

# BRINGING RELIGION INTO ECONOMIC POLICY ANALYSIS

*Many policy debates are motivated by people's "religious" beliefs—including economists'.*

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**R**eligion traditionally has had little role in American professional economics, other than as a possible factor in shaping consumer preferences. In the past few years, however, several articles in top economics journals have argued that religion historically has had a significant influence on the levels of economic growth and development of nations. A 2013 article by Christoph Basten and Frank Betz in the *American Economic Journal: Economic Policy*, for example, concludes that “going beyond the ‘work ethic’ hypothesis, we show that [Max] Weber’s classic [*The Protestant Ethic and the Spirit of Capitalism*] can be seen to argue that the different religions will also lead to different political preferences, and our empirical results [in Switzerland] confirm this.” Those political differences, the authors note, inevitably will lead to economic differences. Another 2013 article by Enrico Spolaore and Roman Wacziard in the *Journal of Economic Literature* explains that “the recent literature on economic growth and development has increasingly focused on very long-run effects of geographic, historical, and cultural factors on productivity and income per capita”—long-run factors that historically have been much influenced by religion.

If further research continues to show that religion can be an important factor in determining national economic growth, it will pose some novel issues for the field of economic policy analysis. Let us say that careful social science research succeeds in further demonstrating that the character of a religion (and of the formal institutions that serve that religion) can have an important effect on economic growth and development. Does that mean that policy recommendations to government officials in the future might take the form of “Promote religion A,” and/or “Discourage

religion B”? That might seem implausible, but another way of saying much the same thing is that it may sometimes be necessary to adopt “modern values and practices”—ultimately bringing religion into the picture—if modern levels of economic progress are to be achieved in a society.

Religion has thus often been involved implicitly in economic policymaking. At a minimum, intellectual honesty may now require that this become more explicit. In the modern age, moreover, other systems of belief and values—little different from traditional religions—have shaped societies and their economies. These “secular religions” include Marxism, the American progressive “gospel of efficiency,” and—as I’ll discuss below—the beliefs that sustain most contemporary economists’ basic concern for efficiency.

Bringing religion (in a broad sense that includes secular religions) into economic policy analysis and advice obviously would be a sharp departure from the traditional self-understanding of the economics profession and its place in society and policymaking role. This possible incorporation raises some novel and difficult questions concerning the concept of government and the purpose of economics and public policy. I don’t claim to have all the answers to those questions, but in this article I want to offer some evidence from my own personal experiences in dealing with powerful religious elements in government.

## THE ARCTIC NATIONAL WILDLIFE REFUGE: A U.S. CASE STUDY

From 1975 to 1993, I served on the economics staff within the Office of Policy Analysis in the Office of the Secretary of the Interior—the highest ranking internal policy “think tank” in that department. I gradually came to discover that religion (in the broad sense I explained above) played a larger role in Interior

policymaking than I had expected. The Endangered Species Act was a contemporary version of the story of Noah's Ark; wilderness areas were new sacred places; the building of a dam on a wild river constituted a "sacrilege"; the Grand Canyon put a visitor in the presence of "the Creation"; the Lincoln Memorial (maintained by the National Park Service within the Interior Department) was an American "temple" dedicated to the Christ-figure Abraham Lincoln (who gave his life to save the union); the emissions of greenhouse gases from Interior Department lands (about 20 percent of the United States) were "playing God" with the earth's climate; the Bureau of Indian Affairs had to resolve issues such as the legal authority of traditional customs based in historic Indian religions in a modern society; and so forth and so on.

I came to conclude that many Interior Department policy debates amounted to a basic clash of values driven by religion—implicitly, if not explicitly, expressed. One good example concerned policies for the Arctic National Wildlife Refuge (ANWR) in northeast Alaska. This became a major economic and environmental issue in the 1980s after Congress, in 1980, prohibited development of ANWR's oil and gas resources. Lifting the prohibition would require specific new legislative authorization. ANWR policy remains a prominent issue in the 21st century.

From an economist's point of view, it is easy to make a strong economic case for development. Using more recent figures, the U.S. Geological Survey estimates that ANWR sits atop some 10.4 billion barrels of recoverable oil. At recent 2013 prices, that amounts to about \$1 trillion in long-run gross oil revenues. After production and transportation costs are accounted for, and applying a suitable discount rate, the long-run net ANWR revenues—the "profit"—would likely exceed \$300 billion.

This net revenue would be divided in some fashion among oil companies, the state of Alaska, and the federal government. Depending on the federal share of total royalties collected (which Congress would determine in the end), a reasonable estimate is that the federal share of the revenues would exceed \$100 billion.

By contrast, given its remoteness and climate, the direct benefits from recreational visits to ANWR would be very limited, perhaps \$1 million per year. There would of course be additional benefits in terms of the sustenance of animal populations such as caribou that spend part of the year in the ANWR areas where oil development would occur. In 2003, however, a National Academy of Sciences study on the environmental consequences of oil development on the North Slope of Alaska found that in the Prudhoe Bay area, past oil development "had not resulted in large or long-term declines in the size of the Central Arctic Herd" of caribou. Ironically, some animal species—including the caribou—actually increased in numbers and benefited from "the ready availability of new sources of food from people in the oil fields."

Economists have developed methods for putting dollar values on a variety of non-market environmental consequences. Being very generous, the long-run value of ANWR's environmental "outputs" might be as much as \$1 billion in total. Compared with the \$300 billion in net oil revenues, this is obviously a small amount. Making a standard economic calculation, the policy conclusion is clear cut: development of ANWR's oil resources would be economically very beneficial to the nation.

Yet, as of this writing and with no near-term prospects for any change, ANWR remains undeveloped; the required approval from Congress has been impossible to obtain. Why would that be the case when the national economic benefits are so large relative to the costs (economic and environmental)? The only plausible answer is religion. ANWR has become a national "cathedral" of the "environmental religion"—no more subject to economic calculations than, say, the preservation of Notre Dame in Paris. For environmentalists, ANWR represents the preservation of a "last remaining wild place" on earth, a remnant of Eden, implicitly a creation of God little altered from the beginning.

This image is powerfully appealing to many Americans. Throughout Christianity's long history, the faithful have seen the natural world as a product of the handiwork of God at the



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creation. Christians can learn best about the mind of God, they have believed, by experiencing nature exactly as God originally planned it. As John Calvin said, “[T]he knowledge of God [is] sown in their minds out of the wonderful workmanship of nature.” The American theologian Jonathan Edwards wrote similarly in the 18th century that encounters with nature “will tend to convey instruction to our minds, and to impress things on the mind and to affect the mind, that we may, as it were, have God speaking to us.” Such ideas were partially secularized in the 19th century by transcendentalists such as Ralph Waldo Emerson and Henry David Thoreau, and later by environmental followers such as John Muir (founder of the Sierra Club in 1892).

Environmentalists today usually leave out any such explicit references to God, but otherwise the message is little altered. They speak of experiencing powerful spiritual feelings in the presence of wild nature. They can more clearly see the humble place of human beings in a large and wonderful universe.

## ONE GOVERNMENT ECONOMIST’S RESPONSE

Some economists attempted to bridge the gap between conventional economic calculation and the religious inspiration for protecting ANWR by developing a new economic concept of “existence value.” This would be the value to each American of simply knowing that ANWR was being protected from further human intrusion, even when it was extremely unlikely that those Americans would ever personally visit the site. Any such value of ANWR’s “existence” would have to be estimated by nontraditional economic methods based on surveys asking questions such as, “How much would you be willing to pay to keep ANWR in its present state of wild nature?” Of course, this was hypothetical since the respondents would not be required to make any actual payment to back up their answer.

The hope here was that economists would not have to give up in cases such as ANWR and admit that they simply had little to say about the ultimate policy desirability of preserving ANWR as it was. Instead, using existence values, it could be treated as a special form of benefit-cost calculation. This never seemed plausible to me, however, partly because of the questionable reliability of any survey responses obtained. Moreover, if use of existence values was to be entered more generally into the economic tool kit, it could not be limited to environmental circumstances. Any public object or event about which significant numbers of Americans had strong personal feelings would have an existence value and that value would have to be entered into social decisionmaking. The results of survey questionnaires would in effect be substituting for the moral reasoning and political debates by which society has historically resolved large values disagreements. I was not the only economist who concluded that this would be bizarre.

It might have seemed, then, that as a government economist I could contribute to the ANWR debate only by estimating the long-run net revenues available from producing the ANWR oil

resource, and nothing more. If environmentalists asserted a religious significance to preserving ANWR “untouched,” the discussion was simply moved altogether outside my domain. At that point, however, I took a step that few other government economists have taken: I decided to examine carefully the religious arguments that were being made to justify ANWR preservation. Religion, as I was now regarding it, is not necessarily a given (a “preference”), but can be influenced by rational argument as can philosophy and ideology (first cousins of religion).

I was admittedly leaving the traditional subject matter of the economics profession and entering into theology. The issue in ANWR could thus be restated: the economic argument for developing ANWR (itself based on certain fundamental values) versus the theological argument for preserving it. So my full examination of the ANWR issue would now be a blend of economics and environmental theological analysis. Given the unorthodox character of the effort, this was not something that I could present internally as a government economist, but I could and did begin in the early 1990s to write about it for outside audiences, seeking to be a part of the wider public debate. This became easier and more frequent after I left the Interior Department in 1993 and moved to the School of Public Policy at the University of Maryland as part of its environmental program.

One problem with the religious argument for preserving ANWR is that it involved an implicit creationism. In effect, environmentalists were saying that, as an “untouched” place on earth, ANWR made it possible for visitors to come into the presence of God’s creation—and thus both learn more about God and feel a deep spiritual inspiration. Until the 19th century and Darwin, most people did in fact believe the earth is only 6,000 years old and little-changed since its creation. But we now know that it is 4.5 billion years old and has been altered continuously over that period by evolutionary processes. ANWR today is not “God’s creation,” but “evolution’s creation” (and even devout Christians who accept evolution typically do not believe that God controlled its detailed evolutionary workings).

Should we thus be preserving ANWR as a way of symbolizing our faith in a new “god of evolution?” It seems implausible.

Even if a creationist argument for the religious importance of an untouched ANWR in the wild were accepted, this would raise another concern. ANWR would in effect be the cathedral of an environment religion—literally, not just metaphorically. In many parts of the world, the mixing of government and religion is standard practice. But the United States has long enshrined the principle of separation of church and state. Protecting ANWR, since it is on federal government land, however, would seem to amount to the government establishment of an environmental religion. How is it possible to dedicate more than \$100 billion—the opportunity cost of the new oil revenues to the federal government—to the establishment of an ANWR cathedral, when it would not be possible to dedicate any federal money at all to the establishment of a Christian cathedral?

There was another large theological problem with the religious case for ANWR: it is no more or less untouched than many other wild and remote places on earth. Within Alaska itself, there are vast other areas in the far north bordering on the Arctic Ocean that have experienced no more human contact than ANWR. Indeed, the one attribute of ANWR that makes it truly unique is the enormous amount of oil that lies beneath it. Paradoxically, it is the very presence of so much oil that gives ANWR's preservation such a powerful religious significance.

In the Bible, the Jews commonly made sacrifices to God. Making a large sacrifice is one of the traditional ways in which a community affirms its faith—from a primitive tribe offering up one of its valuable animals to God, to the gathering of contributions to build a Gothic cathedral in medieval Europe. The larger the sacrifice, the stronger the religious statement—and in the case of ANWR, the forgone oil development has an immense monetary value, giving its sacrifice all the more religious significance.

“Building” the ANWR cathedral thus very powerfully affirms that consumption is not everything in life, that there are more important things than producing energy, that economic growth will not yield the utopia once widely expected. Those ideas are, in fact, values widely if not universally shared in the United States. For such people of faith, closing ANWR off to oil development is a particularly effective way of affirming the “virtue” of the nation—a renunciation of material goods and acquisitiveness that Cotton Mather would have applauded. Whether that is an appropriate use of federal government resources is obviously open to question.

A final non-economic consideration is that keeping ANWR “untouched” comes at a large overall cost to the total American environment. If the environmental movement were willing to enter into bargaining to allow oil development in ANWR, it would be able to obtain concessions from the proponents of such development to dedicate a portion of the revenues—say, 10 percent—for environmental purposes elsewhere in the United States. The expenditure of, say, \$10 billion in this manner would produce far greater tangible environmental benefits than the protections offered caribou and other wild animals in ANWR. But if ANWR is a truly “sacred” cause, such a pragmatic tradeoff is of course impossible.

### **AN ECONOMIST'S CONFESSION**

For at least 20 years, I have been raising theological questions of this kind with respect to the religious justification for forgoing oil development in ANWR. I admit that the effect of such arguments has been limited at best. That may be in part because others, including economists, have not been willing to take the novel step of venturing into such theological matters. The question I am raising here is whether they should, as well as explicitly address other religious matters that may be better understood in the policymaking process.

I should acknowledge that there may be some risk in econo-

mists entering such discussions. My experience from (often tense) policy discussions with environmentalists has taught me that economics itself is a form of secular religion. I had recognized since my studies many years ago in graduate school that economics exhibits many of the behavioral characteristics of a religion—a “neo-scholastic” approach to rational analysis for its own sake based on initial assumptions, for example. It was only in the late 1980s, however, that I came to understand clearly that there was an actual theology embedded in economics.

Implicitly, and sometimes explicitly, economists have a deep faith in the great benefits to society of economic progress. John Maynard Keynes was more articulate about this than most economists. In 1930, in “Economic Possibilities for our Grandchildren,” Keynes wrote that rapid economic growth would soon “lead us out of the tunnel of economic necessity into daylight.” It will all come about, he explains, as a result of “the greatest change that has ever occurred in the material environment for human beings in the aggregate.” After that happens, and once relieved of the damaging pressures of economic scarcity, we will finally be “able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us” and blighted so many lives since human beings emerged on earth. In other words, economic progress is not only about greater material benefits, but also the basic moral improvement of society, resting on an assumption that the elimination of poverty and eventually all scarcity will abolish the material motives for bad (“sinful” as it used to be called) behavior.

Economic progress itself, however, can involve large costs. The course of economic progress involves the radical transformation of a society. What is less efficient is routinely cast aside in place of what is more efficient. The market is the most effective instrument of progress because it makes those decisions ruthlessly, without regard to political or other social constraints. That is why most economists today—having seen that socialism is actually a conservative force by allowing politics to block efficiency measures to advance progress—strongly favor impersonal market mechanisms. If progress is the transcendent goal, the economists’ preference makes perfect sense. It is less obvious, however, whether the very processes of social transformation themselves impose large burdens on many people.

Consider trade with China. That trade has no doubt worked to maximize total available goods and services in the United States—and produced large material benefits in China, too. But it has thrown many American workers out of their jobs and undermined the vitality of many U.S. communities. How can we say that the social gains of greater U.S. trade with China are greater than the social costs? Many economists find it easy to answer that question because they simply assume implicitly that economic progress, given its transcendent importance, must always be worth the costs.

This is not a scientific conclusion, however, but an element of secular religious faith. Few if any economists have sought to do a truly comprehensive cost-benefit analysis of trade with China

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in which the costs have included the demoralization of workers thrown out of jobs and of owners whose businesses have failed, or the transitional costs—both conventional and psychological—of possibly having to move to another community and otherwise put their lives back together. For some displaced people, they never recover their previous level of “utility.”

If economists had to factor in all the costs in every dimension associated with rapid gains in economic progress and efficiency, there is no way of saying whether the gains would be worth the costs. Yet, economists routinely advocate efficiency-enhancing measures of public policy. This is not a “scientific” conclusion; it depends on a secular religious faith in the continuing redeeming benefits of economic progress. In 1900 there might have been strong grounds—even if not scientifically provable—for holding to that faith. By 2000, the case was less obvious, at least in the United States.

## ECONOMIC METHODOLOGY AS IMPLICIT RELIGION

The transcendent value of economic growth is not only assumed by many American economists in the policy arena, but is embedded in the very technical methods of economic analysis itself. In assessing the benefits and costs of economic growth, economists are highly selective, ignoring some kinds of benefits and costs altogether—typically those associated with the short-run transitional path of overall growth. It is, for economists, the end result—the long run—that counts, paying little heed to the potentially large short-run stresses and strains of the social processes of economic growth themselves. It is politicians who “sinfully” put too much emphasis on such considerations.

Implicitly, that amounts to affirming symbolically a belief in economic growth and progress as the path to a wonderful future—to a new heaven on earth. That implicit economic faith is quietly slipped in, unnoticed, to the standard economic methods of analysis of markets and other economic issues. The range of short-run costs that economic analysis normally ignores is wide. Such costs that are excluded—in effect, for religious reasons—from economic calculations, as part of the necessary “price of progress” that any good citizen should be willing to bear, include:

- The loss of community when the market, operating nationally and internationally, renders a negative verdict on the mainstays of the local economy. If community residents want to have jobs, many of them have no choice but to move to another place—often a costly and painful experience.
- The individual financial and psychological losses when a person loses a job and has to look for another one, owing to the workings of market forces of competition.
- The individual sense of anxiety about possible losses of a community or a job, even when such losses never actually occur.
- The sense that a precious social asset is devalued by the very fact of entering it into the price system. (Occasionally, as in the case of prostitution, government may intervene to limit

such costs, but there are no restrictions in the great majority of cases.)

- The stresses of the loss of personal freedom when economically efficient actions require collective organization by governments—often large governments such as the national government in Washington, D.C.—that then must employ powers of coercion to collect income and other taxes to fund those efforts (including taxing people opposed to the actions that they are compelled to pay for).
- The sense of personal powerlessness when large private organizations are the efficiency winners in the market, leaving many people to work as small parts in a large and often impersonal bureaucratic enterprise.
- The sense of personal, community, and national disappointment when a person realizes that he or she is a relative loser (or belongs to a group of relative losers) in the competition for greater profits, higher-paying and more prestigious jobs, and other indicators of social rank, as established by market and other economic forces.
- The sense of loss when homes, streets, farms, and other historic reminders of the past are swept aside by the workings of the market (or by “efficient” government actions and programs).
- The sense of individual and community loss when plant and animal species habitats, wild areas, and other parts of nature are transformed from their earlier condition to become “natural resources,” sources of energy, and other material requirements to power a modern economy.
- The feelings of loss when the defense of private property rights is perceived to encourage strong feelings of individual possessiveness and a weakened sense of communal bonds (violating, among other ethical systems, many Christian biblical injunctions).
- The sense of offense when particular instruments of market economic efficiency—such as the charging of interest for loans—violate religious or other ethical principles.
- The overall sense of loss among those people who believe the world is captive to a heretical religion of economic progress that has taught many people to worship a false god.

Without a transcendent purpose to economic growth, it would be impossible to say whether or not the long run (suitably discounted) benefits of growth are greater than such potentially large transitional costs of the growth process itself. In matters of policy recommendations, an intellectually honest economist—one who disavowed any role for religion, secular or otherwise, in his or her thinking—would have to remain silent about any relative merits of the competitive market, achieving government efficiency, and many other economic matters on which economists do in fact today routinely express strong policy opinions.

As noted above, this admittedly poses a dilemma. It is possible, as in the case of ANWR, to make strong theological arguments relating to the tensions and even contradictions within environ-

mental thinking that might serve to advance economic efficiency and progress. But this might require economists to confront their own implicit economic religion, which might be disruptive for the current economics profession. Indeed, rather than the maximization of economic progress, other fundamental goals might have to be explored and economic methods revised accordingly.

The leading figure in founding the University of Chicago school of economics, Frank Knight, raised that issue many years ago, emphasizing the maintenance of human freedom over economic efficiency and progress as the preeminent goal of the economic system. Even at Chicago, however, few other economists followed him in this regard (even as libertarian an economist as Milton Friedman ultimately grounded his analysis in the maximization of economic efficiency), and Knight's writings are little studied by most American economists today. That would be one of the many changes that would have to occur if the economics profession were to think more introspectively about the wider social—and indeed even religious—meaning of its own activities.

## CONCLUSION

So where does all this leave us? It is increasingly apparent that religion—both the traditional kind (which historically has done much to shape the culture of nations) and more secular forms such as the belief in the power of economic progress and the environmental religion—has had and will continue to have large effects on politics and economics.

This is an awkward development for social scientists, in that the social sciences have little conceptual apparatus for incorporating religious considerations into their policy analyses. When economists do address religion, for example, they either consider it as simply an exogenous given factor or they study the effect of economic variables on religious behavior. They very seldom study the history of religion, the role it plays in cultural formation, and the internal logic of religious beliefs themselves (theology)—not to mention the role of religion as an endogenous part of the economic system, subject to close analysis. Arguably, what is routinely ignored is the most important part of religion and its economic influence, as Weber once argued but few economists have followed since then.

The lack of a greater understanding of religious considerations leaves economists exposed to being blindsided. The policy disagreements between economists and environmentalists, for example, are typically not primarily about technical matters but about the clashing core values of economic religion and environmental religion. Without a deeper understanding of both economic and environmental faith, how might a professional economist respond when confronted with an existential environmentalist attack on his or her own fundamental economic value system? Economists in the past had faced such criticisms from traditional Christian sources. In the case of environmental religion, however, it is now an ostensibly secular system of belief that is challenging the secular economics profession in the name

of the same kinds of “scientific” and “objective” arguments that economists made in the past to ward off Christian fundamentalists and other traditional religious true believers.

Bringing religion into economic policy analysis would be no small change. As initial steps, I offer the following recommendations for policy economists:

- *Develop a greater knowledge of religion.* This will help the economist to recognize what parts of a policy debate are driven by narrowly economic questions and what parts are driven by fundamental value differences grounded in explicit or implicit religious convictions.
- *Routinely look to cultural and religious factors in seeking to understand the workings of political and economic systems.* Recognize that those factors can be very long-run in their influence or be a matter of shorter-run effects.
- *Recognize that formal tools such as mathematical models and regression analysis may be of limited help in understanding the workings of religion and its interactions with the wider society.* Historical and literary methods of study—even theological methods—may often be more appropriate.
- *Recognize that religion may sometimes have a greater effect on the economic growth and development of a nation than more conventional economic considerations.* This explains why technical considerations often yield disappointing results even as a matter of the narrowly economic outcomes that resulted.
- *Recognize that religion is not something that can always be taken as exogenous.* Religion has its own dynamic, much as an economic system can grow more or less rapidly. The role of rational argument varies substantially in the belief systems of different religions—and in the process of religious change through conversion and in other ways. Some are based on “faith alone,” but others assign a large role to the logical development of the rational tenets of the religion (that is, to its theology). In the latter case, some economists may want to try engaging in the theological argument itself, especially since economic matters sometimes enter into religion and theology. Thus an economist may be particularly well equipped to address those theological aspects that involve the economic activities of society.

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