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Of Credence and Collective Action

Religion’s Comparative Advantages in Social Charity

ANTHONY J. GILL

The provision of public goods to society has long been one of the dominant areas of inquiry within the field of political economy. Public goods include such overarching things as external security and the provision of domestic rule of law securing property rights (Buchanan [1975] 2000). Both external and domestic security possess the characteristics of (near) pure public goods, wherein their benefits are nonexcludable to all members of the community, are also nonrival in consumption, and require team production for some minimal level of efficiency. Given the free-riding problems arising from the nonexcludability condition, thinkers from Adam Smith and Thomas Hobbes to more contemporary public-choice theorists such as James Buchanan ([1975] 2000) recognize the need for a state to exist to coerce citizens into contributing to the provision of these goods.1

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1. An anarchist and libertarian literature argues that the need for a state to provide external and internal security is overblown. However, the conclusions, both implicit and explicit, of such writings tend to acknowledge that nonstate provision of public goods via social norms or exchange relations is limited to small societies (cf. Taylor 1982; Leeson 2014) or to a narrow range of issues among relatively cohesive communities (cf. Ellickson 1991). These works are useful in prompting thought about the appropriate boundaries of state influence.

Over the past century and a half, coinciding with the rise of the welfare state, the concept of what constitutes a “public good” has expanded to encompass more targeted services that assist particular members of the community, including education for youth, food assistance for the poor, health care for the sick and disabled, and counseling services for individuals in emotional turmoil. All of the goods and activities noted here, however, have certain characteristics—namely, excludability and rivalness—that make them less-than-pure public goods, so that the justification for state provision of them becomes more contested. Nonetheless, these welfare programs are considered normatively part of society’s collective responsibility, requiring some degree of cooperative effort on the part of those who can afford to assist those in need. The question that arises is whether private entities can adequately fulfill the social demand for these goods, a topic of inquiry that has gained more salience as welfare states have faced difficult fiscal crises (Pierson 1995).

With the so-called retrenchment of social welfare states over the past quarter century, scholarly attention has turned to examining the role that nongovernmental organizations (NGOs), new social movements, and private–public partnerships play in delivering social welfare services to communities in need (see, e.g., Powell and Clemens 1998; Prakash and Gugerty 2010; Hein 2014). Many academics have focused on the rise of new social movements and NGOs, but others have argued that there are salient lessons to be learned by examining some of humanity’s oldest and most enduring nongovernmental entities that provide structures of governance and supply needed social services—religious organizations (cf. Gill and Pfaff 2010). For millennia, religious groups have provided critical goods such as education, orphanages, care for the elderly, and various counseling services that have benefited society. I argue here that religious communities are uniquely positioned to provide charitable goods and other crucial social welfare services to society given their ability to organize collective action not around the provision of social welfare per se but rather as a means of signaling the credibility of their core mission—the provision of salvation and other credence goods. Furthermore, the ability of local religious organizations (e.g., parishes) to solve collective-action problems can be harnessed for a variety of activities that enhance social welfare provision in local communities, adapting to local conditions and leveraging specialized community knowledge and skills. The argument is not that religious groups are better than government or secular NGOs with specific expertise in all or many cases, but rather that spiritual organizations offer a valuable complementarity to these other entities and avoid some of the common “public-choice problems” (e.g., rent seeking) that are endemic to government and specialized interest groups. Providing legal space

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2. Overall, government expenditures on social welfare as a percentage of gross domestic product have not decreased in any significant way over the course of the past few decades (or over the course of the “era of retrenchment literature”) (see OECD.Stat 2018). Although governments may have divested public funds in some areas and/or partnered with private groups, the aggregate level of spending has remained constant, if not actually increasing. This fact has not, however, prevented analysis and consternation among scholars of the state.
for churches, synagogues, mosques, and other such institutions\(^3\) to serve their mission enhances the overall efficient provision of social welfare in society.

**Religion, Credibility, and Good Works: An Indirect Rationale for Social Welfare Provision**

Although the social scientific study of religion receded during the middle part of the twentieth century in the anticipation that secularization was making the topic less relevant, the past few decades have witnessed a resurgence in interest in the topic (Philpott 2007). This resurgence has been due, in large part, to the simple fact that religion refuses to recede in social life and may very well be making a comeback everywhere outside of western Europe and (possibly) the United States (cf. Berger 1999; Jenkins 2011).\(^4\) With this renewed academic interest in religion has come a reawakening to the political economy of religion, championed by such scholars as Rodney Stark (sociology), Roger Finke (sociology), Laurence Iannaccone (economics), and Carolyn Warner (political science) (Gill 2018).\(^5\) This new scholarly focus harkens back to Adam Smith, who provided an extensive discussion of churches in *The Wealth of Nations* ([1776] 1976), noting that they both provided crucial social goods (801–2) and behaved in accordance with the self-interested principles that guide other economic actors (758–808). Understanding how and why churches provide public goods and why they have endured over millennia can further enhance our understanding of how social services can be delivered to needy communities without reliance upon state coercion.

Religious organizations principally have a comparative advantage in the provision of theological worldviews and ideas, which represent credence goods (see Iannaccone 1995). That is their primary comparative advantage relative to other organizations, including university philosophy departments.\(^6\) “Credence goods” are so named because

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3. Henceforth, I use the term *churches* throughout this essay because I tend to be most familiar with Christian forms of social assistance. The lessons drawn from my argument are meant to apply across a broad swath of confessional traditions that have varying organizational structures, including Hinduism, Buddhism, Judaism, and Islam.

4. A great deal of attention has been paid to the rise in “religious nones,” or people who do not claim affiliation with a religious denomination, in the United States since the turn of the twenty-first century. Although the causes of this survey phenomenon are debated, the increase in the number of “nonaffiliated” should not be seen as the death knell of religious faith in society because many “nones” still profess belief in God, pray regularly, and consider religion to be important (cf. Stark 2015).

5. What began as a small handful of scholars studying the economics of religion in the 1980s has become a major subfield in the study of religion, sufficiently large enough to hold its own annual conference with hundreds of attendees. See Witham 2010, 95–114, for a full accounting of the history of this “new paradigm.” At the risk of doing some self-promotion (because I am an “old-timer” in that movement), I argue that scholars would do well to take a look at the findings of a group of scholars who have revitalized interest in social institutions that have persisted longer than any secular states or organizations to understand how they function and why they endure.

6. Philosophy departments (even those associated with philosophy, politics, and economics programs) rarely promise eternal salvation, although some do hand out doctorates with the hopes that their ideas will live
the quality of the good (or service) cannot be determined until some later date in the future, and thus the promise of delivery must be taken on the supplier’s credible promise. Another way to say this is that the quality of the good must be taken “on faith.” Insurance is the typical secular example given to illustrate the nature of a credence good: a consumer purchases an insurance policy on the expectation that the policy will pay off in the event of a catastrophe. The promise of eternal salvation in the afterlife is the ultimate credence good in that it is impossible to determine the validity of that promise until it is too late to ask for one’s money back. Beyond salvation, clergy also provide other intangible goods, such as understanding of life’s difficulties, philosophical (or theological) guidance on how to navigate those difficulties, and answers to questions about personal and social meaning—all of which are valuable things, as evidenced by parishioners’ willingness to attend worship services, listen to sermons, and contribute resources to the provision of such goods.

The biggest challenge facing suppliers of credence goods is how to convince consumers that the promises of quality are credible; the providers must establish trustworthiness in themselves. Insurance agencies can point to past success in paying off policies, and a wide array of market and governmental institutions—such as independent ratings agencies, civil court systems, and “lemon laws”—have risen to reduce the uncertainty of various secular goods. But religious providers face a more difficult problem in that the goods they provide are immune from empirical verification or government regulation. With one major exception in Christianity, no individuals have come back from the dead to report independently whether salvation is true or not. Likewise, the quality content of “spiritual meaning” is difficult to verify independently, and legal courts are unlikely to award civil damages to people who feel unfulfilled by the theologies they have purchased.

Religious institutions have responded to the credence-good challenge with a variety of novel signals. Clergy often take vows of poverty to demonstrate they are not “snake oil salesmen.” Public witnessing of miracles or testimony of saved lives also serve as evidence of credible promises. Another common method of demonstrating trustworthiness is to conduct “good works” among a community (cf. Warner et al. 2018).7 Charitable activities provided to recipients represent a willingness to sacrifice resources for the benefit of somebody else and ask little, if anything, in return. Recipients of such charity, observing that nothing is being asked in return, may potentially develop positive feelings of trust toward those individuals or groups helping them and often become more receptive to their message. Even third-party observers who are not direct beneficiaries of religious charity will develop respect for churches’ pro-social activities and be more willing to accept their message, ceteris

forever. A few philosophy departments have also been known to provide sandwiches during guest lectures, a critical public good indeed.

7. I do not intend to dip my toes into the debate about whether “good works” gain an individual more points toward salvation or whether God’s grace destines us to a life of charity. Such theological debates are above my secular social science pay grade.
paribus. Rodney Stark discusses how early Christians took care of the ill during times of plague, whereas pagans were quick to flee (1996, 73–94). A result of this behavior was that Christians won an increasing number of adherents among those they helped. Monastic groups and local parishes throughout history also aided the poor, orphaned, and elderly as a way of demonstrating good will and bolstering the credibility of their spiritual message. Although this view of why charitable giving is rather instrumental in nature—an exchange of welfare services for a belief in the religion’s credibility—there is evidence to the effect that norms of generosity are developed within these faith traditions that prompt people to act in an other-regarding fashion irrespective of the benefits of increased credibility and membership that such acts provide the organization (Preston, Ritter, and Hernandez 2010; Warner et al. 2015). Charitable religious services have run the gamut of valuable social activities, from the ones noted earlier to prison ministry (with the hope of minimizing recidivism), addiction recovery, marriage counseling, food banks, homeless shelters, and low-cost education to poor communities, to name just a few.

The important observation here is that the need (or desire) to bolster the credibility of the core product of religion (e.g., salvation) leads churches to undertake a number of activities that provide social welfare goods to the community. The provision of public goods, in other words, is a secondary effect of churches’ evangelizing mission, not the churches’ primary mission per se. This is a subtle yet important point. One of the main findings of public-choice theory is that governmental agencies’ budgetary interests and bureaucrats’ career interests often take precedence over solving the tasks to which they are assigned (Niskanen 1971). This is true to some extent for paid employees of NGOs because their professional livelihood depends on their particular issue remaining relevant; fund-raising, which pays salaries and retains staff, demands that a problem remain salient rather than solved, although some degree of effectiveness also needs to be demonstrated for funding (be it government grants or private donations) to keep flowing. Moreover, NGOs that rely upon government grants also develop career and rent-seeking interests that may depart from the focused interest of effectively solving a social problem or of incentivizing NGOs to seek out other issue areas to justify their continued existence and funding.

In contrast, clergy who help mobilize parishioner volunteers in service to the community still retain their positions as preachers even if a particular problem they are addressing becomes less salient or other more pressing social needs arise. Furthermore, parish volunteers can take on other tasks once their services are no longer needed or other concerns arise; they retain little career or funding incentive to continue in their voluntary capacity. In other words, the secondary nature of doing “good works” does not directly affect the career incentives of those in church groups who are trying to provide charitable services and allows them greater flexibility in moving between different activities as community needs change or in response to different skill configurations of their parishioner volunteers. Of course, specialized religious NGOs (e.g., World Vision) that do employ paid professionals are not immune from the rent-seeking
and careerist trap that befalls similar NGOs of a secular nature. As such, my discussion here is directed primarily at “conventional” church groups, whose primary mission is providing salvific goods.

This is not to imply that churches with unpaid volunteers serving community needs are superior to specialized NGOs with paid experts who have more training and experience in dealing with various social problems. The services that unpaid volunteers and nonexperts can provide are limited. However, the fundamental lesson of economics is that there are always trade-offs. What churches lack in terms of very specialized training in certain fields of social welfare provision can be made up by the administrative flexibility they have in addressing different needs over time. A church can switch from harnessing its members’ skills in working a food bank to harnessing those skills in providing child care at a different time without directly affecting the church staff’s professional interests. Also, local clergy and unpaid volunteers often have more specific knowledge of problems, diversified skill sets, and personal attachments to those they are helping that professional social service workers may lack (as discussed later). Having entities embedded in communities with such flexibility are complementary to the more focused and specialized private organizations that also exist. The argument here is not that churches directly replace specialized NGOs or government agencies but rather that the unique benefits that volunteer religious communities offer to society be recognized. Recognizing the benefits of the various components of civil society is one way to check the calls for more coercive state action.

**Religion and Collective Action: A Small Community Basis for Social Welfare**

Religious groups’ ability to do “good works” for the community rests upon their collective-action potential. The more people who participate in the local congregation, the more resources the congregation has for helping out in the community and, hence, for signaling the credibility of the spiritual message. But churches also face a collective-action problem in providing for their core credence goods. Clergy must be compensated for their efforts, buildings for communal worship must be built, rent and utilities must be paid, and so on. But the problem facing the provision of religious goods is that, as with intellectual property, it is easy for consumers to receive “copies” of those goods without having to contribute to their provision. One need merely read the Bible, hear “The Word” from friends and neighbors who attend church, or (today) view various sermons online or on television for virtually no cost. In other words, the nature of religious goods creates a free-riding problem when it comes to their provision.

Fortunately, churches have a long history of solving collective-action problems. This ability centers around the fact that in addition to “spiritual answers” that can easily be consumed without paying for them, most religious groups provide more tangible club goods that are available to members who participate in the group (McBride 2007). Such goods are excludable, unlike pure public goods or amorphous forms of intellectual
property, but they also require some degree of cooperative effort to enhance their quality (i.e., joint supply). These goods may be nonrival (e.g., fellowship) or rival (e.g., benevolence funds for members facing hard times). Whether the provided club goods are rival or not, their efficiency requires the group to mitigate free-riding problems. The fact that many churches actively proselytize as part of their theological mission and want to maintain an “open-door” policy poses a further challenge in solving collective-action problems because larger groups tend to have larger free-riding problems (Olson 1965).\(^8\) The logic is fairly simple in that if the group provides attractive benefits to members, welcoming in new individuals who might not contribute as fully to the group’s effort will dissipate the benefits to all, particularly if the club goods are rival.\(^9\)

In examining the collective-action potential of different religious groups, Laurence Iannoccone (1992, 1994) discovered that groups that have stricter behavioral requirements tend to be superior in solving collective-action problems and, hence, in providing efficient club goods. His focus was on various sacrifices and stigmas associated with different groups. For example, Mormons require young members to undertake a two-year mission wherein they attempt to recruit members by knocking on doors or engaging people in public squares. The success rate of these attempts is abysmal by all accounts (Stark 2005, 80–82). However, the point of these missions is to filter out members who are not as committed to the faith. Having to pay high up-front costs (i.e., make a sacrificial offering) to be part of the group will weed out potential free riders and leave the group staffed by those most dedicated to cooperating. Religious groups also use the stigmatization of certain behaviors, such as food/alcohol restrictions or dress codes, to weed out those who are less committed to the faith (Iannaccone 1992). Churches that have greater sacrificing and stigmatizing requirements fare much better in the provision of collective goods, as evidenced by worship-service attendance, tithing, and voluntary service (Iannaccone 1994). These same religious congregations are also the ones that are very effective in helping out members of their spiritual community who find themselves in times of hardship (cf. McBride 2007). Even megachurches that are “seeker-friendly” (they don’t have strict theological requirements for weekly attendance) maintain a system of full membership that demands candidates meet a series of strict requirements, including certain levels of tithing, small-group participation, and training classes that signal a willingness to participate cooperatively (Thumma and Travis 2007, 44–54). Full members of the church community have access to various social benefits that nonmembers (or casual attendees) do not receive, such as benevolence funds during times of need.

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8. Judaism is the significant exception to the proselytizing rule of most religious groups.

9. There are instances where nonrival club goods suffer if not all individuals contribute. Worship services wherein everybody sings loudly, irrespective of pitch, tend to be more enjoyable than those where just a few sing proudly but the majority either mumble or remain quiet. This effect can also be seen at sporting events, where the raucous nature of the entire crowd adds to the excitement of the game.
Religious communities also enhance collective action by lowering the costs of uncertainty by congregating individuals around a set of common values and norms. Although collective action can be thought of as a competitive prisoners’ dilemma game in which individuals have a strong incentive to shirk, research on iterated interactions show how members of a group will develop norms of reciprocity (e.g., tit for tat) or begin to view the situation as a coordination game where incentives to defect are significantly weaker or nonexistent (cf. Taylor 1982; Axelrod 1984; Skyrms 2014). Seeing fellow congregants on a weekly basis reinforces knowledge of the community’s norms and expectations, including the need to tithe and to provide volunteer assistance. It also provides an informal system of monitoring individuals to discern whether they are shirking or in need of communal assistance. These norms of reciprocity are often lacking in the relationship between specialized NGOs and the populations they assist. If little is expected in return for assistance, there is the possibility that recipients may deceive the aid society regarding their true need or fall into a situation of moral hazard wherein there is little incentive for recipients to change the behaviors that put them in need of assistance initially.

David Beito notes that in the nineteenth and early twentieth centuries “[o]nly churches rivaled fraternal societies [e.g., Elks, Friends of Eagles] as institutional providers of social welfare before the advent of the welfare state” (1990, 711). These groups provided critical social welfare goods to local (often immigrant) communities, such as health service, orphan and elder care, and life and accident insurance. Many of these groups required members to undergo seemingly bizarre initiation rituals, which screened out individuals who would come only for the benefits in time of need but contributed little when they were not in need. Unlike churches, though, these friendly societies saw steep declines in membership with the advent of the New Deal and Great Society as government services funded by mandatory tax collection crowded out the aid they provided (Beito 1990, 724–29). That government-provided social welfare didn’t require recipients to wear silly hats and attend regular meetings probably made these government services more attractive. But, as noted earlier, the primary focus of religious groups is the provision of spiritual goods that have few (if any) substitutes within government. As such, although church-based social functions have to some degree been crowded out with the government provision of social services (cf. Gill and Lundsgaarde 2004; Gruber and Hungerman 2007), religious groups still persist to serve their core function, which is the propagation of the faith. And although religious groups are not as involved in certain activities such as health insurance as they were in the past, many congregations still provide baseline services such as personal counseling, financial crisis assistance, and child/elder care. These activities serve as individualized incentives for religious community participation and help to keep parishioners involved in the local congregation and contributing volunteer resources.

The importance of churches’ ability to solve collective-action problems is important for the provision of social welfare for several reasons. First, religious collective action demonstrates that small private entities can effectively provide mutual aid in the
absence of state coercion. It further enhances societal welfare in that if members can rely upon their own resources for self-support, they are less likely to draw upon government (or taxpayer) resources (cf. Stark 2012). Beito’s work demonstrates this for secular groups, but the lesson drawn from churches is that social welfare provision can come as a means of supporting another goal (e.g., spreading religious doctrines). And whereas secular mutual-aid societies were largely displaced by the welfare state and more modern insurance markets, government’s inability to displace the demand for spiritual goods implies an ongoing source within civil society—religious groups—for the generation of social welfare goods. Secular NGOs are more likely to run the risk of being displaced by government services because they typically have the provision of some public good as their sole purpose.

Second, the provision of social welfare services by religious groups also builds stronger community relations via the construction and maintenance of norms of reciprocity, an important glue for solidifying cooperation within small groups (Taylor 1982). Within religious congregations, all members are expected to contribute in some fashion to improve the quality of the club goods and to be considered worthy recipients during times of need. Being part and parcel of this system, members are more likely to monitor their own requests for assistance and less likely to draw upon club resources for frivolous requests out of fear of damaging their reputation within the group. This self-monitoring helps to mitigate the moral-hazard problem that often arises with the provision of social assistance. The norms of reciprocity embedded within religious communities also contrast with the norms of secular NGOs, which generally distribute social benefits in a nonreciprocal fashion and expect little in return from the recipient. Recipients who are not members of that organization are less likely to restrain themselves from overusing the resource or to try to correct the problems that put them in need in the first place. As such, secular NGOs are more likely to generate moral-hazard problems than religious groups that rely upon mutual community support.

Finally, churches’ cooperative activities have a positive spillover effect for the community in that their members become adept at volunteer assistance that can be offered up to the broader (nonreligious) community. This connects with the earlier point that churches have an incentive to do “good works” in order to establish the trustworthy nature of their clergy and of the credence goods they produce. Iannaccone (1994) shows that stricter churches that are able to solve collective-action problems more effectively generate members who are also more likely to volunteer beyond the congregation walls (cf. Putnam and Campbell 2012, 443–92). And to the extent that much of this volunteer activity comes from within the local community, volunteers have more fine-grained knowledge about the needs and norms of that population than “far-away”

10. The obvious empirical counter might be Europe, but as Carolyn Warner and her colleagues (2018) demonstrate, Catholicism and Islam continue to play a significant role in generating local charity. This is particularly true of Muslim communities that have had a difficult time integrating into the social welfare structures of European states (Pfaff and Gill 2006).
government agencies or outside NGOs that come in with more rigid (technocratic) templates for providing assistance. Although religious groups volunteering in the broader community may still generate issues of moral hazard, their closer and ongoing connection to the local community helps to monitor this hazard and mitigate its occurrence. It should be noted, though, that religious groups that extend their outreach to foreign nations via mission work are susceptible to generating moral-hazard problems.

**Conclusion: Religious Groups and Charity in Civil Society**

There are many sources of private charity that can provide social welfare. Secular nongovernmental organizations and new social movements have captured the attention of many scholars in recent years. However, religious organizations, which represent "old social movements," provide unique lessons regarding how private groups in civil society can effectively care for local communities’ social needs. Specifically, religious groups’ social charity typically is not the central feature of the congregation. Religions (and clergy) exist first and foremost to provide spiritual goods such as salvation and theological explanations about life to individuals. However, the credibility issues inherent in such goods provide strong incentives for these groups to engage in “good works” so as to instill trust in potential consumers. That churches’ social charity is a secondary goal diminishes the likelihood churches will be crowded out of the market for social services by the state. That religious congregations must also solve some basic collective-action problems in providing credence goods also induces organizational responses conducive to cooperation—namely, the provision of club goods that benefit full members of the community and promote norms of reciprocity. Such organizational structures serve as mutual-aid societies that are less susceptible to moral-hazard problems and provide training for volunteers, who then benefit the larger community with charitable outreach.

**References**


