of the social environment in which they are found (churches). Niebuhr (1929) argued that sects have a tendency to evolve into churches. But the exact mechanism by which this occurs is disputed.

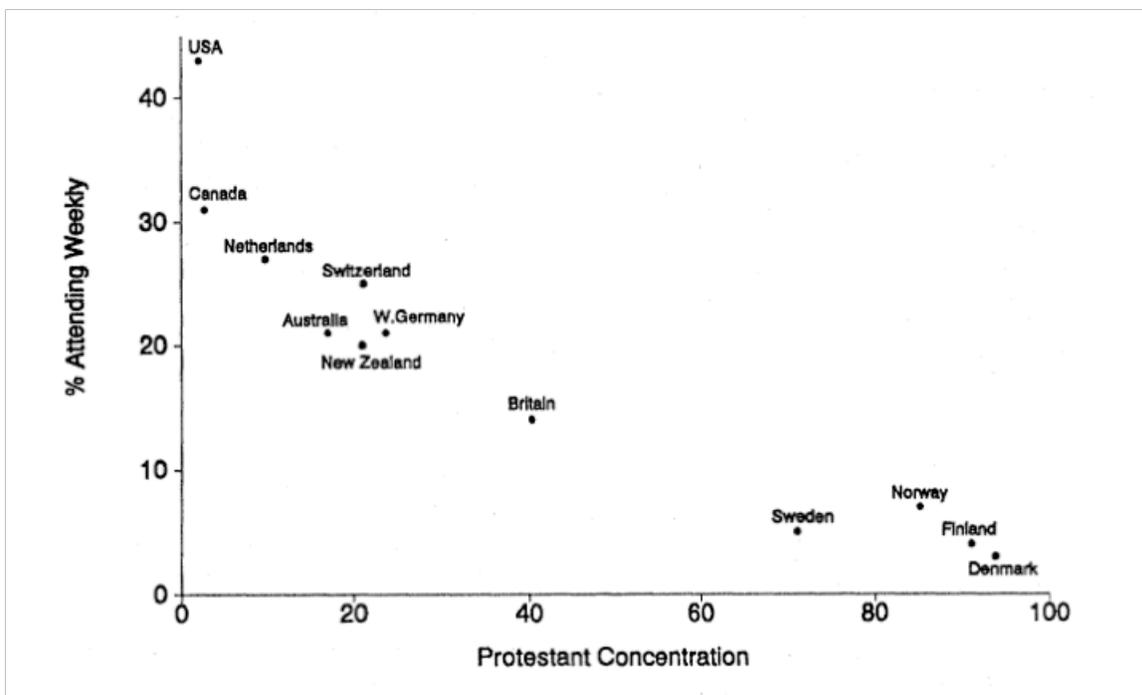
One set of explanations suggests sects are undone by their own success. Finke and Stark (1992) quote Congregationalist Minister Cotton Mather as saying, in 1702, “Religion brought forth prosperity, and the daughter destroyed the mother.” This could occur for either supply-side or demand-side reasons.

On the demand side, it is possible that economic uncertainty drives individuals into sects for either material or spiritual comfort. Once there, individuals undergo behavioral changes that have positive economic consequences. A generation or two later, however, the offspring of these newly productive members of society may have more worldly tastes than their pious predecessors and the resources to act on them (Wilson 1966). Stark and Bainbridge (1985) argue that the demand for more church-like religion over time may be a reflection of regression to the mean. If whatever characteristics lead sect members to join stricter than average religious organizations are normally distributed and not heritable, then the children of sect members are likely to have a taste for more moderate forms of religion than their parents. Finke and Stark (1993) lay out a supply side argument similar to Michel’s iron law of oligarchy.⁵

⁵ Michels’ famous argument, incidentally, was published in Germany in the same year Troeltsch introduced the church-sect distinction.

Figure 1: Attendance versus concentration

Note: Countries more than 80% Catholic have been omitted.



Source: Iannaccone 1991.

continued on page 6

Spring 2010 5

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 5

As denominations become successful, they develop professional pastorates educated at elite divinity schools where they develop commitments to abstract, rationalist theologies that depart markedly from the homespun religious views of members of their congregations.

It is counter-intuitive, but accommodation to cultural norms typically accompanies the decline, rather than growth, of religious organization. This may be the result of the fact that religious leaders' embrace of the mainstream has outstripped the rank and file's, or it could be because religious organizations that demand a lot from adherents may grow faster than less demanding organizations. A recent set of surveys conducted by Baylor University produces some suggestive evidence. Respondents were asked whether their place of worship discourages pornography, abortion, homosexual behavior, cohabitation, gambling, or the wearing of revealing clothing. Responses to these items were used to categorize individuals as attending "high tension" and "low tension" houses of worship. Respondents were also asked their denomination and there is a clear relationship - attenders of Mormon and

conservative protestant houses of worship gave "high tension" responses and attenders of mainline protestant churches gave "low tension" answers. Furthermore, Table 2 shows that the denominations associated with individuals giving "high tension" responses experienced large increases in membership between 1960 and 2000 while denominations associated with individuals giving "low tension" responses experienced declines in membership during this period.

Iannaccone (1988, 1992, 1994) and Stark and Finke (2000) have argued that strict churches grow faster because the value of spiritual goods depends on the degree of the religious enthusiasm of fellow worshipers. As with rock concerts and football games, the benefits of corporate worship are increasing in the quantity and quality of fellow worshipers. Religious goods are club goods and when religious organizations make demands on adherents they screen out weak demanders and free riders. Figure 2 (page 7) shows that there is a strong positive relationship between the time and money demands that experts associate with denominations and denominational growth rates. Note that

Jehovah's Witnesses and Mormons are almost "off the chart" – they both place high demands on members and are the fastest growing religious organizations since the early Christian church.⁶

If the tendency for sects to become churches were the whole story, we would expect the church-sect dynamic to lead to secularization in the long run. As churches age they liberalize and lose their ability to inspire devotion among existing believers, let alone win over new converts. Their growth slows and may even reverse into decline. But not all sects become churches and they certainly do not all do so at the same rate. While, as Adam Smith pointed out, newly formed sects are theologically vigorous (Smith, Book 5, Chapter 1, part 3, article 3) and grow at faster rates, sects that somehow remain strict appear to retain their vitality and continue to attract new adherents. In addition, the process by which churches are transformed into sects often gives rise to new sects because disgruntled members break away from the liberalizing drift of the denomination to bring back "the old time religion." The "Holiness Movement" of the late 19th century, which gave birth to dozens of new denominations, can be seen as largely a response to the decline in tension in Methodism – just as Methodism arose out of frustrations with the laxity of the Church of England in the 18th century. In addition, the long slide toward accommodation in aging denominations may have a partial limiting aspect. Pastors in a denomination long past its prime may enjoy few of the benefits that were available in the good old days. As a consequence, churches past their prime will have difficulty attracting new clergy, but those who do respond to the calling are likely to be more spiritually motivated than their predecessors (Stark and Finke 2000: 263).

Table 2: The relationship between denominational strictness and denominational growth

Denomination	Strictness	Growth rate 1960-2000
Latter-day Saints	91	122
Assemblies of God	81	225
Baptist	49	5
Roman Catholic	27	-5
Methodist	-17	-49
Lutheran	-25	-39
Presbyterian	-51	-45
United Church of Christ	-67	-60
Episcopalian	-78	-55

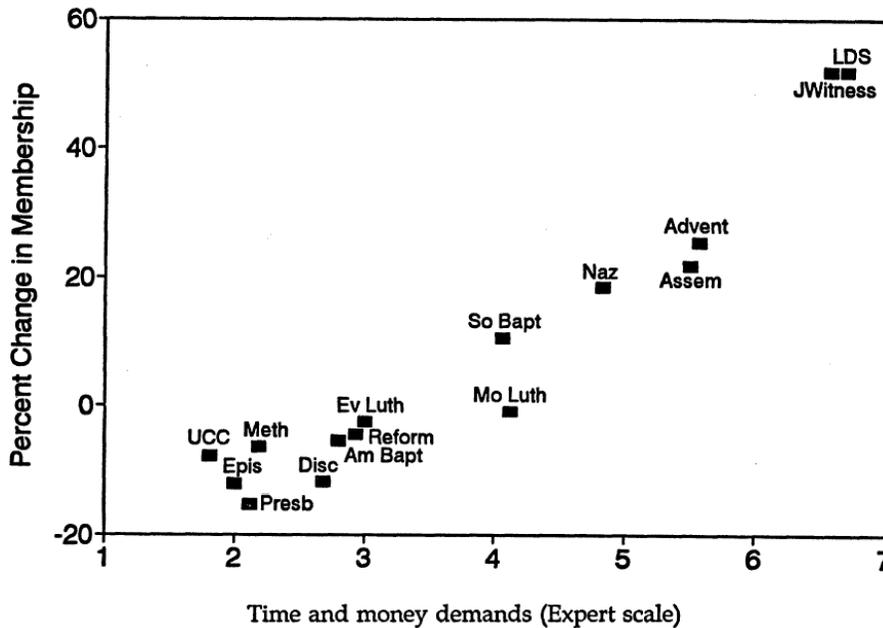
Source: Constructed from Stark 2008 Tables 9 and 11. Strictness is the percentage of individuals giving "high tension" responses less the percentage of individuals giving low tension responses.

⁶ Stark (1996) shows that evidence from the scant historical record on church membership from the day of Pentecost to the conversion of Constantine is in accord with Mormon growth rates over the last century and a half.

continued on page 7

Clark Feature Essay...continued from page 6

Figure 2: The relationship between denominational strictness and



Source: Iannaccone, Olson, and Stark (1995).

If individuals are assumed to have exogenously determined, heterogeneous preferences for religion and a relatively unregulated market exists, then the church-sect dynamic does not predict secular decline, but rather the “creative destruction” familiar to observers of other markets. Agency drift or the iron law of oligarchy causes some firms to lose customers. But new firms arise or, less frequently, old firms are re-oriented, to meet the needs of these customers. Like Starbucks and Sam Adams, the new firms can also change the tastes of consumers leading to something like a revolution in quality or, perhaps a revolution in variety (Postrel 2003).

Toward and Industrial Organization of Religious Firms

If sects are not transformed into churches at a uniform rate, what explains why some sects are able to stave off “churchhood” better than others? Finke and Stark’s (1992) history of religious competition in America is suggestive. They argue that in ministry, effort matters and if effort matters incentives matter,

and if incentives matter, institutions matter. Specifically, they argue that a key institutional feature that varies across denominations is the extent to which important decisions are made at the congregational or denominational level. Church polity, in other words, makes a difference. American Protestantism provides a challenging and exciting field in which to study the effects of church polity because there is a wide range of governing structures in protestant churches. While there are many subtleties to church governance structures, three broad categories are generally recognized: episcopalian, congregational, and presbyterian.⁷

The word “episcopal” come from the Greek episkopos – meaning “overseers” and generally describes a church structure where power comes through a multi-church hierarchy. In the Anglican Church – or Episcopalian Church in the United States – this structure means that authority flows from archbishops (who oversee multiple diocese) to bishops

(who oversee multiple churches in a single diocese) to rectors (who oversee multiple congregants in a single church).⁸ While the Episcopalian Church and the Roman Catholic church are archetypical examples of the episcopal structure, many other denominations have aspects of denominational control from above the congregational level which means that denominations, and perhaps even congregations, may vary in the degree to which they operate within an episcopal structure.

In its pure form, the congregational form of organization is diametrically opposed to the episcopal structure. While there are important variants within the category of congregational, their common attribute is that final authority rests within the congregation. The single pastor or single elder form of governance is the modal (but far from universal) form of organization in Baptist churches. The

⁸ Archbishops, bishops, and rectors are all, technically, “priests” in the Episcopalian Church, but the term is often used interchangeably with “rector”.

⁷ The following section draws heavily on Grudem (1994).

continued on page 8

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 7

congregation elects a single elder or pastor and, typically, also elects a deacons board. How power is distributed between the deacons board and the pastor varies a great deal from church to church. Definitional for the single pastor/elder form, however, is that the pastor is directly accountable to the congregation and the deacons board is advisory in nature.

Two variants of the congregational model change the relationship between the pastor and church boards. The “plural local elders” form of government has a group of spiritual leaders chosen by the congregation and they are collectively responsible for overseeing the congregation. Often a division of labor amongst these elders will exist in such a way that one or more of them are designated as pastor. Pastors may or may not be distinguished from other elders in that they receive financial compensation for their work for the church. Deacons in the single pastor/elder form of organization are distinguished from elders in the plural local elders form in that the former are seen as servants of the congregations and the later are seen to be spiritual overseers of members of the congregation. At times a church with a deacons board may invest deacons with sufficient spiritual authority that what is nominally a single pastor/elder church may function as a “plural elders church”. The third type of congregational church is the “governing” or “corporate board” form of church governance. This organizational form is, essentially, based on the form of government common in publicly held secular firms. The congregation elects a church board and the pastor serves at the pleasure of the church board. While the amount of congregational input into the selection and dismissal of the pastor may vary from church to church, the defining features of this form of congregational rule is that the pastor reports to the church board.

The third broad category of church governance, presbyterian, is in many ways a combination of aspects of congregational and episcopal rule. Like congregational rule, leaders are chosen

from the bottom up – congregations choose elders, but as in the episcopal structure, at least some of these elders are also members of a presbytery, which has authority over several churches in a region. In addition, some members of the presbytery participate in a general assembly at the national level.

Finke and Stark (1992) have argued that – after disestablishment - denominations adopting a more episcopal structure tended to experience decline relative to those who remain congregational. Most strikingly, Methodists and Baptists grew extensively in the first half of the 19th century at the expense of more episcopal denominations such as the Episcopalians and the Presbyterians. Methodists, who were nominally episcopal all along became episcopal in practice with the “dismounting of the circuit riders” in the middle part of the century and have experienced a long, slow decline in adherents ever since. The logic behind the negative relationship between an episcopal structure and organization vitality is related to the church-sect dynamic and is similar to the iron law of oligarchy version of the church-sect dynamic. Church leaders far removed from the “rank and file” of congregants will develop goals unrelated to the spiritual needs of congregants and relax incentives for local pastors to meet the needs of their flock. Leaders who depend on congregational approval in an immediate and direct way, however, ignore the preferences in the pews at their own peril.

In this way Finke and Stark’s institutional explanation for winners and losers in America’s religious market can be seen as a special case of what Bueno de Mesquita, Siverson, Smith, and Morrow (2003) call the selectorate model. In the selectorate model, the leader of a country is ever mindful of the fact that a challenger exists that would like to take his or her job. The strategy the leader uses to hold onto power – and its implications for peace and prosperity or war and ruin - depends on the rules that determine the size of the group that is allowed to participate in the choice of the leader (what

they call the “selectorate”), and the size of the group that must approve of the leader (the “winning coalition”). Similarly, the effort level of clergy – whether they will engage in the hard work needed to gain and keep adherents – is, according to Finke and Stark, a function of organizational structure. A key part of organizational structure is who hires and fires the pastor. If the pastor is hired by a remote bishop, the pastor is likely to pursue the goals of that bishop which – according to Michel’s iron law of oligarchy – are likely to vary significantly from those of the rank and file member. If the bishop is hired and fired by a few well-ensconced influentials in the congregation, than a leader might survive in office for some time on the strength of some strategic dinner invitations. But if the leader is chosen in a meaningful way by the members of congregations themselves, then it may be hard to keep one’s position while ignoring the needs of the congregation.

A small but vigorous literature is developing on what might be called “the industrial organization of religious firms” – the study of the principal-agent relationship between church members and their leaders. Allen (1995) argues that the organizational success of a church depends on the fit between that church’s doctrine and its choice of organization structure. The doctrinal dimension he is concerned with involves beliefs about who can experience revelations and interpret scripture – that is, who is free to make doctrine. On the one end of the continuum are individualist branches of protestantism exemplified by Baptists who believe that scripture is the only authority on doctrinal matters and individuals are more or less able to interpret scripture for themselves. At the other extreme is the belief that church leaders have a virtual monopoly on scriptural interpretation. Denominational organization varies congregational to hierarchical and Allen argues that if organizational structure does not line up the doctrinal structure the organization is likely to

continued on page 9

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 8

experience church failure. The ability to determine doctrine amounts to a property right and absent the appropriate checks on powerful leaders, leaders (clergy and laity) will use their power over doctrine to transfer wealth to themselves at the expense of the organization. Mao and Zech (2002) argue that organizational structure is multidimensional and that there are multiples structures that can be reconciled to a particular doctrine. They use a game theoretic model to think about the way churches attempt to maximize the number adherents while making trade-offs between organization structure and doctrinal beliefs. Kollman's (2010) ongoing project on centralization in federated institutions devotes considerable attention to the Catholic Church. In doing so, he raised an important point: the degree of hierarchy, or centralization, is not necessarily fixed. He demonstrates, for example, that papal authority increases in the 19th and 20th Centuries as bishops increasingly saw their own fates as residing in the outcomes of ideological and theological conflicts with the Vatican.

Zech (2001) examines the principal-agent relationship between pastors and church members. Church members would like to pay pastors on a piece-rate basis to avoid shirking but have difficulty observing performance. Pastors would like to be paid at a flat rate in order to reduce uncertainty. Like many academic departments, churches respond to this problem by holding promotion tournaments, by which process markedly successful pastors can work their way up a ladder of appointments to more prestigious positions. Denominations run their promotion tournaments in a variety of ways from ones where the local congregations play the largest role in identifying and hiring candidates to hierarchical structures where the "bishop has the sole responsibility for appointing pastors, often without any input from the parishioners affect" (2001: 330). Zeck (2007) examines a number of the implications from this earlier paper using data on pastoral compensation. Consistent with

his argument, large shares of pastoral compensation appear to be unrelated to performance, but compensation is associated with the size of the church (and, presumably, the desirability of the position). Because he claims that Methodists are by far the most hierarchical of the protestant denominations in their hiring practices, he compares the determinants of compensation in that denomination with the rest of the sample and finds few differences. He concludes that the difference in church polity related to the hiring process appears to have little effect in determining pastoral compensation, but he does not examine whether it influences pastoral performance.

The church-sect dynamic and the industrial organization of religious firms both attempt to explain the rise and fall of denominations, but their logics are not mutually exclusive. The evidence suggests that sects are not transformed into churches at uniform rates. Perhaps the organizational of churches or denominations influence the rate at which sects are transformed into churches. If sects become conformed to cultural norms because leaders lose touch with the rank and file, organizational structures that keep the leaders' attention focused on the opinions of the rank and file probably forestall the transition from sect to church. If we could establish indicators of the time this transition takes place, we could examine whether time to this transition is correlated with organizational structure. Two points in the trajectory of religious organizations suggest themselves as important moments on the road from sect to church – the moment when growth in membership begins to slow down, and the moment where growth gives way to decline. Fitting denominational time series to a cubic function might allow one to estimate these time points and compare these indicators of time to decay with denominational structures.

Conclusion

Several strands of interesting work have developed in the last two decades

that apply economic reasoning to the study of religion. With the exception of Tony Gill, who is a political scientist at the University of Washington, Seattle, the work reviewed here has been conducted by economists and sociologists. One question that arises is whether political scientists should or would study the economics of religion in a manner that is different from the way economists of sociologists do so? One possibility is that political scientists might focus on different substantive concerns. For example, they might be inclined to look at the way religion effects politics. "Religion & Politics" is an established organized section of the American Political Science Association, but there does not seem to be any particular focus on the economics of religion, and that is probably appropriate. But some political economists have done interesting work that explicitly examines the relationship between politics and religion. Work on the role of religious organizations and terrorism (Berman and Laitin 2008) and/or the welfare state (Gill and Lundsgaard 2004; Scheve and Stasavage 2006; Gaskins, Golder and Singer 2009; Huber and Stanig 2009) are examples of excellent contributions here. Some political economists are doing interesting work on the political economic origins of religious liberty (Gill 2004, Miller 2009).

But I would like to close by suggesting that there is more to the connection between religion and politics than the relationship between religions and government. It would not surprise anyone who has gotten with in arm's reach of a religious organization to learn that politics occurs there. If politics is the study of power, there are plenty of opportunities to study power at the micro level in churches, temples, mosques, and synagogues. I am enthusiastic about the possibility of studying church politics by treating religious organizations as if they were polities.

This raises the question of what is "economic" in such an approach? I

continued on page 10

THE POLITICAL ECONOMIST

Clark Feature Essay...continued from page 9

hail from a side of political economy that tends to define the field in terms of the substantive interaction between politics and economics. I am not typically in favor of defining political science done the “right way” as “political economy.”⁹ For the moment I will reduce cognitive dissonance by reminding myself that the approach I am advocating is to apply theoretical insights from the industrial organization of religious firms to the study of church politics. Thus, I think of this approach as borrowing theoretical ideas – rather than methodological approaches – from a subfield of economics. Call it what you want to, I am excited about this field of study and invite readers of *The Political Economist* to join me.

References

- Allen, Douglas W. 1995. “Order in the Church: A Property Rights Approach.” *Journal of Economic Behavior and Organization*. 27:97-117.
- Berman, Eli and David Laitin. 2008. “Religion, Terrorism and Public Goods: Testing the Club Model” *Journal of Public Economics* 92(10-11): 1942-1967.
- Breaault, Kevin D. 1989. “New Evidence of Religious Pluralism, Urbanism, and Religious Participation.” *American Sociological Review*. 54:1048-1053.
- Bueno de Mesquita, Siverson, Smith, and Morrow. 2003. *The Logic of Political Survival*. Cambridge, MA: MIT Press.
- Chesnut, R. Andrew. 2003. *Competitive Spirits: Latin America’s new religious economy*. (New York: Oxford University Press).
- Finke, Roger and Rodney Stark. 1989. “How the Upstart Sects Won America: 1776-1850.” *Journal for Scientific Study of Religion*. 28(1): 27-44.
- Finke, Roger and Rodney Stark. 1992. *The Churching of America: Winners and Losers in Our Religious Economy*. (New Brunswick: Rutgers University Press).
- Finke, Roger, Avery M. Guest, and Rodney Stark. 1996. “Mobilizing Local Religious Markets: Religious Pluralism in the Empire State, 1855 to 1865.” *American Sociological Review* 61(2):203-218.
- Finke, Roger and Rodney Stark 1988. “Religious Economies and Sacred Canopies: Religious Mobilization in American Cities, 1906” *American Sociological Review* 61:203-18. 94: S241-268.
- Gallup, George H. Jr. 2003. “Religious Awakening Bolster Americans’ Faith.” (<http://www.gallup.com/poll/7582/Religious-Awakening-Bolster-Americans-Faith.aspx>)
- Gasking, Ben, Matt Golder, and David A. Singer. 2009. “Religiosity, Societal Development and Political Attitudes.” Unpublished Manuscript, Florida State University.
- Gerber, Elisabeth R. 2003. “What is Political Economy?” *The Political Economist* 11(2):1-4
- Gill, Anthony. 2008. *The Political Origins of Religious Liberty*. New York: Cambridge University Press.
- Gill, Anthony. 1998. *Rendering Unto Caesar: The Catholic Church and the State in Latin America*. (Chicago: University of Chicago Press).
- Gill, Anthony, and Erik Lundsgaarde. 2004. “State Welfare Spending and Religiosity: A Cross-National Analysis.” *Rationality and Society* 16:399-436.
- Grudem, Wayne. 1994. *Systematic Theology*. (Grand Rapids, MI: Zondervan).
- Huber, John and Piero Stanig. 2009. “Church State Separation and Redistribution,” Annual Meeting of the Association for the Scientific Study of Religion, Economics, and Culture. Arlington, VA.
- Iannaccone, Laurence R. 2003. “Looking Backward: A Cross-National Study of Religious Trends” Center for the Study of Public Choice. George Mason University.
- Iannaccone, Laurence R. 1988. “A Formal Model of Church and Sect.” *American Journal of Sociology*. 1180-1211.
- Iannaccone, Laurence R. 1992. “Sacrifice and Stigma: Reducing Free-riding in Cults, Communes, and Other Collectives.” *Journal of Political Economy* 100(2): 271-291.
- Iannaccone, Laurence R. 1994. “Why Strict Churches are Strong.” *American Journal of Sociology*. 99(5):
- Iannaccone, Laurence R. 1991. “The Consequences of Religious Market Structure: Adam Smith and the Economics of Religion.” *Rationality and Society* 3(2):156-177.
- Iannaccone, Laurence R., Daniel V.A. Olson, and Rodney Stark. 1995. “Religious Resources and Church Growth,” *Social Forces Social Forces*, 74, no. 2 (December), 705-731.
- Jelen, Ted G. and Clyde Wilcox. 1998. “Context and Conscience: The Catholic Church as an Agent of Political Socialization in Western Europe.” *Journal of the Scientific Study of Religion*. 37(1):28-40.
- Kollman, Kenneth. 2010. *The Perils of Overcentralization in Federated Institutions*. Book Manuscript.
- Mao, Wen and Charles Zech. 2002. “Choices of Organizational Structures in Religious Organizations: A Game-Theoretic Approach.” *Journal of Economic Behavior and Organization*, 47(1): 55-70.
- Michels, Robert. [1911] 2001. *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*. Litchener, Ontario: Batoche Books.
- Miller, David Thomas. 2008. “Voting to Repress: The 47th Congress and the Mormons,” Annual Meeting of the Society for the Scientific Study of Religion,” Louisville, KY, October 2008.
- Niebuhr, H. Richard. 1929. *The Social Sources of Denominationalism*. New York: H. Holt and Company.
- Postrel, Virginia. 2003. *The Substance of Style: How the Rise of Aesthetic Value is Remaking Commerce, Culture, and Consciousness*. New York: Harper Collins.
- Scheve, Kenneth and David Stasavage. 2006. *Religion and Preferences for Social Insurance*. *Quarterly Journal of Political Science*. 1(3).
- Silberstein, Richard, Jonathan Rabinowitz, Paul Ritterband, and Barry Kosmin. 1987. “Giving to Jewish Philanthropic Causes: A Preliminary Reconnaissance.” *North American Jewish Data Bank. Reprint Series No.2*.
- Smith, Adam. 1776. *The Wealth of Nations*.
- Stark, Rodney. 1996. *The Rise of Christianity*. (San Francisco: Harper).
- Stark, Rodney and Roger Finke. 2000. *Acts of Faith: Explaining the Human Side of Religion*. (Berkeley: University of California Press).
- Stark, Rodney and William Sims Bainbridge. 1986. *A Theory of Religion*. New Brunswick, NJ: Rutgers University Press.
- Stark, Rodney and William Sims Bainbridge. 1985. *The Future of Religion: Secularization, Revival, and Cult Formation*. (Berkeley: University of California Press).
- Stark, Rodney. 2008. *What Americans Really Believe*. (Waco, TX: Baylor University Press).
- Troelstch, Ernst. [1911] 1991. “Stoic-Christian Natural Law and Modern Secular Natural Law.” Translated by James Luther Adams and Walter F. Bense. In *Religion in History*. Minneapolis: Fortress Press.
- Voas, David, Daniel Olson and Alasdair Crocket. 2002. “Religious Pluralism and Participation: Why Previous Research is Wrong” *American Sociological Review* 67:212-230
- Wilson, Bryan. 1966. *Religion in Secular Society*. London: C.A. Watts.
- Zalenski, Peter A. and Charles E. Zech. 1995. “The Effect of Religious Market Competition on Church Giving.” *Review of Social Economy* 3:350-367.
- Zech, Charles. 2001. “An Agency Analysis of Church-Pastor Relations,” *Managerial and Decision Economics* 22(6):327-332.
- Zech, Charles. 2007. “The Agency Relationship in Churches: An Empirical Analysis.” *American Journal of Economics and Sociology* 66(4): 727-746

9 I am confessing to an unease with elements of my brilliant colleague’s controversial essay in these pages a number of years back (Gerber 2003).