

## Religion and Economics

Peter Boettke, George Mason University

I graduated from high school in 1978 and headed off to Thiel College to play basketball the following September. I suffered a severe ankle injury in October of that year which put me out of basketball for the season. I lacked academic ambition, and without basketball I had little discipline or direction, and no reason to be in college. However, I was befriended by the assistant basketball coach—a man named Glen Salow—who had played for Athletes in Action and ran the campus meetings for The Fellowship of Christian Athletes and I believe Campus Crusade for Christ. Glen visited me in my dorm room, invited me to campus meetings, and looked after me. I was raised in a Presbyterian household, but until that time prayer was something I only did before sporting contests in search of extra strength and some good luck. Glen introduced me to Jesus as my Lord and Savior. He would also persuade me to transfer to Grove City College (GCC), where I started my college career afresh.

I entered Grove City in the fall of 1979 after experiencing a summer of gasoline shortages and the queuing system for gasoline that was instituted in New Jersey. This would have great significance in my life because the experience proved to make me susceptible to the logic of economic analysis in a way that I might not otherwise have been. I went to GCC with the intent of playing basketball and becoming a high school coach just as I had when I entered Thiel a year earlier, but I now also had an appreciation for what a college education could offer and I was eager to take advantage of that opportunity. Glen had provided me with introductions to both the coaching staff (who actually helped me get accepted as a transfer freshman) and to Professor Reed Davis, who was in charge of Christian Fellowship activities at GCC and was my professor for first year religion and philosophy. I learned several important things at GCC over the next four years. I changed my major from education to economics with a minor in philosophy and my career aspiration shifted from becoming a high school basketball coach to striving to be an academic economist. My experiences at GCC have shaped my subsequent life in numerous ways.

For the topic of today's meeting, the most important lessons I learned at Grove City College were with respect to religion:

1. Spiritually—that Jesus Christ is Lord and Savior and that one must commit to a personal relationship with God and to strive to live a Christ-centered life.

2. Historically—the role of the Christian Church in the development of Western Civilization.
3. Intellectually—the philosophical and epistemological importance of Christian presuppositionalism.

With respect to economics and political economy I learned the following:

1. Ideologically—the classical liberal and libertarian tradition of private property, freedom of contract and free trade, and how economic freedom and political freedom are inter-related.
2. Historically—the role of markets in generating material progress and economic development, and the destructive role of government intervention and planning by distorting incentives and information.
3. Analytically—the logic of economic reasoning and the importance of supply and demand analysis for understanding the real world.

At Grove City College my professors tended to keep religion and economics separate, except for those occasions when my main economics teacher Hans Sennholz would blend Christian morality into his economic sermons and when one of the Christian existentialist philosophers would question the virtue of the capitalist society in my religion and philosophy courses. But despite the tensions that sometimes surfaced, there was something of an affinity between the two subjects I studied that I noticed from the beginning. The critique of scientism that I learned when I read F. A. Hayek and Michael Polanyi seemed to be similar to the defense of Christian presuppositionalism that I was taught in my religion and philosophy courses. The defense of individual liberty that I heard in my economics courses seemed to resonate in the teachings I received about covenant theology and the teachings in Paul's letters. Grove City emphasized classic readings in both religion and philosophy and economics—as a freshman in a mandatory course in Religion and Philosophy I read Augustine's *City of God*, Calvin's *Institutes of Christian Religion*, as well as Plato and Locke, and in economics during my sophomore year I read Adam Smith, David Ricardo, J. B. Say, J. S. Mill, and eventually in a senior seminar would read the complete works of Menger, Bohm-Bawerk and Mises.

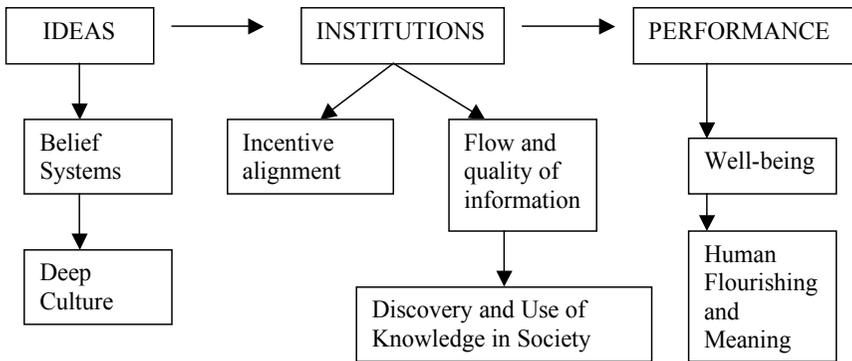
In my mind, classical political economy, classical liberal political philosophy, and classical covenant theology were aligned and this alignment was responsible for the great wealth and freedom we took for granted in the United States and the countries of Western Europe. Unfortunately, this fact was disregarded by the intellectual elite; thus I feared that the way of life we had enjoyed would be increasingly under threat as public policies were adopted that moved against this alignment. So I decided to attend graduate

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school in economics and become an academic economist who sought to study the relationship between ideas, political and economic institutions, and economic performance. By specializing in the fields of comparative economics and also the history of economic ideas and methodology I was able to combine my interests from Grove City College in economics, philosophy, religion and ideology.

My research and teaching interests have consistently sought to delve into this relationship between ideas, institutions and system performance, which I tend to think of as a linear and causal one—at least for framing my research interests—as represented in Figure 1.

**Figure 1**



With regard to the relationship between religion and economics there have been at least three distinct research programs that scholars have pursued vigorously:

1. How alternative religious ideas impact economic and political institutions and how that in turn impacts economic performance and well-being. This research program is associated with Max Weber, but could be gleaned today in the work of Timur Kuran.
2. Using the tools of economic science, analyze the organization of religious activities and assess the efficiency of different practices. This research program was inspired by the work of Gary Becker and can be seen in the work of Larry Iannaccone, Robert Barro and Edward Glaeser.
3. How and why did economics as a discipline become the modern day religion with its gospel of economic growth? This research program is pursued in the work of Robert Nelson.

As with most things that are valuable in economic research, each of these strands of research can claim Adam Smith as a predecessor. My own line of research has tended to focus on questions related to the first strand, but I have also written a few papers dealing with the third strand. But, especially over the past few years, I have been following the developments in the second strand with increasing interest. However, my main interest remains in the first strand—how alternative religious ideas impact economic arrangements and performance.

The failure of real-existing socialism in East and Central Europe and the former Soviet Union, and the persistence of failed policies in the under-developed world, have highlighted the costs associated with bad public policies and the belief systems which legitimize them. Add to this mix our attempt to understand and respond to the terrorist threat to the Western world since 9/11, and you can see that this first strand of research on the relationship between religion and economics has plenty of work. Marxism is a secular religion, and Islam is a religion that has claimed secular authority from its inception.

In conclusion, I would like to make an argument by analogy and an appeal to economists who are entering into the field of economics and religion. First my analogy. In the 1960s the field of law and economics was born, and it became a thriving subdiscipline by the 1970s, but in the process of becoming an accepted field in economics it underwent a subtle, though very real, transformation. There are Coasean and Posnerian ways to conduct legal research in an economic way of thinking. Coase sought to examine how alternative legal arrangements affect economic performance. Posner, on the other hand, sought to use the tools of economics to assess the efficiency of existing legal practice and rules. As Posner's text came to embody the *Economic Analysis of Law*, the Coasean project was crowded out. What made this transformation that much more ironic was that the Posnerian advance often invoked Coase's analysis of social cost as the quintessential example. I have some reservations about Posnerianism, but it is not tragic that this form of law and economics has changed legal education and legal decision making. However, it is tragic that the Coasean style of research was crowded out by the "model and measure" mentality of economic imperialism. It would be, in my opinion, even more tragic if religion and economics followed the Posnerian line of research to the exclusion of Coase.

Religion is at the core of who we are and how we understand ourselves. The economic way of thinking can clearly aid in our intellectual endeavor to come to appreciate how religious belief systems and religious

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organizations legitimate and coordinate our social interactions with one another to promote either peace and prosperity, or conflict and poverty. Religion is the carrier of the traditions which define the societies we find ourselves living in; if we are to be economists who can explain why some nations are rich while others are poor, we will not make much progress on such questions unless we adequately account for the power of religious ideas in shaping human perception, behavior and institutions. ■