Law, religion and economics

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Regulation of human action

One can imagine an original primitive society without regulations. However, such a society does not represent an ideal but a scary warning. This has been spelled out already by Thomas Hobbes in the following well-known quote:

In such conditions, there is no place for industry, because the fruit there of is uncertain, and consequently no culture of the earth, no navigation, nor use of the commodities that may be imported by sea, no commodious building, no instruments of moving and removing such things as require much force, no knowledge of the face of the earth, no account of time, no arts, no letters, no society, and which is worst of all, continual fear, and danger of violent death, and the life of man, solitary, poor, nasty, brutish and short.

(Hobbes 1651: XIII, 9)

Whereas everyone agrees that regulation of human action is necessary, such regulation can take many forms. The interrelation between people and between people and society may be regulated by many different institutions, e.g. laws, ethics, religion and markets. The most direct regulation is by law – the observance of which is enforced by state power. But there are many other forms of possible regulation. Ethics, moral, religious rules are often considered as “soft laws.” Such soft laws can have many forms and their origin can be mixed and debatable.

Some, e.g. the Danish philosopher K. E. Logstrup (1905–1981), consider the ethical rules to be founded in sovereign expressions of life. It is universally human to take care of our fellow human beings (see Logstrup 1968). Others see ethics as founded in, perhaps forgotten, common sense or in religious revelation. Such soft laws can be very general, e.g. a need to take care of other humans, of the poor and the weak or of the environment, but also very precise, as prohibition of interest, usury, divorce and eating pork.

If the soft laws are sufficiently precise and generally rooted in public life they can substitute the formal laws as expressed clearly already in the first national law in Denmark from 1241:

With law shall land be built, but if all men would be content with what is theirs, and let others enjoy the same rights, there would be no need of law. But, no law shall be perceived
and followed as the truth, however where there is doubt about what is truth, the law shall show what is the truth. If the land had no law, then he would have the most who could grab the most. Law shall hence be made in the interest of all for the just and peaceable and blameless to enjoy their peace, and such as the unjust and evil may be daunted by the letters of the law and hence will not dare to carry out their evil intent. It shall further be the truth that where men not are swayed to do the good out of fear of God and love of the Court, then the fear of authorities and the penal code of the land shall prevent them from doing evil and punish them if they do.\(^1\) 

\(\textit{Fenger and Jansen 1991}\)

In the sentence “then he would have the most who could grab the most,” the allocation of resources is stressed, and in regulation of human action the allocation of wealth, resources and power is very central. And distribution of scarce resources is exactly what economics deals with. This is formulated by the Nobel awarded economist Paul Samuelson (1915–2009) in the most used textbook in economics during the twentieth century where he defined economics:

\[\text{Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.}\]

\(\textit{Samuelson 1948}\)

The part of regulations dealing with distribution and allocation of resources and wealth are often taken care of by the market. The framework for the market is given by laws, international conventions and market traditions and ethics. The part of the society which is regulated by market mechanism has increased in the last two hundred years. Denmark is a case in point. A very early example is the Danish agricultural reforms in the late eighteenth and early nineteenth century. A pre-modern agriculture regulated by common decisions in villages and by decisions by the landlords was changed to a system with individual, profit-maximizing and private owned farms regulated by the market mechanism. In 1857, Danish trade and handicraft was given freedom of trade and the regulation via guild lost its power. This trend has accelerated in the last decades. Considerable parts of the former public sector have been privatized in Denmark as in many other countries. The railway, the telephone system and so on are now managed by market-oriented profit-maximizing firms.

There are a number of reasons for this development. Some of the older regulations were based on national laws and religious commands, and both nation and religion have lost importance at least in our part of the world. Market regulations instead of rules have also been supported by much economic theory starting with “the father of economics,” Adam Smith (1723–90), and his “Wealth of Nations” from 1776, and followed by people like F.A. von Hayek (1899–1992) and Milton Friedman (1912–2006) (see e.g. Hayek 1944 and Friedman 1962 and 1980). In the 1980s, liberalistic and conservative government in the biggest Western countries supported this development.

There is, however, also an opposite trend. Public regulations of pollution and animal welfare have become more detailed. Prostitution has been forbidden in a number of countries, and religion has got a revival in the public debate with conflicts between Muslim immigrants and the original inhabitants in many European countries. This has led to debates on headscarves and food (e.g. pork) in public institutions.

\(^1\) Translation from Danish.
All this stresses the importance of the relation between regulations via market, laws and soft laws. How important is religion and ethics for the development of the economy and the society? How can economic science contribute to an analysis of religion’s role in a society? To what degree is ethics, laws and institutions in a society a result of religious attitudes? It is such questions that are discussed in the following sections.

Religion and economics in the early twentieth century

A considerable part of the debate in economics around 1900 deals with the role of religion. Best known is Max Weber (1864–1920) with his *Die protestantische Ethik und der Geist des Kapitalismus* published in 1904–5. Max Weber was an unorthodox pupil of what has been called the German historical school of economics. According to him and his pupils a special attitude to work and economics can be traced back to Christian reformers in the sixteenth century. The reformers Jean Calvin and Martin Luther argued against the Catholic Church’s belief about internal ecclesiastical activities, monks and monasteries and considered instead involvement in the secular society a Christian duty. The Christian duty was not to participate in ecclesiastical activities but to work in the civil society in the interests of the community and the neighbor’s. The Protestants were hard working, economical and thrifty. They saw economic success as an indication of God’s goodwill and worked hard to get this sign. Consequently, Max Weber found the reason for capitalism and the growing economies in North-Western Europe and North America to be based on the dominating religion of these societies. A considerable number of researchers have followed, discussed or analyzed Weber; the best known are perhaps Tawney (1926) and Samuelson (1957).

But Max Weber’s theory was far from the only one; there was a general discussion about economic development and religion in this period. Other authors relate capitalism to the Jews. It has been forbidden for the Jews to own real estate in many countries, and this means that many of the richer Jews were active in the financial sector. And the financial sector was seen as strongly related to the modern market economy and capitalism. A main figure in this tradition was Werner Sombart (1863–1941) with his contributions *Der modern Kapitalismus* 1–2 (1902) and *Die Juden und das Wirtschaftsleben* (1911). In this period a critical attitude towards capitalism was often combined with a negative attitude to the Jews.2

During the inter-war period this attitude degenerated to fascism and so did Sombart himself. It is, however, important to stress that the debate about capitalism and the Jews, like Max Weber’s discussion of Protestants and industrial growth before World War I, was often a serious scientific debate about the relation between religion and economic development.

In 1933, this debate ended among serious economists for two reasons. Adolf Hitler came to power in Germany and a debate about religion and economics was abused for a brutal political purpose and made it impossible for serious social scientists to continue the debate. In the same year, the first volume of the mathematical-economic journal *Econometrica* was published and it soon became the most prestigious of the scientific economic journals. This indicates a movement in mainstream economics in a mathematical and statistical direction. Economics increasingly dealt with formalized economic models and mathematical economic theory. Broad verbal descriptions of economic history, economic and religion, and the reasons for economic growth

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2 Danish examples of this combination are seen both in the writings of the bishop H. Lassen Martensen in the 1870s (Martensen 1878), and in the writing of the economic professor L.V. Birck around World War I (see Kærgård 1997).
became outdated. Today, neither Max Weber nor Werner Sombart have any prominent place in the history of economic thoughts. They are today mainly seen as sociologists or political scientists.

**Revival of institutional economics**

Since the 1970s, the more “soft” parts of economics have been reintroduced in mainstream economics. Institutions – and not only pure economic institutions – have again become a central part of economic theory. People like Ronald Coase (1910–2013), Douglass North (b. 1920), Elinor Ostrom (1933–2012) and Oliver Williamson (b. 1932) developed what they called “New Institutional Economics,” a term probably first introduced by Williamson in 1975 (Williamson, 1975). An important clarification and summary of the theory is found in Douglass North’s seminal book *Institutions, institutional changes and economic performance* from 1990. He defined institution very broadly:

Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change . . . Institutions reduce uncertainty by providing a structure to everyday life . . . Institutions include any form of constraint that human beings devise to shape human interaction.

*(North 1990: 3–4)*

North’s definition of institutions includes both formal constraints, informal constraints and enforcement. The constraints include everything from taboos, customs and traditions to written laws and constitutions. The enforcement includes everything from an effective judicial system to moral restrictions and loss of moral reputation.

North’s system also includes what he called “organizations,” both:

- political bodies (political parties, the Senate, a city council, a regulatory agency), economic bodies (firms, trade unions, family farms, cooperatives), social bodies (churches, clubs, athletic associations), and educational bodies (schools, universities, vocational training centers).

*(North 1990: 4–5)*

North’s conclusion is that the institutions are crucial for the development of society. Together with technology, they determine transaction cost, profitability and the economic development. As economic historian, he sees the institutions as an important part of the connection between the past, the present and the future. “History is a largely incremental story of institutional evolution” (North 1990: 118).

Furthermore, the real world is not only facts. There is a distinction between the real world and the decision maker’s perception of it, and in this perception both ideology and religion play an important role:

The subjective and incomplete processing of information plays a critical role in decision making. It accounts for ideology, based upon subjective perceptions of reality, playing a major part in human beings’ choices . . . By ideology I mean the subjective perceptions . . .
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all people possess to explain the world around them. Whether at the micro level of individual relationships or at the macro level of organized ideologies providing integrated explanations of the past and present, such as communism or religions, the theories individuals construct are colored by normative views of how the world should be organized.

(North 1990: 23)

With new institutional economics and Douglass North, religion, tradition and moral are reintroduced in economics with full power. Since 1990, new institutional economics has been a fast growing branch of economics. A considerable number of research contributions and surveys have been seen (for an overview see among others Coase 1998; Williamson 2000; Rutherford 2001; Menard and Shirley 2005; Ostrom 2005 and Groenewegen et al. 2010). Since 2005, the *Journal of Institutional Economics* has been published by Cambridge University Press. The old German journal *Zeitschrift für die gesamte Staatswissenschaft* has changed its name to *Journal of Institutional and Theoretical Economics*, and includes a number of programmatic articles by the grand old men in institutional economics (see Coase 1984 and North 1986). The *International Society for New Institutional Economics* had its first conference in 1997, and there has been an annual conference since. Several of the pioneers have been Nobel awarded: Ronal Coase in 1991, Douglas North in 1993, and Oliver Williamson and Elinor Ostrom in 2009.

Furthermore, new institutional economics is not the only sign of the fact that economists no longer are working only with markets, monetary phenomena and material resources. Social capital and happiness have also received growing attention among economic researchers. In modern economic growth theory, “softer” institutions like trust, confidence and credibility have been introduced as social capital. If the parties in an economic transaction trust each other they do not need detailed contracts, lawyer and sure opportunities to enforce the fulfillment of the contract. The transaction costs will be much lower. If the citizens are members of a number of associations, sports clubs, churches etc., they form networks that can also be useful in relation to economics. Jobs and economic transactions can be mediated in such non-economic networks. Advertisement and realtors are less necessary. One of the reasons why the former communist economies did not catch up to the income level in the rich Western European countries seems to be less trust in relation to the economic and public institutions and to other citizens in the society.

This means that the theories about social capital developed by sociologist and other branches of social science are very relevant for economics. Pierre Bourdieu (1930–2002) developed a terminology about social, cultural and symbolic capital (see e.g. Bourdieu 1986), and it was applied empirically by other social scientists, e.g. perhaps the most influential Robert Putnam (b. 1941) with his seminal book *Bowling Alone: The collapse and revival of American Community* (see Putnam 1993, 1995 and 2000). Social capital has since been an often used part of social science, including economics (see among the very many Paldam 2000, and Paldam and Tinggaard Svendsen 2000 and 2003).

Another new branch of economics with relation to the more soft values is the economics of happiness. International surveys like WorldValues Survey includes questions like “How happy are you?” Very happy, quite happy, not very happy, e.g. indicated on a scale from 1 to 10. These studies of peoples’ happiness have been used intensively by a number of economists (see e.g. Frey and Stutzer 2002; Layard 2005; and Bruni and Porta 2005). The correlation of happiness with income, unemployment and education has been examined. It is now possible to measure organizations’ and institutions’ effect not only on economic production and income, but also on peoples’ happiness. The effect of religion on happiness has also been examined. Ellison (1991) concludes
that religion offer an “interpretative,” which can fill life with meaning and purpose. The feeling of being close to God and the belief in an afterlife provide existential certainty and a source of happiness (see also Frey and Stutzer 2002: 59–60).

It is important to stress that “soft” regulations in the form of moral and conscience are often more effective regulators than laws and economic incentives. Some cases can be suggested. In Denmark, cooperative dairies were established in almost all cities and bigger villages in the 1880s and 1890s. One of the arguments has been cheating with milk. It was not possible to measure the content of fat in the milk, so even if butter was the main product the farmers were paid per liter of milk. This meant that there was a problem with farmers mixing water into the milk. But it was less of a problem in cooperative dairies, where the farmers knew that they cheated their colleagues, than in commercial dairies where they cheated a capitalistic dairy owner (see Henriksen 1999). The regulations in the cooperatives could be left to the conscience.

Another example is the control of working hours. Many investigations indicate that people without a fixed, controlled number of working hours, like university professors or priests, in fact do work longer than they are assumed to do (see e.g. Kærgård 2007). A feeling of call and fairness is sometimes a better motivation than economic incentives and fixed rules.

Economic investigations of religion

The economic interests in soft values like institutions, social capital and happiness have also resulted in a growing number of investigations of the relation between economics and religion. A considerable number of articles about religion and economics have been published in the last couple of decades; a survey can be found in e.g. Iannaccone (1991) and McCleary and Barro (2006a). The Association for the study of Economics, Religion and Culture has been established and has arranged annual conferences since 2002. There can be many reasons for this trend. The secularization of many countries has made it relevant to discuss topics like church and religion which before were seen as self-evident. In the public debate, religion and civilizations have been more intensely discussed, e.g. in relation to the effect of Islam on economy and society. Most known is perhaps Samuel P. Huntington’s Clash of Civilization from 1996, but many other authors have contributed to this debate, among others Stark (2006) and Burmester (2007). However, the main reason is perhaps the growing interest in economics for the soft values combined with a considerable number of new data for values, happiness and religion.

When economics work with soft values and religion, the borderline in relation to other social sciences is not very clear. Sociologists, philosophers, political scientists and economists often worked with the same hypothesis. One of these hypothesis is the secularization hypothesis which, formulated in economic terms, says that participation in religious terms and religious beliefs are reduced when the economy develops; they have, so to say, a negative income elasticity. Like margarine, religion is an inferior “commodity” which is substituted for better products like butter instead of margarine and science and culture instead of religion when income is growing. As explained by McCleary and Barro (2006a: 49–50), this is a theory which in different forms goes back to David Hume (1757), the founder of Methodism John Wesley (1760), and Karl Marx (1859). It is far from possible to give an overview of this huge amount of literature here, but McCleary and Barro (2006b) can be mentioned as an example of the economic type of view and methods. This economic type of analysis is critically considered by most of the other social scientists. They see much more complicated causality than just a negative income elasticity in a market model. Both Doobbelare (2007) and Sommerville (1998) discussed many different aspects of secularization related to terms of processes (decline, differentiation,
disengagement and rationalization) or in terms of aspects of life and level of analysis (structural, cultural, organizational and individual). Some of these are explicitly critical in relation to the economist’s starting point:

We simply must think of religions as cultural systems and less as religious markets. Surely, our theories will be less elegant and less scientific, but they will make more sense of complex historical realities and will lead to greater understanding.

(Casanova 2001: 427)

The pure economic theories of religion in a rational-choice approach have been developed since Azzi and Ehrenberg’s pioneering article from 1975. In this tradition, time and money used on religious activities is considered completely parallel to all other activities (see e.g. Sullivan 1985, and North and Gwin 2004). In such a model, religious participation as a time-intensive activity will decrease when the price of time (the real wage) is going up (a version of the secularization hypothesis). Religious activity will be highest among people with low value of time, such as women not in the labor force and retired persons. Older people will spend more time on religion if the probability of salvation depends on actions taken late in life as is the case if past sins can be forgiven if they are recognized and confessed. Furthermore, the productivity of religious activities will probably increase when people became more experienced (and consequently more “productive”) in such activities; they accumulate a sort of human capital which could be called religious capital. The empirical relevance of these time-allocation models has been discussed from the very beginning (see Long and Settle 1977 and Ehrenberg 1977).

This is the demand side but there is also a supply side of religion. Also, here traditional economic models have been used. A number of economists starting with Adam Smith (1776) (see among others Iannaccone 1991), have argued that the supply of religion, like the supply of other goods, is more rich, varied and of better quality if there is competition. Church attendance and religious belief will be higher in competitive markets than in markets monopolized by established churches. The products in a competitive market will be more well-aligned with the consumer’s individual preferences. This can explain the high degree of activity in the US. Economic theory will indicate that religion has a weaker place if there are public regulations and restriction on the possibilities. The demanders cannot find a supply which match their preferences and choose something else than religion.

A part of this debate consists of analyses of state religion (see among many others Barro and McCleary 2005, and North and Gwin 2004). The results are mixed. Some, e.g. North and Gwin, found that state religion, in accordance with Adam Smith, reduces religious activities. Others, e.g. McCleary and Barro (2006a and 2006b), conclude that an established state religion had a significant positive effect on religious attendance given the state of regulation and pluralism (perhaps because it includes some sort of subsidy element); both state religion and pluralism taken separately seem to support religion.

While many authors see religion as a modification and as corrective to traditional mainstream economics, as discussed later in this chapter, the theories discussed in this section seem almost to have an opposite attitude. They attempt to use the most traditional and mainstream economic theory to analyze the religious life of people. Can the models of economics be useful in an analysis of such complicated matters as religion? These attempts can be seen both as experiments to shed new untraditional light on the study of religious activities and as a way of testing the frontiers of what economics can be used (for parallel to e.g. Gary Becker’s work with family and human behavior, Becker 1976 and 1991).
Religion as cause for economic action

The economic studies of church and religion are not the only topic of modern economic research of religion. It has again been common to investigate Max Weber's old theme about the religious effect on growth and structure of society. The foundation has been very precisely formulated by Barro and McCleary:

Our central perspective is that religion affects economic outcomes mainly by fostering religious beliefs that influence individual traits such as thrift, work ethic, honesty, and openness to strangers. For example, beliefs in heaven and hell might affect these traits by creating perceived rewards and punishments that relate to "good" and "bad" lifetime behavior. In this perspective, organized religion – and more specifically, attendance at religious services – would affect economic performance mostly indirectly, that is, through influences on the religious beliefs. Hence, we envision a chain whereby church attendance affects religious beliefs, which affect individual traits, which affect economic outcomes.

(Barro and McCleary 2003a: 23)

Both the religious causes and the resulting social effects are multi-dimensional. The causes include some general variables such as church attendance, belief in Hell and Heaven, degree of religiosity, share of members in religious societies, number of declared atheists etc. Other researchers are mainly interested in different effects of the different religions and used share of Buddhists, Hindus, Muslim, Jewish, Orthodox, Catholics, Protestants etc. as explaining variables. Many researchers combine the general religious activity variables and variables for the different religions.

Similarly, many different variables are used as measurements of the effect in the society of religion. How does religion affect economic growth, corruption, thrift, labor ethics, productivity, equality and solidarity, property rights, rule of law, rate of non-payment of debt, and more moral variables like abortion rate, divorce rate and the rate of children born out of wedlock etc.

The last couple of decades have seen a considerable number of statistical investigations of the relation between the religious causes and the social effects with very mixed results. It is a problem that the determination of growth and other economic and social variables is extremely complicated, and a full explanation must include many other than religious variables like the form of government, national characteristics, physical and human capital, climate and many others. And the interrelation between these variables is very complicated; how did the national characteristics, for example, depend on religion in earlier periods?

Another problem is that the different religions are concentrated in specific geographical areas: Muslims in the Middle East, Protestants in North-West Europe and the US, Orthodox in Eastern Europe etc. And a geographical region has many other things in common than religion; climate; history; language etc. It is therefore difficult statistically to distinguish which of these common variables are the most important.

The many empirical investigations used many sorts of data, cross-country studies, studies of specific countries, historical investigations and case studies. A number of such studies are summarized in the following section.

Statistical investigations of religion's effect on society

As mentioned in the previous section, there are a lot of empirical investigations of the effect of religion. It is consequently impossible to give a complete overview of all these investigations.
This section will, however, give a summary of a number of cases which can perhaps give an idea of the diversity of the data, the methods and the results.

Perhaps the most common is cross-country investigation of economic and social characteristics. One of the most direct correlations between religion and economics are McCleary and Barro’s investigations of the relation between religion and economic growth including 53 countries for three ten-year periods: 1967–75, 1975–85 and 1985–95 (McCleary and Barro 2006a and similar results in Barro and McMcLeary 2003a and 2003b). They found that church attendance has a negative effect on economic growth. People are using time and energy on religion instead of productive activities. On the other hand, belief especially in Hell, but also in Heaven, stimulates moral and work, and consequently growth. The net effect of religion is small because of the opposite direction of the effects. They found some significant but small differences between the different religions; Jews and Catholics show a positive effect, Muslim and Hindu a negative; but these results differ among the different samples.

There is a general discussion in econometrics and statistics about robustness of estimations which are the results of a number of experiments with sample, estimation methods and model specification. Experiments can result in an asymmetry of information between analyst and reader when the reader only sees the best of the experiments. But experiments are nevertheless important to get knowledge about how robust the results are in relation to changes in model specification and sample. This has been discussed as data mining among econometricians since the 1980s (see Leamer 1983 and Lovell 1983). These problems have been analyzed specifically in relation to the interrelation between religion and economic growth by Young (2009), and he found the relations rather unstable.

Trust in others is another variable that has at least partly been explained with religion. Berggren and Bjørnskov (2011) used Gallup World Poll for 109 countries and 43 states in the US and found a negative relationship between religiosity and trust both internationally and within the US. Others got more mixed results. Daniels and von der Ruhr (2010) used General Social Survey data 1975–2000 for the US and concentrated on different religions. They found that religion does play an important role in formation of social trust; Pentecostals, fundamentalists, black Protestants and Catholics are less likely to trust others. Members of liberal denominations are more likely to trust others. Tan and Vogel (2008) found, in an experiment with US citizens, that the amount of trust a proposer invests in a responder increases with the responder’s religiosity, but the degree depends on the proposer’s own religiosity. Religiosity is used as a guide in decision-making, they conclude.

Some more “capitalist” attitude is negatively correlated with religion. Berggren and Bjørnskov (2013) found in a cross-country statistical investigation, including 112 countries, protection of property rights negatively correlated with religiosity, and Wiseman and Young (2013) found in an investigation of the States in the US several religious variables negatively correlated in a significant way with “productive entrepreneurship” (productive entrepreneurs are those whose activities expand the economy, unproductive entrepreneurs are those who seek to redistribute).

There seems also, perhaps more surprisingly, to be a negative correlation between religion and things like state welfare spending and preferences for social insurance. Religion and welfare state spending are by a number of researchers seen as a substituting mechanism that insures individuals against adverse life events. Scheve and Stasavage (2006) found, in an investigation using individual data from 22 advanced industrial democracies and more than ten thousand observations, that religious attendance contributes significantly and negatively to the support for social spending. Gill and Lundsgaarde (2004) also found a negative correlation, but they interpreted the causality in the opposite direction; they explained church attendance and comfort.
These results contradict the later discussed evidence about the establishment of welfare states, where prominent Christians in many countries played an important role (see e.g. Gabriel et al. 2013).
decision makers and the legislators. It includes a number of theologians and philosophers and some “heterodox” economists. They are critical in relation to modern society’s valuation of material goods, the prioritizing of economic growth, the markets crowding out civic and human goods, and the competition instead of cooperation. Isn’t there something wrong with a world in which everything is for sale? A number of these authors stress the importance of ecology.

Some of these authors must surely be considered as scientists, others are more journalists and debaters. The theologian professor Philip Goodchild with his book *The Theology of Money* from 2009, the philosopher Charles Eisenstein with *Sacred Economics* from 2011, and the Czech economist Tomas Sedlacek with *Economics of Good and Evil* from 2009 can be mentioned as some of the most remarkable. Very central in this debate is also the Harvard professor Michael J. Sandel’s book *What Money Can’t Buy: The Moral Limits of Markets* from 2012. Some of the most extreme authors argue that economics with its view of human nature considering people as rational and selfish is a sort of controversial religion (see e.g. Nelson 1998 and 2001).

In fact this is a very old debate about “economics as a moral science.” The father of economics, Adam Smith, was professor in moral philosophy, and a number of prominent economists have contributed to this debate related to the balance between dealing with moral, political and ethical questions and at the same time being a scientist. A well-known example is Kenneth E. Boulding’s presidential address at the meeting of the American Economic Association in 1968 titled “Economics as a moral science” (Boulding 1969). However, since the 1870s, no doubt economics has strived to be a precise and formalized science; symbolically seen in the change of name most commonly used from “political economy” to the “science of economics.”

The theological critic of the market economy is as old as the market itself. Usury and interests have been damped by theologians back to the Bible. A typical example of that thinking is the Danish bishop Hans Lassen Martensen (1808–84), perhaps the most prominent theological professor in Denmark in the nineteenth century, and his book *Den Sociale Ethik* (The Social Ethics) from 1878. Martensen did not see his contributions as a political point of view but as a part of his Christianity. Nevertheless, his point of view is very clearly that individualism and liberalism are the curse of the modern capitalistic society:

> In social relations, in the interrelations between human beings and in the relations between man and man, it is seen in an uncountable number of ways that individuals, instead of considering themselves as connected to one another in solidarity, and as being limbs of the same social body, and instead of using the apostolic words “when one limb suffers then they all suffer”, they consider each other as free, “independent” personalities, where “one is closest to one self”... Social egoism has in our time, behind the shield of Liberalism, grown strong through the progress of science and the associated control of nature, and through the ever-growing advance of industry and capital. 4

Martensen is not blind to the benefits of the market economy in the form of economic growth and international development, but he considered the costs to be greater:

> It is not possible to deny, that the free competition has contributed to developing much power and given wealth to many people; neither is it possible to deny that capital is important for society, for the great companies and a universal economic togetherness, a world economy

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4 Translated from Martensen 1878: 127–8.
in contrast to an only national economy; but neither is it possible to deny that the free competition has made many more miserable and poor, that thousands upon thousands have fought a desperate battle for their daily bread in which they finally succumbed to the stronger.\footnote{Translated from Martensen 1878: 172–3.}

Martensen and his criticism of the market economy played an important role in the early history of the Danish welfare state (see Kærgård 2013), but in relation to the theme of this chapter it must be seen as only one example among very many in a religious critic of modern mainstream economics and of the market economy; as the example of religion as the conscience of the economists and the economic decision makers.

**Summary and conclusion**

Religion was an important part of the debate in economics in the first decades of the twentieth century, but disappeared in the 1920s and 1930s. The interest in religion has, however, had a revival in the last decades. A lot of theoretical, historical and statistical investigations indicate that there are very important interactions between economic development, law, moral, ethics and religion. But where considerable interactions seem well-documented and rather obvious, the exact specifications of the causal chains are far from clarified. This needs more research to be done. Such research should be highly interdisciplinary; the mechanism is very complicated and probably with extremely long lags.

The last decades have seen a fast growing number of data. Better national and income accounts are seen in almost all countries and a number of big national and international surveys has been established, e.g. World Values Survey and for the US General Social Survey. But the statistical relations are complicated and even the best data are problematic. The different religions are concentrated in specific regions and these regions have many other characteristics in common (climate, history, language, culture etc.), and it is consequently difficult to separate the effects of the different characteristics. The lags are furthermore very long. Institutions, laws, attitudes and culture are often determined by religion generations back. The development in a region can have roots centuries back and variables are sometimes better explained by religion hundred years back than by religion today.

Finally, there are a lot of simultaneous relationships. Economic development influences the laws and the religion. But the laws and the religious activities also affect the economic development. This demands more complicated total models that can simultaneously determine a considerable number of causal relations. Such models are developed in relation to pure economic interactions but even such models related to a specific discipline are complicated to handle both theoretically and statistically. We are far from being able to handle simultaneous models of economics, religion, law, attitude and moral. The interrelation between religion, law and economics is a very important research area, but it is extremely complicated and a lot of further research is needed.

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