Economics, Religion and Happiness

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This survey intends to portray the two main approaches of economic research on religion. The first investigates the impact of religion on the economy. Religion and the internalized value system are found to influence economic attitudes output in a favorable way. The second approach is to explain religious behavior with economic models showing how an individual can derive utility from religion. Modern happiness research makes it possible to measure the impact of religion on subjective well-being empirically. The literature finds a positive correlation of religion and happiness, with a robust effect of church-going and protestant confession, while the results on internal religiosity are more ambiguous. In our analyses for Switzerland we are able to confirm these results and show that the effect of church going on happiness is quite sizable.

Keywords: Well-being, Happiness, Religion, Church, Switzerland, Psychological Economics.

1. Introduction

The study of human incentives being at the centre of the economic discipline, religious beliefs form an important object of investigation. Already Adam Smith (1776) studied how religious markets should be organized optimally. However, for a long time (up to the mid seventies of the last century), religion was considered an irrational belief not worth-while to explain within the rationality framework of economics. Today, a multitude of researchers are investigating religious beliefs and activities and their economic consequences.

A variety of aspects are of interest for economists of which a few are listed and outlined here: How do the values and norms internalized in a belief system influence human behavior? What are the resulting economic consequences on a microeconomic and macroeconomic level? How is it possible to explain belief in God within the standard economic framework? What impact do religious beliefs have on utility?

Answers of the literature to these questions are outlined in the following sections, concluding with our own empirical analysis on the impact of different dimensions of religiosity on subjective well-being or happiness.

The paper is outlined as follows: Section two shows how religious beliefs may alter the economic behavior of individuals and how religion impacts on economics as a whole. In section three we describe how religious behavior can be explained within the framework of neoclassical and psychological economics. Section four presents results on the influence of religion on happiness, a dimension of subjective well-being used as