

An Economic Perspective of Religious Organizations

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Abstract

In the process of studying religions, we often overlook the secular aspects of religious organizations. This paper examines the basic flows of money in different spiritual organizations, and attempts to correlate the types of income with the structure of the priestly hierarchy. This analysis is by no means comprehensive. In the end, more questions are raised than are answered.

Introduction

For all the mythological and sociological components of religion, religious organizations operate under the same restrictions as any other secular establishment. Religious organizations can be characterized as multi-generational institutions with distinct rights, privileges, and liabilities; the essential definition of a corporation. While the sources of income and the liabilities are substantially different from a standard company, an economic analysis of religious behavior allows us to compare religions in certain areas. The goal of this paper is to ignore the philosophy, and view religion with a purely economic perspective¹.

In this analysis of religious organizations, I will attempt to identify the sources of revenue for different religious organizations, explain different hierarchies, and attempt to draw some conclusions of the interactions of money and organization. This topic is expansive, and as such I will often simplify or identify further fields of research, rather than getting too off topic. In the end, I hope to provide a basic understanding of the complexities of religious finance.

Revenue

The single most important economic means of distinguishing religions is through the source of money. Adam Smith, in his seminal work The Wealth of Nations, identified two basic types of (Christian) religions in Europe by their sources of revenue. He characterized the “vigorous” (new Protestant) religions as “unendowed,” which forced them to be “directly dependent” on the contributions of practitioners (pg 860). The behavior of the new religions strongly contrasted the older, established organizations, which relied on titled lands and indirect support (taxed tithes). I will attempt to expand and modernize this comparison.

After examining the operations of different religions, I have identified 5 different mechanisms by which religions raise money to finance ongoing operations. These sources are:

¹ A purely economic analysis of religious behavior is somewhat cynical, but hopefully insightful.

- Member Contributions
- Revenues from lands and businesses
- Government Support
- Licensing Fees (e.g. Kosher)
- Pilgrimages

While most of the meanings are clear, the later two need to be explained. Licensing fees refers to an action or the right to an action required of a religion's practitioners which a minister is paid to authorize. Pilgrimages are an often overlooked indirect source of religious revenues, but pilgrims essentially bring and contribute money to a sacred place or shrine. If the pilgrims themselves do not directly contribute, the local businesses will contribute to the religion, since they benefit from the presence of travelers.

In my survey of international religions, I discovered that Hinduism and Shinto, both decentralized religions without a strong hierarchy, do not rely on member contributions for their organizational expenses. Instead, these religions use a combination of alternative means. Being among the oldest practiced religions in the world, Hinduism and Shinto benefit from the revenues of religion-owned lands and businesses whose origins lay deep in antiquity. The governments of both India and Japan both strongly identify their religion with their national identity, and therefore support the religious organizations in various ways. Finally, the doctrine of both religions encourages frequent pilgrimages to variety of shrines and religious events, specifically the Ganges River in India and the Kyoto shrines in Japan. The frequent and often massive pilgrimages provide significant direct and indirect revenues for the religious organization. Different aspects of these religions depend on different revenue sources for their operations, such that a Shinto shrine may be dependent on pilgrim revenues, while a Shinto school may be government funded. The economic behavior of Eastern religions is rarely analyzed due to the difficulty in acquiring aggregate data on the revenues of these religions, but this remains an interesting field of future study.

Money is Power

Before analyzing the flows of money and their effects, the types of hierarchies found in religions should be clearly designated. In my cursory examination of major religions, I identified four major archetypes of religious hierarchies:

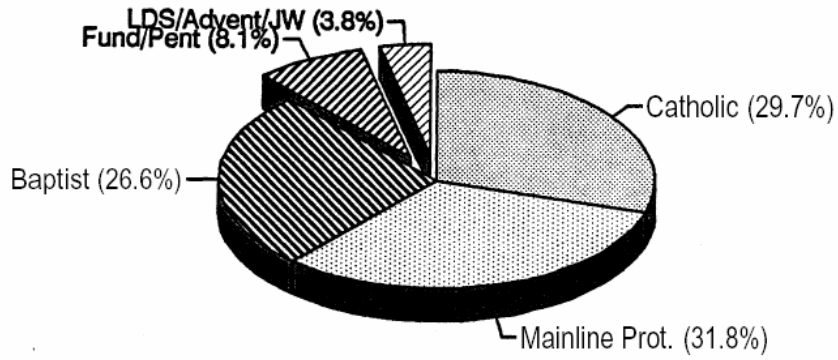
- Elected Bishops
- Self-Selected Hierarchy
- State
- Nobody (Decentralized)

I acknowledge that many religions contain a blend of different categories of organization, but these stereotypes prove a useful simplification.

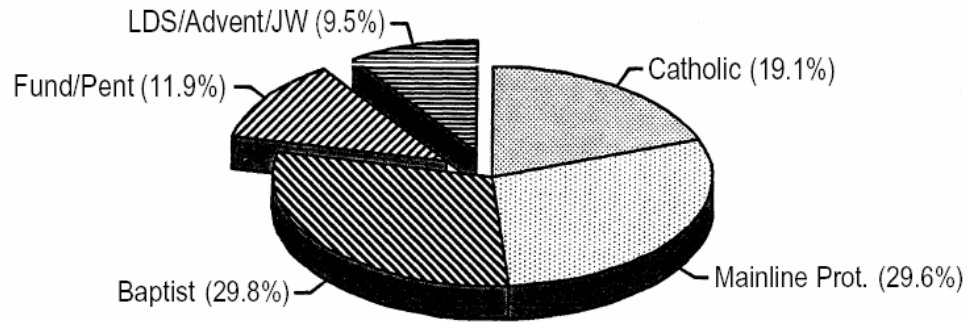
In Western religions, we have a significant amount of research on the sources of funding for different religious groups. To simplify my analysis, I will categorize contributions as either direct member contribution or other. I was able to obtain aggregate membership and contribution data for the United States in the late 1980s from a sociology report. The figures on the following page are a breakdown of total direct member contributions, membership, and direct contributions per member.

The Catholic Church makes up 29.7% of the population of United States, but only gathers 19.1% of total direct church contributions. A member of the Catholic Church therefore contributes $\frac{2}{3}$ of the average ($19.1\%/29.7\%$). At the other extreme, the evangelical churches, such as Latter Day Saints and Adventist, make up only 3.8% of the total population yet gather 9.5% of total church contributions. A member of these groups contributes 2.5 times the average rate ($9.5\%/3.8\%$).

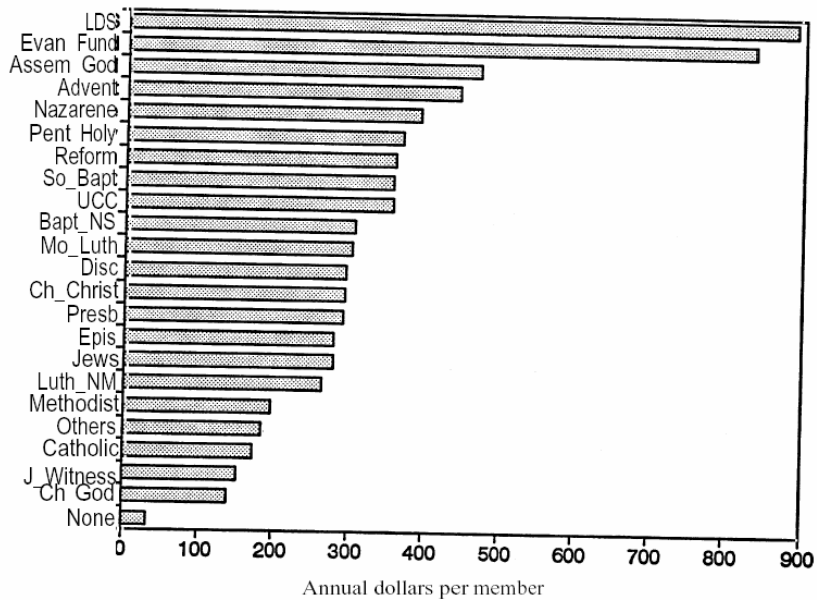
MEMBERSHIP



TOTAL CONTRIBUTIONS



Contributions per worshipper



Hardin, Russell. "The Economics of Religious Belief and Practice" *Journal of Institutional and Theoretical Economics*, 1997.

The source of income for a religion determines the distribution of power in its hierarchy. In the evangelical extreme, the young religion is solely dependent on members to fund its ongoing operations, a situation that makes the hierarchy of these religions very responsive of the attitudes of its membership. A less extreme but similar situation is found in many of the established Protestant religions, where the common members still elect the ruling bishops. To go back to Adam Smith, newer religious organizations “derive a very considerable part of their sustenance from the voluntary obligations of the people.” As a result, these institutions are “obliged to use every art to animate the devotion of the common people.” (pg 848) These religions either continue to receive member support or disappear. The hierarchy of those spiritual organizations which survive reflects the problem of raising funds, where popular clergymen gain higher positions by either a direct vote or through superior fund-raising.

At the other extreme, the Catholic Church (in the United States) is the least dependent of Christian churches on its membership to directly fund ongoing operations. As a result, the hierarchy of the Catholic Church is minimally responsive to the attitudes of its parishioners². The organizational structure of the Catholic Church is particularly interesting, as it is essentially self-selecting and self-perpetuating. The Pope chooses cardinals, who in turn elect new Popes. The Roman hierarchy selects archbishops, who choose bishops, who decide who should manage parishes. The members of a particular parish have no direct say about who runs their parish, much less the upper echelons. This independent system is only possible because the Catholic Church has alternative means of finance.

The most interesting part of the Catholic Church’s structure is its evolution from evangelical roots. Like most new religions, Catholicism started with an elected hierarchy of Bishops, chosen by the parishioners. As the Church evolved and dominated, it gathered the means to raise immense amounts of money from other sources. As Adam Smith observed, “The clergy could derive advantage from this wealth with independent action from the king’s courts,” and the commoner (of course) had no say whatsoever. The fearsome independent power of the Catholic Church has declined somewhat since then, but the rules of its governing institutions remain the same. The institution does

² Witness the current scandal, or the fact that the average American Catholic has views which differ drastically from the views of the Roman hierarchy.

respond to changing views of its members, but often very slowly. To quote a politically active Catholic friend, “the Catholic Church is often 50 years behind the rest of the world” in its politics.

A third type of hierarchy is both ancient and modern, and can be found most clearly in some Islamic nations. When the state contributes or mandates a believer’s contributions to a religion, the state has power over the religion. This situation has happened throughout history where empires conquer lands and impose a specific religion. In this situation, the hierarchy of the religion is influenced by the state, for either the religion is beholden to the state for its existence (e.g. Soviet Russia), or the religious hierarchy is the state hierarchy (e.g. post-revolution Iran). From a purely secular perspective, when the state controls the purse-strings of a religion, that religion is very politically aware, and may have a hierarchy chosen not be the clergy or believers, but by the state’s government.

It can be argued that the special, non-taxed status of religions throughout the modern world is the equivalent of a government subsidy. Some Western governments specifically allow tax-exempt status for certain religions, but deny such status or rigorously audit the finances of other, less favored religions. This type of selective taxation is clearly a subsidy for specific religions, and such a subsidy must be maintained politically by the religious hierarchy. However, the interactions of religion and politics at this level are sufficiently complex to merit merely noting and moving on.

To examine the hierarchy of a decentralized religious organization is almost a contradiction. These mostly Eastern religions often have a nominal hierarchy of spiritual supremacy that is not matched with temporal power. For example, going back to Shinto, the emperor is (or maybe was) the nominal representative of god, but the emperor cannot direct the actions of various Shinto priests. Similarly, certain Shinto shrines are considered most sacred, and the keepers of these shrines are regarded with spiritual authority, but the various priests are not required to follow any guidelines. The distinct aspect of a decentralized religion is that no individual or group can direct the operations or control the finances of various clergy members.

Rational Consumer

When applying an economic analysis to religions, the temptation often exists to analyze the religious product by economic means. I find this approach to be horrendously complicated, because unlike corporations, religions do not produce a product which can be easily quantified. While the actions of religious organizations can be viewed from an economic perspective, the behavior of the consumer of religions is not rational. For example, given a choice between a well-endowed church, and an evangelical church requiring significant time and money contributions, some people will choose the latter, less rational choice. The reason for this decision may come from a philosophical, sociological, or cultural cause. Economics tends to do poorly when confronted with these motivations, probably because we do not yet have a complete understanding of them at this time.

Even in cases where the choice between religions has clearly quantifiable benefits, the economic choice and the reality will often differ. Believers continue to make economically unexpected decisions for religions where membership requires clear and substantial financial requirements, such as practicing Islam in certain countries, or being a member of the Mormon Church. Even when a believer can convert or stop being a member of the church, being a part of a majority religion has other economic and social benefits, the extent of which are beyond the scope of this paper.

As stated in the beginning of this paper, religious organizations can be described as corporations. However, it is not clear whether we can explain the actions of religions in terms of maximizing profits. Furthermore, the optimal simple economic outcome may not be the optimal overall outcome. The optimal state in economic terms is perfect competition, where there are sufficient different producers to meet demand, and the market sets the price. The worst case in economic terms is perfect monopoly, where a corporation completely controls the supply. But when we apply these terms to religious organizations, the best solution is no longer clear. There have been cases in history where a society is unified by a single dominant religion and accomplishes great things, and there are a large number of examples where perfect competitions among religions within the same society has shattered that civilization. The examination of the benefits of religion for society has whole schools of thought dedicated to that question, with everyone from Karl Marx to Adam Smith contributing their thought.

Conclusion

Economics provides a limited but hopefully insightful perspective into the operations of religions. The simple fact is that the actions of religions, much less the benefits or costs to the society as a whole, cannot be explained in simple economic terms. I have strived to show a simple relationship between the finances of a religion and its hierarchy, while touching on a variety of other interesting issues that occur with economic analysis of religious behavior. While I cannot draw any strong conclusions, I strongly advise anyone interested in religion to read the works of prominent thinkers who have attempted to explain religion in terms of economics and sociology. The explanations of the behavior of individuals and organizations may not be complete, but it provides insight, especially when comparing different religions.

Bibliography

Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Princeton, Princeton Review. 1776 (rep. in 2000)

-Adam Smith dedicated a whole chapter to the behavior of the clergy and how the market forces interact with religious institutions just as the market determines the behavior of corporations. This chapter inspired the idea of this paper.

Raines, John. *Marx on Religion*. Temple Univ. Press. 2002

-A primer on Marx's various writings on religion; a rather condensed work. Marx had some rather complex ideas, and his writing is given to misleading quotes, which is why I do not quote his work.

(Author Unknown) "Evaluation the Evidence: Religious Economies and Sacred Canopies." *American Sociological Review* 54 1989

-Sociology papers are difficult for an outsider to read (to say the least), but this paper deals with the topic in a sufficiently interesting manner to merit its mention.

Hardin, Russell. "The Economics of Religious Belief and Practice" *Journal of Institutional and Theoretical Economics*. 1997.

-A basic analysis of (western) religions and their finances. Useful article, and written in a language that I *can* understand (thanks to a minor in economics).