From The President's Desk

by Mark Skousen

IDEAS ON LIBERTY
APRIL 2002

Amazing Graph

"Both liberal and strict religious groups are more dynamic when they have to compete for members on a level playing field."
—GARY BECKER[1]

In January 2001, I wrote a controversial column titled "The Imperial Science," in which I argued that the economics profession, like an invading army, is overrunning the whole of social science. I used examples in law, finance, politics, history, and sports, concluding that it was high time to replace the phrase "the dismal science" with the "imperial science."

Religion is another area where economic research has recently made its mark. Lawrence Iannoccone (Santa Clara University) is one of a handful of economists who specialize in religion and economics.[2] In the late 1980s Iannoccone tested Adam Smith's hypothesis that freedom of religion would lead to a higher level of attendance in church services. Smith believed that competition benefits religious groups because they're forced to learn to satisfy the needs of their members.[3] In testing this theory, Iannoccone compared attendance at church and the degree of religious monopoly in various Protestant and Catholic countries between 1968 and 1976. His test produced a striking result: church attendance varied inversely with church concentration in Protestant nations. Church attendance among Protestants was high in freely competitive nations, such as the United States, and low in countries monopolized by a single Protestant denomination, such as Finland. In short, the more religious freedom a nation enjoys, the more religious people are (as measured by church attendance).[4]

Soon after Iannoccone's study was completed, two sociologists applied market principles to the history of American religion and came to the same conclusion: religion thrives in a free-market environment. Roger Finke (Purdue) and Rodney Stark (University of Washington) found the United States to be almost a perfect experiment in what they termed an "unregulated, free market, religious economy." By the start of the American revolution, religious persecution had largely ended and tolerance gradually gave way to religious freedom. The largest denominations sought a tax-supported state religion, and even formed cartels aimed at preventing competition, but all efforts failed. Most states followed Virginia's lead in opposing any state church.

Finke and Stark came to the following remarkable findings using their explicit market model in studying religion in America:

First, fierce competition and the constant evolution of new religions in America resulted in a steady rise in church participation over the past two centuries. Amazingly,

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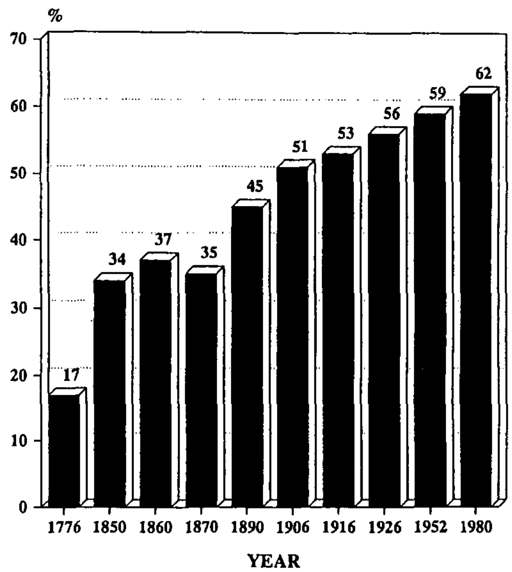
"America shifted from a nation in which most people took no part in organized religion to a nation in which nearly two thirds of American adults do."[5] (See the figure below.)

Rates of Religious Adherence, 1776–1980



Source: Finke and Stark, *The Churching of America*, p. 16.

The Impossible Dream of One Faith

The sociologists found, second, that it is impossible for one faith to dominate the nation in an environment of relentless competition. In colonial times, the Congregationalists and Episcopalians dominated. But they could not cope with the fierce competition from the Methodists, Catholics, and Baptists during the frequent revival periods of American history. Just as no corporate monopoly lasts forever, so also does it seem impossible for a mainstream religion to stay on top for long. Finke and Stark conclude that no religion, no matter how successful in the short run, can convert the whole world. Christians just don't seem to be content with one church, just as consumers can't agree on one car model or one type of tennis shoes. Over time, all markets—whether for automobiles, shoes, or religions—tend to show an increase in quantity, quality, and variety. As Finke and Stark demonstrate, despite the constant call for all Christian groups to be "as one," unification efforts have repeatedly failed. The conventional wisdom that "all churches are alike" is inaccurate. Diversity is the lifeblood of religious life in America.

Third, Finke and Stark discovered that mainstream churches which compromised their principles and eliminated their "strong doctrines" invariably experienced widespread defection and ultimate failure, while churches that maintained high doctrinal standards, such as the Catholic Church, prospered. In other words, the market rewards the quality of religious worship. "We argue repeatedly that religious organizations can thrive only to the extent that they have a theology that can comfort souls and motivate sacrifice."[7]

Fourth, the scholars refuted the popular belief that urban communities are less religious than country life. Debunking the preachers' myth that city life is "wicked and secular," Finke and Stark provide evidence that church attendance rates are higher in cities than in rural areas.

In sum, we can see that the principles of economics are universal. Incentives, competition, quality, and choice apply not only to the material world, but to the spiritual realm as well. ☐

1. Gary S. Becker and Guity Nashat Becker, *The Economics of Life* (New York: McGraw Hill, 1997), p. 16.
2. Another is Robert H. Nelson, author of two excellent books, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Savage, Md.: Rowman & Littlefield, 1991) and *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, Pa.: Penn State Press, 2001), both of which deal with economics as religion rather than the economics of religion.
3. See Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1965 [1776]), pp. 744–48. I discuss Adam Smith's views on religion in more detail in my book *The Making of Modern Economics* (New York: M.E. Sharpe, 2001), p. 27.
4. Lawrence Iannaccone, "The Consequences of Religious Market Structure," *Rationality and Society* (April 1991), pp. 156–77. See also "Adam Smith's Hypothesis on Religion," chapter 10 in Edwin G. West, *Adam Smith and Modern Economics* (Hants, England: Edward Elgar, 1990).
5. Roger Finke and Rodney Stark, *The Churching of America, 1776–1990: Winners and Losers in Our Religious Economy* (New Brunswick, N.J.: Rutgers University Press, 1992), p. 1.
6. Ibid., p. 32.
7. Ibid., p. 5.

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Social Security Is Moral?

It Just Ain't So!

A good many people express incredulity with the consistent free-market, or libertarian, position. They consider opposition to the welfare state as something bizarre, rejection of unlimited democracy as almost un-American, and opposition to things like Social Security as bordering on outright callousness. For this reason it may be of some value to illustrate how a libertarian may respond to a prominent defense of Social Security, the quintessential American welfare-state policy.

A while back in the *New York Times*, Henry J. Aaron of the Brookings Institution, one of this country's most prestigious Washington think tanks supporting nearly all welfare-state measures, laid out the case for the continuation of Social Security. Here is how he put his case: "Most individuals . . . do not do a very good job of planning for distant or unlikely events like retirement or disability. Moreover . . . since many people are already exposed to the risks of big stock market swings through 401(k) programs and Individual Retirement Accounts, there is good reason to maintain Social Security as a guaranteed benefit in which any investment or economic risks—as well as administrative costs—are spread across the generations and income levels. The wild gyrations in the stock market . . . underscore the point." Mr. Aaron then added, "The reasons that led the nation to adopt social insurance are about as strong now as they ever were."

This is indeed a standard and familiar way to defend Social Security and many other welfare-state measures. How can the libertarian insist that Social Security is immoral? Here is how.

Perhaps it is true that "most individuals do not do a very good job of planning for distant or unlikely events like retirement and disability." This fact, if it is one, does not support in the slightest the imposition of various costs on other people who in fact *do* do a good job. Why should the negligence and oversight of some people impose burdens on others who are prudent and who use foresight? What is the point of being prudent if you are still burdened with the insolvency and debt of other people? We could justify bank robbery that way too: The savers should not complain when those who have failed to save take their money, since the thieves simply did not do a good job of planning. Furthermore, if most people aren't good at planning for distant and unlikely events, why would most politicians, who must constantly worry about re-election, or bureaucrats, who need security as much as the next person, be better at this than the rest of us? No reason to think so at all.

What about the other concern, namely, stock-market volatility? This argument is deceptive because, in fact, over the long haul the stock market has long paid good returns. Moreover, the government's management of wealth is far from a sure-fire guarantee against disaster. (The Social Security Trust Fund, for example, is a myth.) But never mind the mythology of government guarantees; what about the alleged propriety of having government force you to avoid taking bad risks?

Government's Function

Mr. Aaron and others of his persuasion should be reminded that it isn't the proper function of government to be our mommies and daddies. Government folks are, after all, human beings, no different in wisdom and virtue from the rest of us. How dare they make themselves our guardians? *It is our*