

IZA DP No. 7188

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January 2013

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Discussion Paper No. 7188
January 2013

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ABSTRACT

Competition vs. Monopoly in the Religious Marketplace: Judaism in the United States and Israel*

Economic analysis is used to compare different paradigms for understanding the marketplace for religions and religious ideas. The “Sacred Canopy” paradigm views it necessary for social stability to grant monopoly power to an official state religion. The “New Paradigm” views separation of Church and State, leading to competition in the religious marketplace, as guarantor of freedom of conscience. Judaism in the United States illustrates the outcome in a competitive religious environment. Judaism in Israel illustrates the outcome in a monopoly experiencing potential competition, possibly leading to an oligopoly structure.

JEL Classification: Z12, Y80, L00

Keywords: religion, religious marketplace, new paradigm, monopoly, competition, Judaism

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* Based on a paper presented to the *Conference on Religion and Economic Liberty: A Match Made in Heaven?* in Jerusalem, Israel, May 20-24 2012. This conference was sponsored by the Jerusalem Institute for Market Studies (JIMS) in honor of the 100th anniversary of the birth of Milton Friedman.

The Constitution of the United States of America was the late 18th century's Great Experiment on two fronts. It gave the common people freedom to elect their own rulers, a condition that was widely supposed to result in political anarchy. It also separated the powers of Church and State, a condition that was widely supposed to result in moral anarchy and degeneration. As we know from hindsight, neither of these suppositions came to pass, and both of these freedoms are treasured as fundamental to the American national identity. The Constitution also secured free interstate trade and the interstate movement of free people, thus supporting the competitive markets that are a prerequisite for true political freedom. This paper looks anew at the relationships between economic, political, and religious freedom from the perspective of recent literature on the Economics of Religion.

The Religious Marketplace

Religious groups compete with each other for followers. This is explicit in a country with religious pluralism, but even in countries with an official religious establishment there are always non-believers as well as dissenters and dissenting religions. (Surely no one understands this better than the Jews, a people who have followed their own religion in many different countries – and time periods – with an official religion other than Judaism.) Sociology views competition as waged in a “marketplace of ideas,” the implicit “price” of an idea being related to its compatibility with a person's non-religious ideas and emotional preferences. Economics looks at religion as a “self-produced consumer good,” the price of which is related to the resources – time and money – required for religious observance. As with any such good, the quantity demanded is negatively related to its full price – the money price plus the value of time spent consuming it – and positively related to income.

Establishing an “official” state religion is analogous to granting a monopoly to a business enterprise. Monopoly is justified by a desire to control the market, often in the belief that competition is inefficient and wasteful of resources. Similarly, governments establish an official religion in the belief that it will bind citizens into a single society and buttress their loyalty to the nation. We economists know, however, that a competitive industry actually uses resources more efficiently than a monopoly, produces more output, and charges consumers a lower price. Similarly, we observe that the citizens of religiously pluralistic countries, characterized by free entry and exit of religious groups and even religions, are if anything even more religious than people in countries with an official State religion. A religious monopolist, like an industrial monopolist, relies on the protective power of the State to prevent entry by new firms offering their product for a lower price or higher quality. In extreme cases other religions are outlawed, perhaps even punishable by death, but in any case dissenters are subject to rules established by the official Church. (Note: Church is used here in its generic sense to mean the institutional structure of the relevant religion.)

In recent decades, a substantial literature in the Sociology of Religion has expanded on this theme, drawing many implications from the analogy of a religious marketplace. This literature speaks of a new paradigm for understanding religious behavior. The old paradigm, often referred to as the “Sacred Canopy,” presumes that the common man would sink into moral anarchy without a leadership instructing him in correct religious belief and when necessary even compelling correct behavior. The so-called “New Paradigm” presumes that religion is a matter of conscience and that the common man is just as capable as anyone else of behaving morally, regardless of his religious choices.

The Sacred Canopy

In awarding monopoly power to a religious group, the State typically undertakes no responsibility for religion other than enforcing that monopoly. That is done by a bureaucracy headed by a CEO – a Pope, a Chief Rabbi, or some other Head of Church. The Head of Church delegates tasks to appointed functionaries, some of whom are clergy and some laymen. The central bureaucracy appoints and supervises regional and local representatives by establishing local churches (or church-equivalents) and sending clergy to staff them. The church bureaucracy also provides para-religious services such as caring for the sick and the needy, educating children, or publishing reading matter deemed appropriate for the faithful. The Head of Church, like any good CEO, is the public face of the religious group and its spokesperson when dealing with public officials. He is the ultimate lobbyist for religious interests, and he is also the object of government pressure in cases of conflict between Church and State.

By establishing a religious monopoly, State and Church enter into a symbiotic relationship. The State can use its legal powers to enforce religious law in general, and the religious monopoly in particular, and the Church can use its moral power to promote social stability in general and the government's legitimacy in particular. The Church undertakes to provide social services to the population, and the State agrees to provide it with revenues, sometimes by giving it (and enforcing) the power to tithe but more often by allocating to the Church some of the government's tax revenues.

Much as local rebellions or warlords threaten the legitimacy and power of the State, competition from other religions or dissenting churches threaten the legitimacy and power of an established Church. The Sacred Canopy is a sort of bargain between the two powers: the State awards and enforces the monopoly power of the Church, the Church supports the State and provides social stability among its people. Like any monopoly, however, an established Church

is a “price-setter” in the religious marketplace, reducing the quantity and quality of its product so as to maximize the excess of revenues over costs. Adam Smith made this point eloquently:

The teachers of [religion]...., in the same manner as other teachers, may either depend altogether for their subsistence upon the voluntary contributions of their hearers; or they may derive it from some other fund to which the law of their country may entitle them....Their exertion, their zeal and industry, are likely to be much greater in the former situation than the latter....The clergy of an established and well-endowed religion frequently become men of learning and elegance...but they are apt gradually to lose the qualities, both good and bad, which gave them authority and influence with the inferior ranks of people...Such a clergy...have no other resource than to call upon the magistrate to persecute, destroy, or drive out, their adversaries, as disturbers of the public peace.¹

In effect, a Church supported by government revenues enjoys a rent analogous to monopoly profit, as it “gradually” reduces the quality of service delivered to the public even as average revenue (received from taxpayers) rises above average cost.

Religious Pluralism

A competitive marketplace requires free entry and exit of firms. Whether an entrepreneur enters an existing industry or tries to sell a new product, the new startup succeeds or fails depending on whether customers can be found to buy its output at a price that covers costs. In a competitive religious marketplace, anyone can start a new congregation or even a new religion, but whether the new church succeeds or fails depends on its ability to attract followers. Religions compete with each other for adherents, and congregations compete with each other for members. This competition provides consumers with a variety of options, and consumers typically sort themselves into religious groups according to their spiritual and social preferences.

Competition in the religious marketplace results in a “congregationalist” market structure where each congregation is independently founded and funded by voluntary contributions from

¹ Adam Smith (1776), *The Wealth of Nations*, Book V, Chapter I, Article 3. Modern Library: New York, 1937, pp. 740-41.

its members. Laymen manage the congregation, including the hiring – and firing – of clergy. Clergy compete with each other for congregations, and congregations compete with each other for clergy. Just as a competitive industry operates without the direction of an industry-wide CEO, congregationalism operates without a Head of Church. Congregations within the same religious group often form an “umbrella” organization – that is, an organization whose members are congregations rather than individuals – to serve common interests and to present a single face to the outside world. Congregationalism also gives rise to para-religious organizations, non-church institutions for social welfare and other activities associated with a specific religion but not actually religious and not efficiently served by each congregation separately. In a competitive religious market the functions served by a State religion are fulfilled by the combined activities of churches (or church-equivalents), their umbrella organizations, and the para-religious organizations affiliated with that religion.

Judaism in the United States is congregationalist because of the American separation of Church and State. Jewish consumers of religion face a wide variety of options, ranging from the ultra-orthodox to the almost secular, and can select a synagogue that best meets their religious preferences. Synagogues are funded by membership fees and donations and managed by laymen, typically a president, treasurer, and board of directors elected by the congregation. The lay leadership hires the clergy – usually a rabbi and a cantor – in a labor market where they compete with other synagogues and where clergy compete with each other for synagogue positions.

Although some synagogues prefer to remain unaffiliated, most join together in one of the synagogue “movements,” the major ones being Reform, Conservative, Orthodox, and Reconstructionist. Each of these synagogue movements has its own umbrella organization: the

Union for Reform Judaism (formerly Union of American Hebrew Congregations), the United Synagogue of Conservative Judaism (formerly United Synagogues of America), the Union of Orthodox Jewish Congregations of America (known as OU, the Orthodox Union), and the Jewish Reconstructionist Movement (formerly Jewish Reconstructionist Federation). The umbrella organizations serve religious functions beyond the scope of individual synagogues, such as the training of clergy and curriculum development for synagogue-based religious classes.

The American Jewish community also supports a wide variety of para-religious organizations unaffiliated with any particular synagogue or synagogue movement. These include organizations serving the welfare of individuals (e.g., hospitals, orphanages, food banks), of the Jewish community as a whole (e.g., Bnai Brith, Anti-Defamation League, Hillel Foundation), and of world Jewry (e.g., a wide variety of Zionist organizations). The para-religious organizations in each community typically join together in a Jewish Federation, and these affiliate in turn with their national umbrella organization, the United Jewish Communities (UJC). The community supports the non-religious activities of the Jewish para-religious organizations through a joint fund-raising campaign conducted annually by the local Federation.

Oligopoly and Potential Competition

Judaism in Israel is structured very differently than Judaism in the United States. Israel's government has a Ministry of Religious Services that grants monopoly "licenses" to representatives of several religious groups. Jewish affairs are the responsibility of an official Board of Rabbis presided over by two Chief Rabbis (alternating each year), aided by local Religious Councils funded jointly by municipalities and the Ministry of Religious Services. The Chief Rabbis and their Board approve the appointment of municipal rabbis, and the Ministry has a development budget which sometimes contributes to the establishment of new synagogues.

The local Religious Councils, which usually follow the religious directives of the rabbinate and administrative guidelines set by the Ministry, have exclusive legal power to register Jewish marriages, but the Chief Rabbis and their Board decide which rabbis may perform those marriages. Local councils manage the ritual baths within their municipal boundaries, but the central Board of Rabbis manages a Rabbinical Court with exclusive power for Jewish conversions and a dozen other Rabbinical Courts with absolute authority over Jewish divorces. The central religious authority also oversees a network of kosher supervisors, determines who may be buried in a Jewish cemetery, and responds to queries on religious matters from Jews around the world.

For historical, political, and religious reasons, Israel wants to remain a Jewish State rather than follow the American model of religious pluralism. Yet the recent growth of dissenting Jewish groups, whether indigenous to the Israeli Jewish population or Israeli branches of the American synagogue movements, is evidence that the religious establishment monopoly is not meeting the diverse needs of the lay population. When it has difficulty competing with dissenters in the marketplace of ideas, the establishment expects the government to enforcement its monopoly over religious affairs. As Adam Smith observed, this is the inevitable result of a monopoly following its own best interest.

In Israel's religious politics, "pluralism" does not refer to the disestablishment of the State religion but rather the licensing of different Jewish groups to create a sort of oligopoly, or "monopolistic competition," in the market for religious Judaism. Israeli branches of the American synagogue movements have been working for recognition as legitimate forms of Judaism whose clergy have legal rights comparable to those of the religious establishment. The greater the government subsidy involved in this protected market, the greater the incentive to

acquire official status. From the monopolist's point of view, the more effective the emerging competition, the greater the incentive to block dissenters. As of this writing, monopolist and dissenting groups alike allocate considerable resources to politics. Although Israel's religious establishment has the lion's share of resources and a large voting bloc at the polls, dissenting groups have had some success in Israel's courts and have the sympathy of a growing share of the population.

The outcome of Israel's political "religious war" may be an oligopoly in which multiple religious groups are recognized as authentic Judaism. Alternatively, a "potential competition" structure may emerge in the Jewish religious marketplace. Potential competition leads a monopoly to voluntarily keep its own "profits" low enough to discourage new firms from entering the market. (In business, this is most likely to happen in industries where start-up costs are high but not prohibitive.) The idea is that if the religious establishment doesn't want to lose its monopoly power, it may undermine alternatives (dissenting groups) by better serving the religious needs of the population. The only incentive for this, however, is a credible threat from dissenting groups for pressure to be recognized and from the State to accede to their pressure.

Judaism and Religious Freedom

The idea of the Sacred Canopy is ancient, in Judaism as in virtually every other major religion. Torah itself establishes a priesthood, headed by the High Priest, ruling over religious affairs independently of the Head of State. Yet the Torah also supports the idea that ordinary people are capable of religious freedom without intermediation from that very priesthood. The passage most quoted to this effect is from Moses' final message to the Jewish people shortly before his death, in which he describes Torah as follows:

For this commandment which I command thee this day is not too hard for thee, neither is it far off. It is not in heaven that you should say "Who shall go up for

us to heaven and bring it unto us and make us hear it, that we may do it?" Neither is it beyond the sea that you should say "Who shall go over the sea for us and bring it unto us, and make us hear it, that we may do it?" But the word is very close to you, in your mouth, and in your heart, that you may do it.²

This summation toward the end of the Torah expresses a faith in the religious sensibility and integrity of the common man. It is this same fundamental principle that inspired the separation of Church and State in the United States' Constitution and gives us the "New Paradigm" for understanding behavior in the religious marketplace.

² Deuteronomy 30:11-14