

Culture and public goods: The case of religion and the voluntary provision of environmental quality

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Abstract

Using data from approximately 13,000 individuals in 14 different OECD regions, we find that culture, as expressed by religious beliefs, generates public goods contributions. We characterize individuals into systems of religious beliefs using latent class analysis and find that some types of beliefs influence pro-environment behaviors and attitudes, even after controlling for religious affiliation, political views and activism, and socio-demographic characteristics. We find a role for beliefs that is separate from social capital accumulated via membership in church groups and church attendance. Finally, we make a methodological contribution by showing that the use of latent class analysis to describe systems of beliefs yields more meaningful interpretations than the standard approach of dummy variables for specific beliefs.

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1. Introduction

Although much is understood about the role of formal institutions such as markets and codified rules in coordinating economic agents, policymakers and social scientists are becoming aware of the importance of informal institutions for the understanding of heterogeneous economic behaviors and the design and implementation of successful economic policies. In the last few years, the economics literature has exploded with theoretical and empirical investigations linking informal institutions to the functioning of the economic system at the individual and the aggregate levels. This literature has shown that incorporating culture, social norms, and measures of human interactions into economic theory and empirics increases our understanding of how the impact of economic fundamentals depends on the type and strength of informal institutions [15,18,19].

This paper furthers this line of thinking by investigating how religiosity, a critical part of an individual's culture, influences contributions to a public good. We examine how religiosity affects conservation efforts and attitudes toward the protection of the natural environment. Using a sample of approximately 13,000 individuals in 14 OECD regions, we find that there is substantial heterogeneity in the types of religious beliefs

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individuals hold. We present evidence that decomposes the influence of religiosity into an effect attributable to religious beliefs and an effect attributable to the social capital associated with participation in religious activities. We find that an individual's belief system influences economic behavior even after controlling for religious affiliation and participation, political views and activism, and socio-demographic characteristics. Our findings and methods emphasize that it is the combination of beliefs that affects behavior, not any one particular belief or having more religious beliefs.

In order to isolate the influence of religious beliefs from the effects attributable to religious affiliation and social capital related to religious participation, we treat religious beliefs as a multi-dimensional construct and apply latent class analysis (LCA) to create a typology of belief systems. Then we estimate the likelihood of engaging in pro-environment behaviors and having pro-environment attitudes using the posterior probabilities of latent class membership as predictors. We show that the latent class approach to measure heterogeneity in religious beliefs provides different and richer interpretations of the results than those based on standard approaches used in the literature. Furthermore, because we use LCA to characterize belief systems, our approach to identifying the separate effects of religious beliefs and religious participation on public goods contributions is more convincing.

It is a well-established result that people contribute to public goods more than expected given incentives to free ride. Volunteerism and charitable giving are common, and laboratory experiments provide consistent evidence that preferences can include a concern for others. Ferraro et al. [12] discuss results of an experiment in which participants' willingness to pay for a public environmental good depends on altruism and fair contributions. A person's own sense of social responsibility, of doing what is morally right, can also influence contributions to public goods. Brekke et al. [6] find that pro-recycling policies might in fact reduce recycling rates if monetary incentives undermine an individual's moral motivation to contribute to the greater good. In the context of stated preferences, Spash [29] has found that ethical principles can be as important as standard socio-demographic variables in explaining willingness to pay for environmental goods.

Because religious values are part of an individual's system of values and norms, we can then expect that religiosity and religious beliefs influence efforts to contribute to public goods. Indeed, the idea that religion is related to economic outcomes has long philosophical roots. In the *Wealth of Nations* and *Theory of Moral Sentiments*, Adam Smith viewed religion as a way to enhance one's human capital. As discussed in Anderson [1], Smith observed two ways in which religion could affect economic behavior. First, belonging to a religious group generates social capital and group membership signals merit to potential employers. Second, religious beliefs provide a system of "internalized monitoring" that encourages individuals to behave in ways that benefit society. In line with Smith's observation, Torgler [31] finds that religiosity, as measured by involvement in a church group and having a religious education, is positively and strongly correlated with tax morale.

Religiosity can be particularly relevant in understanding attitudes and behaviors toward the protection of the natural environment. Religious traditions and movements include world views, ethical precepts, and spiritual elements that shape perceptions about the natural environment and can act as guiding principles regarding how our acts and choices affect nature.¹ Within the framework of discrete choice models, a person's religious beliefs and how those beliefs inform her relationship with the natural environment can generate differences in utility across alternatives. This is the approach we adopt when we model the decision to undertake pro-environment behavior and state pro-environment attitudes. We assume that changes in religious beliefs influence the utility of recycling and not recycling, for example, and expect that pro-environment behaviors and attitudes generate greater utility for individuals with a more nature-centered system of beliefs.

In addition, church and community groups or more informal social networks formed by religious affiliation might encourage contributions to the public good either directly through their activities or indirectly through a sense of connectedness created by these memberships.² Consistent with these arguments, Chermak and Krause [8] examine the determinants of consumption of a common-pool resource in an experimental setting and find

¹Since White [32] hypothesized the Judeo-Christian tradition is responsible for current environmental problems, many empirical studies have tested this hypothesis with inconclusive results.

²In theory, holding religious beliefs does not have to imply involvement with a group, however, as Iannaccone [16] points out, religious behavior almost always involves group association.

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