Religion, moral attitudes and economic behavior

Isadora Kirchmaier\textsuperscript{a}, Jens Prüfer\textsuperscript{b}, Stefan T. Trautmann\textsuperscript{a,b,*}

\textsuperscript{a} Alfred-Weber-Institute, University of Heidelberg, Bergheimer Strasse 58, 69115 Heidelberg, Germany
\textsuperscript{b} CentER and TILEC, Tilburg University, P.O. BOX 90153, 5000LE Tilburg, The Netherlands

\textbf{A R T I C L E  I N F O}

\textbf{Article history:}
Received 13 February 2017
Revised 23 February 2018
Accepted 25 February 2018

\textbf{JEL Classification:}
A13
Z12

\textbf{Keywords:}
Religion
Ethics
Redistribution
Trust game

\textbf{A B S T R A C T}

Using data for a representative sample of the Dutch population with information about participants’ religious background, we study the association between religion and moral behavior and attitudes. We find that religious people are less accepting of unethical economic behavior (e.g., tax evasion, bribery) and report more volunteering. They are equally likely to non-religious people to betray trust in an experimental game, where social behavior is unobservable and not directed to a self-selected group of recipients. Religious people also report lower preference for redistribution. Considering differences between denominations, Catholics betray less than non-religious people, while Protestants betray more than Catholics and are indistinguishable from the non-religious. We also explore the intergenerational transmission and the potential causality of these associations.

\textsuperscript{*} We are grateful for helpful comments by Johan Graafland, Gillian Hadfield, Laurence Iannaccone, Michael McBride, two anonymous reviewers and the editor, as well as seminar audiences at the University of Southern California, Tilburg University and the SIOE 2016 conference (Paris). In this paper use is made of data of the LISS (Longitudinal Internet Studies for the Social sciences) panel administered by CentERdata (Tilburg University, The Netherlands). All errors are our own.

\textsuperscript{*} Corresponding author at: Alfred-Weber-Institute, University of Heidelberg, Bergheimer Strasse 58, 69115 Heidelberg, Germany.
\textbf{E-mail addresses:} i.m.kirchmaier@uni-heidelberg.de (I. Kirchmaier), J.Prufer@uvt.nl (J. Prüfer), trautmann@uni-hd.de, s.t.trautmann@uvt.nl (S.T. Trautmann).


\url{https://doi.org/10.1016/j.jebo.2018.02.022}

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1. Introduction

Thirty-nine percent of the participants in a representative panel of the Dutch population (used in this paper) have some religious affiliation. In contrast, sixty-five percent of those participants’ parents were church members when our participants were aged 15. This significant decline, which documents a trend in line with other studies on the Netherlands,\textsuperscript{1} is exemplary for the development of church membership and attendance in Western Europe (Tracey, 2012) but occurs despite an increase in the importance of religion in much of the rest of the world (Berger, 2001).

Our question is whether such a decline in the membership in religious organizations might be associated with changes in the social cohesion of the economy. More specifically, what is the relationship of religiosity with what we dub moral attitudes and behaviors: social behavior; redistribution of income; charity; and trustworthiness in economic interactions? Using a detailed data set on the general Dutch population, we first document the correlation of moral attitudes with religious affiliation and differences across denominations. We next assess whether these associations are transmitted from parents to their children when these are adults themselves. The observed associations may be caused by a pathway from...
religiosity to attitudes (via indoctrination), from attitudes to church membership (via self-selection, as the classical “religious communities as club goods” model of Iannaccone, 1998 suggests), or by unobserved factors driving both attitudes and church membership. As a third step in the analysis, we therefore investigate the potential causality of the associations.

Research in economics and finance has paid much attention to the role of religion, and has uncovered some persistent relationships between religion and economic behavior. Important areas of investigation concern the link between religion and risk taking and financial investment (Kumar et al., 2011; Noussair et al., 2013); managerial decision making (Hilary and Hui, 2009; Filistrucchi and Prüfer, 2018); education and human capital (Glaeser and Sacerdote, 2008; Becker and Woessmann, 2009); innovation (Benabou et al., 2015); and with economic and financial development (Barro and McCleary, 2003; Guiso et al., 2003; 2006). Studying World Value Survey data, Guiso et al. (2003) focused on the role of economic attitudes rather than outcomes. While their data are fascinating as they cover a cross-section of 66 countries and many different religions and demographic data, we complement the approach of Guiso et al. (2003) by studying religiosity and moral attitudes of a representative sample of the population of one country, the Netherlands, and one main religion, Christianity, with a highly detailed data set (see details in section 2). On top, we combine survey data with the results of an experimental game played on the panel with real monetary payoffs.

The association between religion and moral attitudes and behavior is widely discussed in academic and popular discourses (e.g., Armstrong, 2014; Shariff et al., 2014). On the one hand, there is the potential effect of religion on behavior through ethical standards imposed on the faithful by their religion’s moral code. For example, charity is an important aspect in many religions. On the other hand, there is the perception that much aggression and violence has been justified in religious terms throughout human history (e.g., Alt, 2015). Empirically, there is indeed little agreement on whether adherence to a faith is correlated with more or with less ethical behavior (e.g. Hermann, 2001, Section 2, on crime; Sablosky, 2014, on generosities). Empirical assessments are complicated by the fact that morality differs for religious and non-religious people, and across faiths (Shariff et al., 2014). Moreover, religious affiliation may affect opportunity sets, which affects revealed behavior but not necessarily attitudes. For example, Schneider et al. (2015) report a positive link between religion and the shadow economy. They argue that it is not clear whether the effect is due to attitudes toward the state and taxation, or rather due to close-knit religious communities proving more opportunities for informal transactions. Clearly, the argument may also run in the other direction, where religious communities may provide more opportunity for charitable work and giving.

In the current paper, we aim to study a set of ethical judgments and behavior relevant to economic interactions, using individual-level variation in religiosity and ethical behavior. Using a demographically representative data set of Dutch households, we study whether religious people hold stricter views regarding a set of moral judgments (e.g., tax evasion, bribery), whether they favor income redistribution more or less, and whether they spend more or less time on charity and care than non-religious people. We also study whether they behave more trustworthy in an abstract experimental game with real monetary payoffs, as well as their self-reported trustworthiness. These dependent measures provide insight into moral attitudes, and have direct relevance to the effectiveness of economic institutions. For instance, to which degree can other members of a society be expected to behave opportunistically; or which type of citizens may be more prone to help others when the help is organized by a socially visible organization or a less visible informal network, as opposed to the state?

We observe various dimensions of religiousness: church membership, frequency of attendance, frequency of prayer, as well as two measures of belief in God and theological concepts. In our data, there are two significant religious subgroups, Catholics and Protestants, and we study whether there are differences between adherents of these Christian denominations. Importantly, the variation in a person’s religious background as observed in the current Dutch data set has shown to be related to attitudes toward financial risk (Noussair et al., 2013). That is, in the sample that we study, religion is an attribute of people’s identity that is linked to economically relevant behavior. The novel question concerns whether associations with ethical judgment and behavior can be observed.

Our results can be summarized as follows. We find that religious people report more moral judgments (less accepting of ethical lapses), and report more hours of volunteering and informal care. However, in an abstract experimental game with an anonymous partner, religious people are equally likely to betray the other person’s trust as the non-religious. At the same time, they are also less favorable towards increasing income redistribution than the non-religious. Importantly, these results are robust across the different dimensions of religiosity (participation vs. beliefs) that we observe. This is remarkable given that previous research suggests that social aspects of participation and private religious beliefs may have different associations with economic behavior and attitudes (e.g., McCleary and Barro, 2006; Noussair et al., 2013). We find modest differences between Christian denominations. Protestants are more likely to spend time volunteering. In contrast, for the

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2 Guiso et al. (2003, p. 231) justify the focus on attitudes as follows: “[W]e reduce the effect of potentially spurious factors by looking at people’s attitudes rather than at their economic outcome. Asking somebody his view on cheating on taxes is different from asking him if he has cheated on his taxes. The first question, however, is more appropriate for our purposes than the second. The decision of whether to actually cheat is affected greatly by the probability of being caught. This is a function of a country’s law enforcement, not of an individual’s attitude. Therefore, looking at attitudes is a better way of identifying the effect of religious beliefs on people’s preferences.”

3 Alesina and Giuliano (2015) provide a recent survey on the literature studying culture, institutions, and the associated economic effects. A consistently occurring determinant of culture in that article is religion. Keefer and Knack (2008) refer to these attitudes as norms of civic cooperation, and stress their importance for economic interactions by reducing enforcement costs.