

Why is the West unique in linking religiosity to market friendliness?

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Abstract

The Integrated Values Survey shows that the positive relationship between religiosity and market friendliness is a uniquely Western feature. With the help of public choice theory, the author hypothesises that this Western uniqueness is the result of the way the dimensions of political ideologies are formed in the West. The hypothesis is supported by regressing an index of market friendliness on a religiosity index, political identity, and a measure of 'ideological capital'. Accounting for the latter two, the positive association of religiosity with market friendliness vanishes, even in the West.

KEYWORDS

economic attitudes, political entrepreneurship, religiosity, secularisation

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1 | INTRODUCTION

Culture and even ethics are now considered fundamental factors shaping institutions and economic development by a number of economists (Congleton, 2022; McCloskey, 2017). 'Culture', however, seems to be too static to account for something that is inherently dynamic – economic development. It might not be culture as such that matters but whether the culture is in favour of markets.

Whether a certain culture is sympathetic to the idea of markets might not be a given, however; that idea might have to be discovered and 'sold'. People might have to be persuaded that their values are supportive of free markets. The preferences of markets over governments –

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'market friendliness' for short – might then not be an inherent feature of a culture but the result of a tradition of political and cultural entrepreneurship. This article shows the relevance of this argument to the case of religiosity by showing empirically that the association between religiosity and sympathy with markets is conditional on a Western political environment.

There is a long tradition of economic research into the question of how religious thoughts affect economic thoughts. Empirical results from recent decades support the claim that religious people have a more benign view of the market economy (Guiso et al., 2003). At the level of *countries*, however, there is no clear-cut conclusion about whether the relationship of religiosity with the scope of market institutions is positive (de Soysa, 2019) or negative (Paldam & Gundlach, 2013). This together with the decline in religiousness in recent decades, especially in the West (Inglehart, 2021), suggests that religiosity and market friendliness are associated positively in the West, whereas they are unrelated elsewhere. Is that true? And if so, why?

To address this question, in section 2 I review the recent empirical literature on the relationship between market friendliness and religiosity, and argue that these results have some puzzling features. In section 3 I examine why the positive association of the two might be a distinctively Western phenomenon, and argue that secularisation, or modernisation more generally, does not necessarily predict a decline in pro-market thinking. Secularisation in itself, therefore, cannot explain Western uniqueness in its positive association between religiosity and market friendliness. The hypothesis that section 3 proposes is that the Western uniqueness is that of Western politics.

To give empirical support to this claim, sections 4 and 5 run regressions with the help of the data from the Integrated Values Survey. The regressions show that the West is indeed unique insofar as it evinces a positive relationship between different dimensions of religiosity and market friendliness. This distinctiveness declines substantially once political identity and 'ideological capital' are accounted for. The argument is further confirmed in section 5, which shows that the findings hold consistently only for the belief component of religiosity, not for religious practices. Section 6 concludes.

2 | RELIGIOSITY, MARKET INSTITUTIONS AND MARKET FRIENDLINESS

Some recent empirical literature on the relationship between (a) religiosity and economic attitudes and (b) religiosity and market institutions is reviewed below to show that the findings are not completely consistent. Religious people are found to be more friendly to markets, whereas a larger proportion of religious people does not predict that a country will have more market-friendly institutions.

Some recent empirical investigations of the cross-country effect of religiosity on institutions show a consistently negative correlation between the share of religious people in a country and the market friendliness of the institutions of their country. Using two common measures of property-rights security and a measure which they construct from the Gallup World Poll to quantify the importance of religion in daily life by country, Berggren and Bjørnskov (2013) find that religiosity has a negative effect on property-rights security. In addition, this effect is found to be stronger in countries with the highest level of political competition (democracy). Berggren and Bjørnskov (2013, p. 182) view this as evidence that "in democratic settings the religiously devout are more successful in 'getting their way'", which is to assume that religious people prefer less market-friendly institutions, and where their number is larger their effect on politics is larger, especially if institutions are democratic enough to make it possible.

The negative relationship between religiosity and market-friendly institutions is confirmed by Gutmann and Voigt (2018, p. 72), who use their own measure of the rule of law as a dependent variable. They are, however, not able to differentiate this effect from that of the Islamic State Index, measuring the political influence of Islam (p. 72, n. 12), because, as pointed out by Hillman and Potrafke (2016, p. 4), the countries with the highest level of religiosity are Muslim ones.

Although Hillman and Potrafke (2016) are more interested in the effect of different denominations, rather than religiosity, on economic freedom, they include religiosity in their regressions and come to some results that are similar to those just mentioned. The effect of religiosity is negative and dependent on the denomination. In the case of Protestantism, the cross-effect of religiosity and religion itself is negative: religion has an effect on economic freedom if the religious proportion of the population is small enough. Hillman and Potrafke's (2016) explanation is an intertemporal transmission of values, as a consequence of which past religious beliefs affect contemporary behaviour. It does not seem to explain, however, why the proportion of the religious matters, not to mention the fact that its effect is negative.

Replicating Hillman and Potrafke's (2016) study, de Soysa (2019, pp. 247–8) takes issue with them by showing that using the correct religious dominance variables instead of the population proportions of religions as controls deprives religiosity of its negative effect. When, on the other hand, he uses the population proportions of religions as controls together with oil and gas production variables, the effect of religiosity is positive for the Protestant and the Muslim populations.

The ambivalence of the effect of religiosity on market institutions seems to contradict certain other results that examine religion, religiosity and economic attitudes at the individual level. The seminal work of this branch of the literature is by Guiso et al. (2003). This uses data from the World Values Survey to show that people who are more religious have more market-friendly views. Defining 'more religious' as attending services more frequently, they show that more religious people tend to support private ownership and competition more and have more reservations about the government. They find that these effects depend on the dominant religion of the country and are predominantly a feature of Christian denominations.

Minarik (2019) examines the religious determinants of 'economic attitudes' in a pooled cross-section of individual data from eastern and central European countries found in the International Social Survey Programme. Consistent with his own previous findings (Minarik, 2014), he concludes that religious belief makes people more market friendly, whereas religious upbringing and participation make them more statist. In addition, and similar to the results of Guiso et al. (2003), Minarik (2014) concludes that religious people are more supportive of such institutions if their denominations belong to Western Christianity.

These empirical investigations into the relationship between religious denomination or religiosity and economic attitudes have found Western Christianity to be unique; however, their focus is not religiosity as such but religious denomination. The claim that Western Christianity shaped Western institutions (Siedentop, 2014; Hill, 2019), as well as the claim that state–church relations in the West are fundamentally different from those in the rest of the world (Rubin, 2017), have a long history, and their review would go well beyond the scope of a single article. Most importantly, Weber (1904/5) argued that a Protestant 'everyday' theology helped create the motives to accumulate and work hard, which, he thought, were needed for 'capitalism'. Although one can doubt the relevance of the specific claims Weber made, the Protestant–Catholic divide still seems to matter.¹

In sum, if religiosity and market-friendly institutions correlate negatively because the religious “get their way” (Berggren & Bjørnskov, 2013, p. 182), then ‘their way’ should be less market friendliness. The evidence shows, as we have seen, that this is not the case. The question, then, is: Why is it that while people who are more religious are found to be more market-friendly, countries with a larger proportion of more religious people are not found to have institutions that are more market friendly?

3 | RELIGIOSITY, POLITICAL IDENTITY AND MARKET FRIENDLINESS

One answer to this question is that the relationship between religiosity and market friendliness is not positive in general, but it is precisely in the countries that have good institutions that it is so. That is to say, the general findings are driven by the results from the countries of the West. One version of this hypothesis is that, as implied by the theories briefly reviewed in section 2, market friendliness is an inherent feature of Western Christian thinking. The alternative, for which this article argues, is that the relationship between the market-friendly and the religious sets of ideas is discovered in the political process through creating and maintaining ideologies.

3.1 | Secularisation and market friendliness

The low level of religiosity in the Western countries is often seen as the result of secularisation, an aspect of modernisation. Secularisation is most prevalent in the most developed countries, so much so that Iyer (2016, p. 430) takes it for granted that “richer countries are becoming more secular”. Although in the long run it is less evident that secularisation can be observed (Stark & Finke, 2000, pp. 57–82), Paldam and Gundlach (2013), as well as Inglehart (2021) and Stolz (2020), confirm that richer countries are becoming more secular.

Secularisation is usually considered as a part of a change from traditional to modern beliefs. Inglehart (2021, p. 9) sees it as a shift from “pro-fertility norms” to “individual-choice norms”, which causes a decline in religion because “pro-fertility norms usually are closely linked with religion” (2021, p. 10). Given that, as part of the broader process of ‘modernisation’, secularisation seems to be a Western phenomenon, it might serve as an explanation for Western uniqueness in the association between market friendliness and religiosity. Such an explanation would imply that the modernisation that makes people less religious is the same as that which makes people less market friendly. It is not clear, however, whether a sympathetic view of market institutions is part of that package of beliefs that modernisation theory predicts will decline with economic development or whether it is a part of that package of beliefs which will grow.

For example, Hayek (1988), who, like Inglehart (2021), uses a group-level evolutionary argument, argues that religions played an evolutionary role supporting property and family. This seems to imply that a preference for private property would decline together with other pro-fertility norms. In this literature, economic attitudes that are more free-market are usually considered as part of the ‘materialist’ package of values that is becoming more and more dominated by post-materialist values. Inglehart’s (1971) traditional measure of post-materialism does not include opinions on free markets explicitly, but it includes one on the importance of “fighting rising prices” (1971, p. 994), which might be understood as a concern about inflation; and a



monetary policy more concerned about high inflation may be seen as pro-free-market. However, if by this ‘fight’ the respondent in the survey from which the data are collected to calculate such an index means price controls, then it is quite the opposite of market friendliness.

Kafka and Kostis’s (2021) own index of post-materialism includes ‘competition affinity’ as well as ‘religion’ with roughly the same negative weight. The authors find that by 1999 materialist views had become dominated by post-materialist ones among the OECD countries, implying a lower rate of economic growth.² Post-materialism excludes market friendliness in Davis and Knauss’s (2013) interpretation; these authors look on such a ‘softening’ of values as a *result* of economic growth. They also find that an increase in the rate of economic growth, or a decrease in income inequality, leads to a stronger preference for redistribution by the government.

Religiosity and market friendliness are, however, not that obviously in the same package of ideas. This is not only because it seems a little puzzling to view religiosity as part of ‘materialism’, as do Kafka and Kostis (2021), but because historically it seems to be a modern idea to like markets. Markets were seen as the forces of modernisation even before the ‘triumph of capitalism’ (Hirschman, 1977). The ‘bourgeois mentality’ that includes respect for markets (McCloskey, 2017) can be seen as one of the forces that created the modern world. This is not to suggest that religiosity is hostile to markets, but that the religious attitude to markets is shaped by interpretation. The Smithian vision “could be *made* more compelling” (Heyne, 2008, p. 96; emphasis added) to those whose world view is religious.

3.2 | Ideology and political entrepreneurship

My hypothesis is that the relationship between market friendliness and religiosity is conditional on a political ideology that bundles together these two issues. Such a political ideology is a characteristic of Western countries, where institutions make intellectual and political entrepreneurship able to discover such an ‘alignment of ideas’.

Political ideologies reduce the high dimensionality of the policy space and also serve as commitment tools for those candidates associated with the ideology (Hinich & Munger, 1994, pp. 61–79). Orthodox ideologies are shaped in a process (Hinich & Munger, 1994, pp. 14–21), and the “act of creation of an ideology requires an intellectual step, a spark of recognition, of making a connection among apparently unrelated disputes that no one else has ever conceived of” (1994, p. 20). In short, ideologies result from entrepreneurial discoveries.

Because of the genuine uncertainty and information costs of politics, citizens cannot have an opinion about everything. Ideologies provide low-cost options to have an opinion. If voting is expressive (Hamlin & Jennings, 2019), ideology might not be only a guide to how to vote or what to think; choosing an ideology might be a way to express an identity (Akerlof & Kranton, 2000; Roberts, 2022). People’s political preferences will then be “derivative preferences ... determined by the choices they make rather than their choices being determined by their preferences” (Holcombe, 2021, p. 5).

If having an opinion might be an element of welfare (Hirschman, 1989), people want to have an opinion at a low price, and political ideology provides them with one. Information costs make it too expensive to develop an opinion on every possible issue, and we let our ideology suggest one. When asked what to ‘think’ about issues we have never thought about, we say what our ideology suggests we say. Given that ideologies are sold to us by political entrepreneurs, “[u]ltimately, the political elite determine voter preferences” (Holcombe, 2021, p. 6).

As a result, whether religiosity and market friendliness are bundled together into a single ideological package is the result of a process of cultural and political entrepreneurship that shapes people's political identity by providing them with an ideology. The review by Adams (2019) of the two-dimension party competition models reveals that one dimension of political competition is that of the left–right continuum understood as an economic-policy dimension. The other scale might be some “social or moral issues” that might “cross-cut the left–right economic dimension” (2019, p. 189).

The association of these two dimensions is not obvious without further argument. In the relation between social conservatism and market friendliness, George (2013, p. 3), for example, sees “common principles” which “should lead serious social conservatives to be economic conservatives as well”. The very same “devotion to conservatism and non-individualistic ‘family values’”, however, if seen from an “original *Left*’ point of view of the late 18th century, is quite inconsistent” (Hodgson 2018, pp. 5, 189; emphasis in original).

The fact that one has to argue for one of the possible interpretations of the association between two beliefs shows that this association is not an inherent feature of either set of ideas. Their association is an act of cultural or political entrepreneurship, as a result of which the meaning of the political left and right has changed substantially since the French Revolution. In some sense each means today the opposite of what it meant then (Hodgson, 2018, p. 135), and such realignments keep occurring (Davies, 2020, pp. 10–44) a few decades apart.

The Western intellectual tradition that links religiosity with a benign view of free markets has been there for political entrepreneurs to discover since the Enlightenment: ‘conservative liberalism’ has been a powerful tradition in Western political and economic thought since at least the eighteenth century (Klein, 2021). In the twentieth century the conservative liberal idea gained more political strength and with it so did the conviction that “the changing fortunes of economic liberalism were intimately linked to the history of religion” (Dyson, 2021, p. 211) as did the conviction that there was an “intimate connection between politicized atheism and the totalitarian negation of human beings” (Klein & Mahoney, 2022) as a counterpoint. A “natural cohesion” between “social and economic conservatism”, Busch (2012, p. 17) explains, makes it possible for a political coalition to endure. What is the “fusion of two conservatisms” in the Anglo-Saxon world is the ordoliberal idea embraced by liberal and Christian Democratic parties in Western Europe (Dyson, 2021, pp. 255–6).

The hypothesis that can be inferred from this review is that it is the political process that *results* in an association of religiosity with market friendliness as a political identity. This political process is, however, determined by institutions, which are not identical across countries. And therefore the association of religiosity and market friendliness should not be, either. We should not expect religiosity to increase or decrease market friendliness, irrespective of the political process that shapes political identities and ideologies, and that might differ from one country to another.

4 | FROM RELIGIOSITY TO MARKET FRIENDLINESS

The hypothesis to be tested is that it is the political-cultural process itself or its result – political identity – that should be responsible for the relation between religiosity and market friendliness. The results that follow show that the West is indeed unique in this regard, but Western uniqueness disappears or reduces substantially when one accounts for political identity or political ideology. These results are presented in Tables 2 and 3.

4.1 | Regression results on Western uniqueness

The data, on dependent as well as independent variables, are mainly from the Integrated Values Survey (IVS) (EVS, 2021; Haerpfer et al., 2021). The independent variable is an index of religiosity, which is constructed by following Paldam and Gundlach (2013). As all the variables are available at the same time only for a handful of countries, I apply a somewhat narrower index. With the narrower index the number of countries in the analysis can go beyond 100. Table 1 describes the questions of the IVS that are included in the religiosity indices.

The main dependent variable is an index of market friendliness, which is an average of those three variables in the IVS that are concerned with economic attitudes and also available for almost all the waves of the survey for many countries. As Table 1 shows, the three questions are concerned with private ownership, the responsibility of government and the possible benign effect of competition. My choice of the dependent variable follows Pitlik and Kouba (2015) who interpret it as a measure of the demand for regulation.

The ‘traditional’ dependent variables include possible individual determinants of personal views such as dummies for ten brackets of self-reported income, three levels of education, a female dummy, a dummy for being younger than 40 years old, dummies for three levels of education – which has been shown to affect thinking about markets by, for example, Caplan (2007, pp. 50–93) – and dummies for being self-employed or unemployed. To account for the effects of country-specific and wave-specific factors, country and wave dummies are also included.

The dummy variable called West takes the value of 1 for a respondent being from a country in Western Europe, North America, Australia, or New Zealand.³ The coefficient of interest is therefore that of the cross variable of religiosity and the West dummy. The uniqueness of the West concerning the relationship between religiosity and market friendliness is shown by the statistical and economic significance of the coefficient of this variable. If this uniqueness hypothesis holds, then we expect this coefficient to be positive, as well as the sum of the coefficient of the cross variable and that of the religiosity variable.⁴

The regression results in columns (1) and (2) of Table 2 support this hypothesis. Religiosity in general is not significant statistically at the 5 per cent level in column 1, but it is so when the cross variable of the West dummy and religiosity is introduced – and the sign has the effect as

TABLE 1 The components of the index for religious belief and practice

Question	Question no.	Component
<i>Religiosity index</i>		
God very important in life	F063	Belief
Family should teach children faith	A040	Belief
Religion important in life	A006	Belief
Believes in God	F050	Belief
Attends religious service regularly	F028	Practice
Is a religious person	F034	Belief
<i>Market friendliness index</i>		
Private ownership of business	E036	
Government responsibility	E037	
Competition is good	E039	

TABLE 2 Effects of religiosity on market beliefs

Indep. vars.	(1)	(2)	(3)	(4)
	<i>Religiosity index</i>		<i>Religiosity components</i>	
religiosity	−0.003* (0.002)	−0.019*** (0.002)		
belief			−0.004** (0.002)	−0.018*** (0.002)
practice			−0.004** (0.002)	0.002 (0.002)
religiosity × West		0.062*** (0.004)		
belief × West				0.055*** (0.005)
practice × West				−0.015*** (0.005)
Obs.	298,491	298,491	298,491	298,491
Countries	103	103	103	103
Adj. R^2	0.025	0.026	0.025	0.026
F -test (religiosity)		132.33***		
F -test (belief)				61.66***
F -test (practice)				7.14***

Notes: *: significant at 10%; **: 5%; ***: 1%. Standard errors are in parentheses.

Country and wave dummies and other controls are included but not shown.

An F -test is concerned with the joint significance of the variable in parenthesis and its interaction with the West dummy.

expected. The result means that whereas the relation between religiosity and market friendliness is negative outside the West, it is positive in the West.

Since the variables in interest are standardised, the coefficient of -0.019 for religiosity and 0.062 for the cross variable means that a one-standard deviation higher religiosity is predicted to *decrease* market friendliness by 0.019 of a standard deviation outside the West and *increase* it by 0.043 of a standard deviation in the West. This net effect of the religiosity variable is also statistically different from zero, as shown by the F -test in Table 2. The most religious people outside the West are predicted to be 0.213 of a standard deviation *less* market friendly than the least religious, while in the West they are predicted to be 0.475 of a standard deviation *more* market friendly. The effect of a one-standard-deviation change in religiosity is then roughly as large as being in a one-step higher-income group out of the ten brackets.

In sum, the West is indeed different when it comes to the relationship between market friendliness and religiosity. People who are more religious are more market friendly in the West and less market friendly outside the West.

4.2 | Political identity as an independent variable

Table 3 adds religious denominations⁵ and the cross variables between two Western Christian denominations (Catholic and Protestant) and religiosity to the regressions of column (2) in Table 2. The question here is whether the inclusion of these variables makes the coefficient of the original cross variable ($West \times religiosity$) smaller or insignificant. If the essence of Western uniqueness analysed above lies in Western Christian doctrines, the coefficient is expected to do so.

TABLE 3 Religious denominations, political identity and ideological capital as independent variables

Indep. vars.	(1)	(2)	(3)	(4)
religiosity	-0.020*** (0.003)	-0.021*** (0.003)	-0.016*** (0.003)	-0.023*** (0.003)
religiosity × West	0.055*** (0.004)	0.010** (0.004)	0.028** (0.006)	0.017** (0.007)
religiosity × Prot.	-0.012** (0.006)			
religiosity × Cath.	-0.009* (0.005)			
religiosity × rwk			0.015*** (0.003)	0.007*** (0.003)
religiosity × lwk			0.000 (0.002)	-0.006*** (0.003)
religiosity × ck			-0.004* (0.002)	-0.001 (0.002)
pol. id.		0.033*** (0.003)		0.093*** (0.002)
pol. id. × West		0.236*** (0.005)		
pol. id. × rwk				0.061*** (0.002)
pol. id. × lwk				0.069*** (0.003)
pol. id. × ck				-0.003 (0.002)
rwk			-0.002 (0.009)	0.015 (0.010)
lwk			0.000 (0.008)	0.007 (0.009)
ck			-0.006 (0.007)	-0.004 (0.008)
Obs.	298,491	242,935	282,542	230,184
Countries	103	99	95	91
Adj. R^2	0.027	0.049	0.027	0.049
F -test (religiosity)	56.90***	8.25***	5.32**	1.54

Notes: *, significant at 10%; **, 5%; ***, 1%. Standard errors are in parentheses.

Dummies for countries and religious denominations and for waves, and other controls are included as independent variables but not shown.

The F -test is concerned with the joint significance of religiosity and its interaction with the West dummy.

rwk, lwk, ck: right-wing, left-wing, and centrist ideological capital.

Column (1) of Table 3 shows the opposite. Although religious denominations have the effects as expected, with Catholic and Protestant denominations consistently affecting market friendliness positively, their product with religiosity is usually not significant. And most importantly, the original cross variable in question does not lose its significance, and its size does not change much. As shown by the F -test of the net effect, religiosity is still found to have a positive effect in the West.

Column (2) of Table 3 drops the *denomination* × *West* cross variables and includes two others: political identity and its interaction term with the West dummy. The question on political identity⁶ asks respondents to place themselves on a scale between the political left and right. Originally, the scale runs between 1 and 10 but, similarly to the religious indices, it is standardised by country. The expectation is then that it is rather in the West that a right-wing political identity is associated with market friendliness, which is also a reason why religiosity is associated with it. One can therefore expect that, by including the new cross variable (and political identity itself) in the regression, we will find that (a) the new cross variable has a statistically significant and positive effect, while (b) the original cross variable (*religiosity* × *West*) becomes smaller.



The results in column (2) in Table 3 leads roughly to what is expected. The coefficients of religiosity and of the belief component do not become insignificant but they become very small: they are much less than one tenth of the cross variable of political identity with the West dummy. The effect of religiosity even becomes negative after controlling for political identity; the net effect is -0.11 , which is different from zero at the expected level of statistical significance as shown by the F -test.

4.3 | Ideological capital as an independent variable

The prediction of the hypothesis I have proposed is that it is the political process that shapes political identity and political preferences, including the relationship between religiosity and market friendliness. To describe the political process in the regressions I use the Database of Political Institutions (DPI) (Cruz et al., 2021a). As I suppose that political preferences are shaped by the political process in which ideologies are formed, I use the variables that describe the ideologies of the main political parties in the country. To avoid losing too many observations I concentrate only on the biggest party in the government and that of the opposition: the question is whether a country has had a major political party (in the government or in the opposition) whose ideology can be identified as right, left, or centrist.

I define right-wing, left-wing, and centrist ideological capital in the way Persson and Tabellini (2009) define ‘democratic capital’: each is increased by 1 if the country has another year with a right-wing, left-wing, or centrist political party as the leading party of the government or opposition. I also suppose a depreciation rate of 3 per cent. Right-wing ideological capital is therefore the accumulated years, adjusted for depreciation, of having a major party with a right right-wing ideology in the government or in opposition, with 1975 as the starting year. Left-wing capital and centrist ideological capital are defined accordingly.

In the DPI party orientation is defined by reference to economic policy as described by the data sources. A party is right-wing if it is “defined conservative, Christian democratic, or right-wing” in the sources the authors use, while it is left-wing if “defined as communist, socialist, social democratic, or left-wing”; and a party is seen to be in the centre when it is “defined as centrist or when a party’s position can best be described as centrist” (Cruz et al., 2021b, p. 6). A number of cases do not fit any one of the three definitions, in which case they are coded 0. The variables of ideological capital (rwk, lwk, ck) are used in a standardised form in the regressions that follow and therefore these variables have negative values, too, with a difference between the minimum and maximum values of around 4 standard deviations.

With the ideological capital variables to hand, we have an explanation for Western uniqueness regarding the relationship between religiosity and market friendliness. Ideological capital variables are expected to explain (away) this uniqueness. The regression results received after including ideological capital and their cross variables among the independent variables can be seen in columns (3) and (4) of Table 3.

There are three conclusions that are worth drawing from columns (3) and (4) of Table 3. First, the inclusion of the new variables makes the coefficient of the *religiosity* \times *West* variable small enough in columns (2), (3), and (4) to say that, all other things being constant, the relationship between religiosity and market friendliness is not positive even in the West if ideological capital and political identity are seen as distinct from religiosity. As the F -tests show, in column (3) of Table 2 the net effect is positive only at a 5 per cent significance level but its size is smaller than the same effects in column (2) of Table 2 and in column (1) of Table 3. In

column (4) of Table 3, however, religiosity in the West has no statistically significant effect on market friendliness.

Second, the cross variable *religiosity* \times *rwk* has a consistently positive effect. In those countries that have a longer history of major conservative parties, more religious people tend to be more market friendly than in those countries with a shorter history of such parties.

Third, the effect of political identity depends on ideological capital, too. As can be seen in column (4) of Table 3, either right-wing or left-wing ideological capital is in a positive interaction with political identity. A person who thinks of himself or herself as more right-wing than another is predicted to have more market-friendly views in a country with a longer history of right-wing or left-wing parties. The statement can be reversed: a person who thinks of himself or herself as more left-wing than another is predicted to have less market-friendly views in a country with a longer history of right-wing or left-wing parties.

A big question is how one can know which of the following two statements describes the real causality:

- (1) Market friendliness is positively correlated with religiosity because right-wing capital and left-wing ideological capital are accumulated.
- (2) There have been right-wing and left-wing parties in the country (and therefore a lot of ideological capital) because market friendliness and religiosity are correlated in voters' minds.

What might make us interpret the results in Table 3 as evidence supporting statement (1) is that the right-wing and left-wing ideological capital variables refer to the past. They are the accumulated number of years with right-wing or left-wing parties in the period *ending* in the year in which market friendliness and religiosity are measured, and current beliefs do not affect the political landscape in the past. This does not exclude reverse causality altogether, however. A current correlation between market friendliness and religiosity might easily mean that the two have been correlated for a long time. And this long-standing correlation might be a reason why there are two well-defined wings in politics.

5 | COMPONENTS OF RELIGIOSITY

Focusing on the components of religiosity instead of its aggregate index might be useful in giving further support to the causality I have argued for. If it is political identity that leads to the positive association of the two sets of beliefs, and not vice versa, then it is beliefs, not the other components of religiosity, that should matter.

Table 1 illustrates which questions the two components of the religiosity index are built up from. The component *belief* uses those questions that are concerned with the religious beliefs of the respondent, while the component *practice* is concerned with his or her religious practice such as church attendance. The religiosity index and its components, as well as the index of market friendliness, are standardised by country and wave.

Columns (3) and (4) of Table 2 repeat the simple regressions in columns (1) and (2) of the same table with the components that have just been described. These results show that it is most of all *belief* that is responsible for the difference of the West found in column (2). The effect of religious practice is negative and significant at the 1 per cent significance level.

Columns (3) and (4) of Table 2 show, therefore, that Western uniqueness is most consistently shown in *belief*, as opposed to the component *practice*. This, I think, supports the idea of causality presented above, which suggests that the results of Table 3 should also be repeated with the components of religiosity and should lead to similar results.

This is what is done in Table 4, in which there are at least two things that should be noticed. First, it is the component *belief* whose interaction term with right-wing capital is consistently and significantly positive; this does not hold for the component *practice*. Second, the inclusion of the interaction of right-wing capital and of political identity reduces its size: the coefficient of $belief \times rwk$ is larger in column (1) than in column (2).

Columns (3) and (4) of Table 4 replace the ideological capital based on the ideology measure of the main parties with that based on the ideology measure of the chief executive's party, the latter being obtained also from the DPI database (Cruz et al., 2021a). The results are now weaker regarding its interaction with the *belief* component as well as with political identity. The fact

TABLE 4 Religious denominations and ideological capital as independent variables

Indep. vars.	(1)	(2)	(3)	(4)
	Ideology of the major parties		Ideology of the chief executive's party	
belief	-0.015*** (0.003)	-0.022*** (0.003)	-0.019*** (0.003)	-0.025*** (0.003)
practice	0.005* (0.003)	0.010*** (0.003)	0.005* (0.003)	0.009*** (0.003)
belief \times West	0.025*** (0.007)	0.020*** (0.008)	0.040*** (0.006)	0.036*** (0.007)
practice \times West	0.002 (0.007)	0.006 (0.008)	-0.001 (0.006)	0.007 (0.007)
belief \times rwk	0.015*** (0.003)	0.007** (0.003)	0.008*** (0.002)	0.003 (0.003)
belief \times lwk	-0.001 (0.002)	-0.006** (0.003)	0.000 (0.002)	-0.003 (0.003)
belief \times ck	-0.004* (0.002)	-0.002 (0.002)	-0.001 (0.002)	-0.001 (0.002)
practice \times rwk	-0.001 (0.003)	0.002 (0.003)	-0.003 (0.002)	-0.001 (0.002)
practice \times lwk	-0.009*** (0.002)	-0.004 (0.003)	-0.009*** (0.002)	-0.007 (0.001)
practice \times ck	-0.005** (0.002)	-0.005** (0.002)	-0.005*** (0.002)	-0.004 (0.002)
pol. id. \times rwk		0.062** (0.002)		0.055*** (0.002)
pol. id. \times lwk		0.069*** (0.003)		0.045*** (0.003)
pol. id. \times ck		-0.004 (0.002)		0.008*** (0.002)
pol. id.		0.094*** (0.002)		0.098*** (0.002)
rwk	-0.002 (0.009)	0.015 (0.010)	0.019** (0.008)	0.038*** (0.009)
lwk	0.000 (0.008)	0.007 (0.009)	0.014 (0.009)	0.025** (0.010)
ck	-0.006 (0.007)	-0.005 (0.008)	-0.013* (0.007)	-0.009 (0.007)
Obs.	282,542	230,184	282,542	230,184
Countries	95	91	95	91
Adj. R ²	0.027	0.049	0.027	0.043
F (belief)	2.48	0.04	14.18**	3.37*
F (practice)	0.26	5.91**	0.53	8.21***

Notes: *: significant at 10%; **: 5%; ***: 1%. Standard errors are in parentheses.

Dummies for countries and religious denominations and waves, and other controls are included as independent variables but not shown.

An *F*-test is concerned with the joint significance of the variable in parenthesis and its interaction with the West dummy.

rwk, lwk, ck: right-wing, left-wing, and centrist ideological capital.



that the regressions with the ideological capital of the major parties give stronger results than do those with the ideological capital of the chief executive's party seems to be in line with the idea that it is rather the dimensionality of politics, the political landscape, that matters for the association between religiosity and market friendliness than the position of one single party.

The *F*-tests of the net effects are also stronger with the ideology of the chief executive's party, which shows that the latter has less explanatory power than the ideology of the main parties. The net effect of belief is significant only in columns (3) and (4); practice has a significant effect even in column (2) but this effect is not different in the West.

The results in columns (3) and (4), Table 2 and in Table 4 give support to the argument I have made in this article. It is what a person believes, not his or her religious practice, whose relation to ideas on the market economy is different in the West from elsewhere. The results do not refute the argument that the association between the two sets of ideas is a result of persuasion outside the church.

6 | CONCLUSION

I have presented a two-part argument about how and why religiosity and market friendliness are positively related. First, the positive association of the two sets of ideas at the individual level is a unique feature of the West. Second, this Western uniqueness is not automatically implied by Christianity itself but presupposes cultural and political entrepreneurship – ideological innovations if you will – that bundle these ideas in a way that can be ‘sold’ to voters.

At the country level, the Western countries are also those with a low level of religiosity, because of the secularisation of the past decades. As a result, there is a positive relationship between religiosity and market friendliness in the West, but not elsewhere, while the countries of the West have a low share of religiosity. Together with the fact that these countries are the most developed market economies, we can observe a negative correlation between religiosity and market institutions at the country level.

A broader conclusion may be that cultural explanations of institutional change and economic development should pay more attention to ideologies and their development through the process of cultural and political entrepreneurship. Deep-seated cultural values might change too slowly to explain institutional and economic change. Political and cultural entrepreneurship can, however, discover new bundles of traditional values and market ethics. Interesting questions might further be asked about the factors that shape that process.

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NOTES

¹ See for example, Arruñada (2010), Arruñada and Krapf (2019), Ferguson (2004), or Nelson (2012).

² Jordaan and Dima (2019), however, conclude that the negative effect is only the direct effect of post-materialism. The indirect one works through institutions and increases growth.

³ In the broadest sample, which includes 103 countries, Andorra, Austria, Australia, Belgium, Canada, Switzerland, Cyprus, Germany, Denmark, Spain, Finland, France, Britain, Northern Ireland, Ireland, Iceland, Italy, Luxembourg, Malta, The Netherlands, Norway, New Zealand, Sweden, and the United States are considered as Western.



- ⁴ The summary statistics of the key variables can be found in Table A1 in the Appendix.
- ⁵ Dummies for denominations come from variable F025 of the IVS. The variable Protestant is equal to 1 if F025 is either 'Protestant' or 'Other Christian' (Evangelical/Pentecostal/Free church/etc.).
- ⁶ Question E033 in the IVS; a higher value means a more right-wing identity.

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APPENDIX

TABLE A1 Summary statistics of the key variables

Variable	mean	std. dev.	min.	max.	obs.
religiosity	−0.017	0.997	−6.219	4.936	298,491
West	0.261	0.439	0.000	1.000	298,491
belief	−0.016	0.997	−6.614	4.405	298,491
practice	−0.030	0.994	−4.790	6.301	298,491
pol. id.	0.004	0.996	−4.882	3.528	242,935
Catholic	0.237	0.425	0.000	1.000	298,491
Protestant	0.138	0.345	0.000	1.000	298,491
rwk (major parties)	0.027	1.007	−1.369	1.639	282,542
lwk (major parties)	0.047	0.984	−1.877	2.142	282,542
ck (major parties)	0.002	1.003	−0.648	3.350	282,542
rwk (chief executive's party)	0.054	1.010	−1.029	2.990	282,542
lwk (chief executive's party)	0.047	0.996	−1.082	2.753	282,542
ck (chief executive's party)	−0.011	0.995	−0.568	4.504	282,542

Notes: The statistic of each variable is calculated from the broadest sample of the regression in which the variable in question is included.

rwk, lwk, ck: right-wing, left-wing, and centrist ideological capital.