



A Glimpse of Religions Economics Understandings and Thoughts

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1 Announcement



My knowledge of many religions is only superficial. At the same time, I am also a beginner in economics. Please accept my apologies if my argument caused misunderstanding and disrespect to your religion. I respect every religion and custom.

2 Introduction and Abstract

Religion is always a sacred and unapproachable realm for modern science. Asked about the mechanics inside religions, people mostly end up with mystery and spiritual answers. Indeed, religions provide spiritual relief and comfort. However, it does not mean we cannot analyze them with adequate respect to modern science and logic. Why monks must take the tonsure, why do Mormons abstain from caffeine and tobacco, why are Taoists secluded from the world? Which invisible hand is helping those religions thrive with bunches of disadvantageous rules and taboos? In April 1992, an article named *Sacrifice and Stigma: Reducing Free-riding in Cults, Communes, and Other Collectives* proposed a delicate explanation by using economics ideas to point out the hidden causal links (Iannaccone 1992). This essay, will explain the main idea of economics in religion without mathematical process. In addition, I will include my thoughts and my immature answers.

3 Understandings

The critical point of abstracting economic ideas from religions is figuring out what religion brings people. Generally, we can classify two main things that religions can





bring people: physical and spiritual benefits. Most people only focus on spiritual benefits, ignoring those concrete benefits. Physically, there are many club goods that religions provide for their followers. They are not only the pleasures of the afterlife but also the benefits right now. People can meet more people when people go to church on Sunday. People who belong to the same religion are more likely to be friends or fall in love; Buddhist temples serve a non-profit vegetarian food made from the temple's raw materials. Those additional benefits all come from and are improved by believers' donations and contributions. A more beautiful and grand church attracts more believers, and more people bring more possibilities. More monks and more donations of incense money can help build and maintain a better temple environment. The development of the temple environment helps later believers or practicing monks to a certain extent. The more contributions believer makes, the more they can gain from it.

Spiritually, believers' real benefits depend primarily on how much he trusts this religion. We know that the actual utility of one product depends not only on the reality of the thing but also on the subjective perception of that product (Think about advertisement). Self-perceptions and assessment of religion depend on the depth and breadth of the community that participates in that religion. When a person is the only one who believes in a religion, she or he may not be very confident in her or his faith. He or she is not entirely convinced. On the other hand, if numerous people believe in the same religion with deep certitude, this religion can bring people a strong sense of identity. Therefore, as more and more people participate in this religion, the spiritual value becomes higher. Meanwhile, people will get more psychological relief and benefits from it.

Religion is very similar to club goods. It is not like public good because religions have pre-requirements. The money, time, and love people give to the religion will benefit people themselves and others. If a person takes advantage of the resources of the religion, this person will also take advantage of others. In conclusion, all people's actions in religion have positive externalities. At that point, a new issue appeared. We all know that positive externality leads to the free-riding problem. We cannot make our religions like Disney Land, which requires specific entrance fees, and use the money to serve those club members. A system that cannot solve the free-riding problem will eventually become a dirty, messy environment (Think about your public dorm).

We need to head back to the religious situation to solve this problem. After people believe in a religion, people can divide their activities into two arbitrary parts: re-



ligious and non-religious. Furthermore, comparing these two kinds of activities is the key to its solution. Although the utility that everything gives people depends heavily on an absolute value, the comparison-based part of the utility cannot be ignored. It is feasible to explain it by a simple scene. Imagine you are living in a temple inside the Himalayas. You have two options every day: clean up the temple or have a feast in the town. We assume the per-unit cost and per-unit benefit of these two activities are the same. You might flexibly allocate your time based on your emotion in this situation. However, if the taboo of no meat for foods is imposed, the benefit per unit of having a feast in the town will increase because you need to spend more to satisfy yourself with only non-meat food. Besides, this use of taboo can also naturally filtrate people who have a low religious and non-religious so that the rest of the believers all have a relatively higher preference for religious stuff. Religion lifts the price of ordinary pleasures. If people like to live a luxurious life, then forbid people to continue such a life. If people like entertainment, teach people to abstain from it. Suppose people want to get married and have children. In that case, rule people are single (I do not mean these rules are intentionally set to gain benefits. My thesis only provides an unproved immature opinion trying to explain those rules). Therefore, taboos can help religion deal with externalities partially. They can make sure people pay more attention to religion by raising the price of non-religious pleasure. It will increase bonds inside these religions, making the religion and its believers thrive.

Nonetheless, all of the thesis I mentioned above can only be a kind of explanation of taboos. Some taboos even appeared long ago, before the religions were born. Moreover, we cannot precisely model people's behavior with religions. There is no settled mechanics of everything. We can only research and figure out the potential connection between things. There is no doubt that this theory presented a new perspective on religions. We are able to use it as the key to discovering the new beauty behind those seemingly unrelated subjects with economics.

4 Thoughts

However, I still think it is not respectful to analyze people's belief with my little knowledge.

"What does it mean to criticize, reject and confront a religion?" If there is resistance everywhere, it actually has the effect of lifting up the cost of believers' non-religious life which enhance their bond.



5 Reference

Iannaccone, L. R. (1992). Sacrifice and stigma: Reducing free-riding in cults, communes, and other collectives. *Journal of political economy*, 100(2), 271-291.