

# A Framework for Understanding the Relationships between Religions and Markets

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*Religions and religious institutions affect markets in a variety of ways. The objectives of this study are threefold. First, it details the parameters of market activity affected by religions and religious institutions. Second, it discusses the ways in which religion exerts authority over the activities of markets. The presence of authority is a necessary prerequisite for religious influence on markets. Third, religious authority is used as a framework to understand how traditional questions of macromarketing inform, and are informed by, the intersection of religions and markets. The article uses the framework of religious authority to explore the variety of effects of religions on markets and markets on religions.*

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**T**he discipline of macromarketing involves the study of the impact of marketing systems on society and the consequences of society for marketing systems (Hunt 1981). A thorough understanding of the macromarketing environment should include the study of major social phenomena and their impact on and relationship to marketing systems. Included among any list of major social systems should be religion and its related institutions. Investigating the relationships of religion and marketing systems is important for a thorough understanding of the impact of culture on marketing systems and vice versa.

Macromarketers have had an interest in issues of religions and markets (cf. Klein 1987, 1997; Naughton and Lacznik 1993; Mittelstaedt, Klein, and Mittelstaedt 1998). The bulk of research in this area, however, has been left to business ethicists (cf. Gustafson 1984; Krueger 1986; Leahy 1986; Stackhouse et al. 1995; Wilson 1997; Dalla Costa 1998; Rosenthal and Buchholz 2000), reflecting the strong conceptual link between religion and ethics. These authors recognize the effects of religion on ethics and ethical systems, and this has become the major lens through which the relationships between religions and markets are viewed. Ethics is an important link between religions and markets but is neither wholly nor exclusively the context of religion or its impact on markets. International business and international marketing management texts recognize that religion affects international business decisions as well (cf. Ball and McCulloch 1993;

Griffin and Pustay 1996; Hill 1994; Kotabe and Helsen 1998; Cateora and Graham 1999). While acknowledging the effects of religion on markets, though, these works usually offer evidence of why religion is important to business but not how religion affects the activities of markets.

Recent advances in the understanding of religious effects on business include tradition-specific works, from Christian, Jewish, Muslim, and Buddhist perspectives. Other studies are topic specific, including Lewison's (1999) research on religion and usury and Ali, Camp, and Gibbs's (2000) work on the Ten Commandments and organizational authority. Still lacking, however, is a framework for understanding the variety of relationships between religion and the activities of the marketplace, as well as the kinds of marketplace conflict that might arise from such interactions.

How does religion (its institutions and beliefs) affect the activities of the marketplace? Religion is one of the foundations of moral teachings in most civilizations (Bowen 1998), and as such it defines and informs the kinds of problems faced in the market by buyers (consumers) and sellers (marketers). Scholars need to understand the effects of religion on the kinds of issues they face in business and, more important, how these issues are defined, informed, and regulated by religion. This is the domain of macromarketing. Understanding the relationships between religions and markets should be important to macromarketing since religions affect the foundations of people's understanding of the world and thus their understanding and acceptance of markets and marketing institutions. As we will see, religion affects perceptions of development, quality of life, appropriate standards of exchange, and competition.

The purpose of this study is to offer a descriptive model for understanding the complexity of interactions between religions and religious institutions and markets and market participants. This article proposes that religion affects the basic parameters of markets, from which markets and marketing systems develop, and that these effects can be understood by examining the mechanisms by which religion exerts authority over the activities of markets and market actors. The rich

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research traditions of macromarketing provide a structure for understanding the variety of effects of religions on markets, as well as the effects of markets on religious beliefs and institutions.

This article is organized around three questions. First, does religion affect the parameters and activities of markets and marketing systems? We will see that religion affects, or has affected, what is traded, the rules that govern trade, and when and where markets occur. Second, how does religion affect markets? The critical component needed for religions to shape markets is authority. Four sources of authority are examined: political, institutional, social, and competitive. We will see that the effects of religions on markets depend on the form of authority, and examples will be developed in each case. Finally, what is the intersection between religion and macromarketing? The answer is twofold. First, the streams of research within the domain of macromarketing both inform, and are informed by, our understanding of religious influences on markets. Through the various forms of authority, religion shapes the activities of markets and the marketing systems that result. In each case, macromarketing offers a lens through which these issues are understood. Second, the framework describes the effects of markets on religion as well. For these reasons, economic development, quality of life, and business ethics research should take religion into account. Examples are drawn from the monotheistic traditions of Judaism, Christianity, and Islam.

## RELIGIOUS EFFECTS ON THE PARAMETERS OF MARKETS

The teachings and religious institutions of Judaism, Christianity, and Islam, as well as other religious traditions, have affected the nature of economic activity in the marketplace in a variety of ways. Religion affects (1) what we trade, (2) how we trade, and (3) when and where trade occurs. The examples that follow show that differences in markets can reflect differences in how religious traditions have interpreted obligations of people to each other, and to God, and how markets deal with these obligations. Marketing systems, like controllable marketing variables, take their shape from conditions under which markets come into being. Marketing strategy presupposes the existence of markets. It is in the origin and shape of markets that religion plays its most important role.

### Religions Affect What We Trade

Most religious traditions prohibit, discourage, encourage, or obligate the trade of certain products in the marketplace. Insurance is one example of a product whose trade is restricted by the religious teachings of Islam. Commercial insurance as we know it in the United States is prohibited under Islamic law (*Shari'ah*). Commercial insurance violates two basic restrictions of trade in Islamic economic theory, the

prohibitions of *riba* and *gharar*. The prohibition of *riba* ("unlawful gain" [Coulson 1964] or "unjustified profit" [Schacht 1964]) is based on the notion that the weak should be protected from the exploitation of the strong (Saleh 1986). If someone benefits from excessive profit, then another must necessarily suffer loss by the same transaction. *Gharar* refers to uncertainty of quality, quantity, price, or even the existence of countervalues to be exchanged (Saleh 1986). For example, the sale of dates when they are unripe and unharvested, to be exchanged at some future time of ripening, is prohibited because the future quality and quantity of the dates are unknown (Schacht 1964).

Today, as in the past, concern for *riba* and *gharar* serve as the basis for prohibiting the sale of insurance in Islam (Organization of the Islamic Conference 1986; Wilson 1997). If the value of the policy exceeds the payments of the policy holder, then the beneficiaries' gains exceed the investment of the deceased; this is prohibited as both excessive gain (*riba al-fadl*) and as gain based on the exchange of like-for-like, but at different times (*riba al-nasi'a*). Furthermore, uncertain pecuniary countervalues are involved (*gharar*); while the face value of the policy is known, the number of payments made until redemption of the policy cannot be known.

These prohibitions apply to commercial insurance, though not to mutual aid societies (Council of Senior Ulama of Saudi Arabia 1978; Wilson 1997). The latter involve gratuitous contracts among individuals who agree to provide cash to others who might feel loss. The distribution of risk and the mutual agreement to share another's burden do not constitute *gharar*. In addition, mutual aid societies are free from the dangers of *riba* because the intent of those involved is not a contract of exchange. Participants are unaware of any future gain they might receive personally, so the intent of the prohibition is not violated. Recently, markets for insurance acceptable to these Islamic standards and U.S. law have developed to meet the growing demand of Muslim consumers in the United States (Buggs 1999).

Just as a religion can limit exchange behavior through market prohibitions, religious institutions can encourage, or even oblige, followers to engage in exchange behavior. While the celebration of Christmas is not obliged in Christianity, gift-giving behavior has become an important aspect of this religious tradition, and Christmas has become the most important commercial season in many predominantly Christian countries (Erb 1985). Similarly, sacrificial consumption in eighth century (B.C.E.) Israel led to the development of large industries designed to supply animals used in religious sacrifice (Silver 1983). In both cases, markets developed to meet the commercial needs of religious obligation.

### Religions Affect How Trade Occurs

Religion and religious institutions can influence the rules of trade, specifically contracts and their enforcement. Jewish and Islamic jurisprudence developed independently of

European legal thought, particularly in the function and practice of contracts, reflecting—and affecting—how trade was to be conducted.

Under Western common law, contracts are enforceable if they meet four basic requirements: agreement, consideration, contractual capacity, and legal object (Cheeseman 1995). The “equity” of a contract is a question of negotiation to be settled prior to agreement. Courts rarely overturn contracts because they lack equity of outcome; “fairness” is a question of how agreements are enforced, but not their consequences.

By contrast, Islamic jurisprudence is concerned with the equity of the outcome of a contract. Again, the issue of *riba* arises in a variety of ways. The function of the prohibition of *riba* in contract law is to ensure that contracts do not afford one party unjustified gains at the expense of another. Contracts are valid if, as a consequence of the contract, no party to the contract is worse off than they were before the exchange (Schacht 1964). A contract can be overturned if the outcome is unjustified, even if obligations set forth in Western common law are met. The “fairness” of a contract is judged in terms of outcomes, not just inputs.

Similarly, the Mishnah, the legal code of Judaism, post-200 C.E., detailed appropriate behavior of the marketplace consistent with what was considered the way of life and worldview of Israel. The objective of the Mishnah was to ensure that no party gained or lost in any transaction (Neusner 1990; Wilson 1997). All exchanges were to be of equal value. Markets allowed for specialization, but no party was to end up with more or less after a transaction than she or he had before the transaction. This approach ensured stability in the political and social order. Social stability as a priority extended to the sale of land and other forms of property. Since God gave the land to Moses and his followers, God was thought to be a co-owner of the land and, as such, had certain rights to specify the form of contracts. The principle of equivalence of exchange sacrificed the efficiency of the market for the more important objective of social stability (Neusner 1990). The examples of trade restrictions from these traditions do not share the economic assumption that exchange is a mutually beneficial, plus-sum activity. Rather, these two religious traditions assume a zero-sum outcome to exchange. Contracts are written to reflect this view of exchange.

### **Religions Affect When and Where Trade Occurs**

Finally, religious traditions have affected the time and, in some cases, the place that markets occur. In the United States, “blue laws” prohibiting retail trade on Sundays originally were based on Christian objections to work on holy days (Ingene 1986; Laband and Heinbuch 1987). In a multi-religious community, the business hours of shopping districts reflect the diversity of religious traditions. In Jerusalem, for example, shops in Jewish neighborhoods are closed on Saturdays and in Christian neighborhoods on Sundays. In the

polytheistic environment of pre-Islamic Arabia, security for travelers was guaranteed only as far as the territorial limits of one’s tribe—only as far as the authority of one’s own god (Hodgson 1974). The one exception to this, when unrestricted travel was permitted, occurred when travelers were on religious pilgrimage. As a consequence, pre-Islamic polytheistic centers of pilgrimage, such as Mecca, became important commercial centers (Watt 1961). Today Meccan markets still depend on the pilgrimage trade.

While religion and religious institutions can limit when and where markets exist, they can serve also to encourage or obligate the existence of markets. Markets in pre-Norman England were frequently organized around religious holidays and monasteries (Hotchkiss 1938). Sunday services offered people a reason to gather for peaceful purposes. Churches would even provide stalls for trade following services. Sunday markets were the practice until Elizabethan times, when these peaceful markets were banned. In addition, celebrations honoring saints brought together people from a wide area, and fairs developed around holiday celebrations (Hotchkiss 1938).

## **FORMS OF RELIGIOUS AUTHORITY IN THE MARKETPLACE**

The examples given above describe religion’s influence over what can be marketed and how, when, and where marketing can occur. In each case, religion shapes or has shaped the parameters of market activities. These underlying parameters of markets (what, how, when, where) affect the shape of pricing, distribution, product variety, and promotion decisions of marketers.

Left unanswered, though, is the question of *how* religion affects these parameters. The answer is that, one way or another, religion exerts authority over the activities of, or participants in, markets. Religion can exert authority over market activity in four ways: politically, through sheer force; institutionally, through control over nonmarket aspects of life; socially, by shaping expectations of individual and firm behavior; and competitively, when religious organizations participate directly in the marketplace by offering goods or services. Each category occurs under different conditions, and each has its own consequence for how religion shapes the opportunities and limitations of participants in the marketplace.

### **Political Authority**

*Political authority* over markets is the explicit regulation of trade by religious sanction. It is direct authority of religion over the conduct of trade, through market policy, intended to affect what, how, when, and where trade occurs to achieve some larger political end. The legal existence and activities of markets depend on the graces of the religion and its political actors.

Blue laws are a historic example of religious prohibition of when trade can take place. The Islamic prohibition of the sale of insurance is an example of what can be traded, while contract law is an example of regulation of how trade is conducted. These direct effects of religions on markets presuppose that religious institutions possess the political authority, in part or in whole, to regulate markets.

Often, the intended use of political authority is to make as policy the distributive justice principles of a religion. Religious traditions develop systems of distributive economics based on religious priorities to fulfill a rationale of *why* trade should occur. Historically, in Judaism, the Mishnah prescribed exchange behaviors consistent with the notion of sanctification (Neusner 1990). The Jewish community was sacred, and the objective of exchange was to maintain the sanctity of the community. This meant keeping Israel distinct from the surrounding world and ensuring stability within the community. Kosher and usury laws served these functions. In Islam, the central distributive objective is adherence to the teachings of the Qur'an. The prohibition of usury serves to place communal needs before individual ones. In each case, the political expectations of marketplace behavior interpret appropriate economic behavior in the context of a larger "life ethic."

While this may seem a historic question, the political authority of religion is very much a contemporary issue. Absolute, or near absolute, religious authority is a political reality in Revolutionary Iran (Behdad 1994; Mazari 1996; Esposito 1998), in Sudan (Woodward 1997), and in Taliban Afghanistan (Bearak 1998; Marsden 1998; Matinuddin 1999; Popham 1999). Major Islamic political movements exist in Turkey, Egypt, and Algeria (Baker 1997; Gerholm 1997; Vandewalle 1997). In countries such as Saudi Arabia, where religious authorities (not the government) control the courts, sufficient judicial authority exists to direct the activities of markets, and Islamists are influencing litigation in Egypt, Lebanon, and Kuwait (A gentler Middle Eastern Islam 2000). The collapse of communism in Eastern Europe left a political void that is being filled by (literal) Christian Democrats (Karatnycky 1998). In addition, Shari'ah is now the law in the northern states of Nigeria (Onishi 2000; Nichols 2000), the Hindu-nationalist BJP controls the parliament in India, and small religious parties often hold power disproportionate to their numbers in Israeli coalition governments. Sectarian violence can be found in the Philippines, Indonesia, Sri Lanka, Lebanon, and the former Yugoslavia. In each of these cases, religious political authority affects markets and marketing systems.

Policy objectives of religiously political authority will reflect the ideology put forth by religious teachings. Political authority becomes the mechanism to turn theology into public policy. Consequences of distributive justice may or may not be successful, when judged by outside standards. Dixon and Polyakov (1997) argue that the process of sustaining

worthwhile quality of life is the process of deciding what, how, and for whom resources are used. These are political questions. By objective standards, countries with high religious political authority have low societal quality of life. For example, those countries where religion exerts the greatest political authority were classified as poor performers on measures of objective quality of life by Peterson and Malhotra (1997). In their study to measure and classify quality of life in 186 countries, Afghanistan, Indonesia, Nigeria, and Sudan were classified as "Troubled" states (scoring worst on "Freedom" and second worst on "Health"), and Iran was classified as a "Costly" state, along with Iraq, the Congo, and several other African dictatorships. None were considered quality-of-life success stories.

Understanding religious political authority is important in the context of the emerging global economy because low scores on economic quality-of-life indicators suggest that countries have not or will not engage in vigorous internal market liberalization. This is important for two reasons. First, internal market liberalization is important to unlock the market capital of the poor. De Soto (2000) argues that poverty in most developing countries is not the result of a lack of capital among the poor but the absence of legal systems that allow the poor to document and use the capital they possess. If one owns a home but does not hold title to it, the capital in one's home is essentially "dead." In countries where policies create inefficient markets, citizens are denied the opportunity to use their economic votes to enhance their quality of life (Dickinson and Hollander 1991). Second, internal market liberalization is necessary for countries to be positioned to take advantage of the opportunities of globalization. Ward (2000) observes that it makes little sense to liberalize markets across nations when domestic markets are still burdened by regulatory inefficiency.

Finally, inability or unwillingness to play by the rules of markets commonly accepted beyond the borders of a country affect a country's ability to participate in the benefits of external market liberalization efforts, such as the World Trade Organization (WTO). Neither Iran, Sudan, nor Afghanistan is a member of the WTO, and their citizens will be denied the benefits of trade liberalization. Improving objective quality of life requires nations to raise their standards of living, and this is extremely difficult when export-driven growth is not an option. Furthermore, consumers must either adapt their consumption practices to what the political circumstances allow or turn to illegal markets for goods and services (as is increasingly the case in Afghanistan) (Rashid 1995).

### **Institutional Authority**

Alternatively, the effects of a religious ethic on the behavior of the marketplace can be "derived" from religious authority over nonmarket areas of society. *Institutional authority* is the power to control some nonmarket aspect of life, with indirect effects on market behavior. The authority to regulate diet,

marriage, education, or other social institutions affects the *functions* of the marketplace. Islamic and Jewish dietary laws encourage trade of some foodstuffs while discouraging markets for others. One is hard-pressed to find a cheeseburger in Jewish or Muslim areas of Jerusalem. In most cases, it is not illegal to sell cheeseburgers; rather, no market for them exists. Control of diets is, *de facto*, control of the markets.

Examples of this phenomenon exist in Western nations as well. While city regulations allowed retailing activities on Saturdays (and blue laws prohibited trade on Sundays), stores in Lincoln, Nebraska's Seventh-Day Adventist neighborhood of College View were closed on Saturdays but open on Sundays, consistent with the religious observances of the Seventh-Day Adventist community (McKee 1984). On Sundays, generations of non-Seventh-Day Adventist Lincolniters took the trolley to College View for groceries, clothing, and emergency dental care.

Perhaps the single most important social institution shaped or controlled by religion is the institution of the family. In the Christian tradition, the shape and function of families were controlled through the mechanism of marriage. In Christianity, marriage is treated as monogamous and permanent, emphasizes the rearing of children, defines legitimate and illegitimate heirs, and regulates appropriate sexual relations. Noonan (1966) argues that this "European marriage pattern" shaped Western populations and their growth, until modern times. By defining the family, Christianity defined life in Europe.

Defining and controlling the basic social unit was critical to the establishment of Islam as well. In pre-Islamic Arabia, the basic social unit was the clan. The social system was matrilineal. Children belonged to the mother's family, and though authority passed through women to their daughters, it was administered by uncles or brothers. Women continued to live in their family's home after marriage since a woman's assets could not be easily separated from her family's wealth. Watt (1961, 153) explains the situation as follows: "Property would belong to the group communally, and would be administered by the chief woman's brother (on the mother's side) or by her eldest son." This created a situation where "it would be easy for a selfish and unsympathetic guardian to keep his wards unmarried so that he could have unrestricted control of their property" (p. 154). When family members died, their estates reverted to the matriarch's son or brother, who was then responsible for all members of the clan.

Necessary to Islam's success was a reorientation of the basic social unit. Through regulation of marriage (men could marry up to but no more than four wives), inheritance law (spouses, sons, and daughters inherited, and women and men owned property), and the *mahr* (the bride price paid by a groom to his wife to ensure her financial stability in case of death or divorce), Islam was able to change Arab society from a matrilineal to a patrilineal system and shift the basic social unit from the clan to the family. Given the political

environment into which Islam was born, it is difficult to imagine the success of the religion absent this shift in social order (Hodgson 1974).

Consider for a moment the effects on markets of controlling the origin, legitimacy, and dissolution of the institution of family. Today, who is included or excluded from a "family" affects housing and community planning, eligibility for health care and pension benefits, child rearing and day care, school systems and related property taxes, and family planning and population control. Arguments for and against birth control and abortion revolve around issues of family structure. Divorce, inheritance, and tax law all reflect control of the social institution of family. Contemporary debates over the "death tax," the "marriage penalty," property taxes, and school vouchers are grounded in our assumptions about family structure. What, how, when, and where all of these markets occur reflect whom we include in a "family."

In the case of institutional authority, religious control of nonmarket institutions shapes the expectations and satisfaction of citizens with their subjective quality of life. When religion controls the dominant social paradigm—"a society's belief structure that organizes the way people perceive and interpret the functioning of the world around them" (Milbrath 1989, 166)—then, as Kilbourne, McDonagh, and Prothero (1997) suggest, the quality of one's life will be defined and assessed through this lens, and the role of consumption will be judged according to its ability to sustain the dominant social paradigm. It becomes the function of markets to sustain the dominant social paradigm, and when religion controls the institutions of this paradigm, it controls the standards by which the success or failure of markets is judged. When the family is critical to the dominant social paradigm and markets appear to undermine family values, then greater market options are not seen as improvements.

### Social Authority

Through *social authority*, religion controls the cultural beliefs and expectations of market participants and defines the boundaries of socially acceptable behavior in the marketplace. Social authority is moral in nature, rather than legal or institutional. Here religious teachings and institutions shape cultural views and social expectations.

There is a long tradition of studying the effects of religion's social authority on market activities. Max Weber (1904-1905) described the effects of religious beliefs on the structure and organization of the marketplace. The Protestant ethic of self-discipline, diligence, and thrift, combined with an anxiety over one's destiny, created a new kind of person—"rational, ordered, diligent, productive" (Landes 2000)—critical to the development of capitalism in Europe and the West. Grier (1997) concludes that this ethic explains, in part, differences in economic development of former colonies in the twentieth century. He finds significantly different levels of economic development between former colonies of

predominantly Protestant (British and Dutch) and predominantly Catholic (Portuguese and Spanish) colonies and attributes these differences to the social authority of colonizing faiths. In the area of consumer behavior research, Hirschman's (1983) study of Jews, Catholics, and Protestants demonstrates that religion plays a role in defining a whole set of mores (political, sexual, and economic) that affect the consumption behavior of people and, as a consequence, the structure of markets.

Here, religion exerts its authority by shaping buying and selling behavior in the market. The effects of this type of religious authority are best understood through the prism of business ethics, and it is here that ethicists have made the greatest contribution to our understanding of religions and markets. Scholarship focused on the interaction between religion and business ethics begins with the premise that religion affects perceptions of right and wrong among followers and ethical market behavior. Much of this research echoes Hunt and Vitell's (1986) identification of religion as an important contributor to business ethics. Articles on religion in the business ethics literature fall into three broad categories: normative, comparative, and intensive.

*Normative* articles focus on the teachings and beliefs of one or more religious traditions and examine how these traditions can inform decisions in business ethics. They develop prescriptive themes that should shape the ethical behavior of a religion's adherents. Normally, they are not descriptive, and little empirical support is offered to demonstrate the actual influence of religion on individual decision making. They tend to be managerial in the sense that they focus on prescriptions for individuals or corporations confronted with ethical dilemmas. Recent advances in the understanding of religious effects on business include tradition-specific works, from Christian (Williams 1993; Rossauw 1994; McCann 1997; Andolsen 1997; Velasquez and Brady 1997; Roels 1997; Childs 1997), Jewish (Dorff 1997; Green 1997; Pava 1996, 1998a, 1998b; Tamari 1997; Friedman 2001), Muslim (Abeng 1997; Rice 1999), and Buddhist (Piker 1993; Gould 1995; Harvey 1999; Koehn 1999) perspectives. Other studies are topic specific, including Siker, Donahue, and Green's (1991) work on corporate ethics, Jackson's (1999) investigation of spirituality in international business ethics, and Lewison's (1999) research on religion and usury.

*Comparative* religion and business ethics research is empirical, descriptive work, as opposed to the normative work described above. Usually, this work looks at contrasting responses to ethical scenarios and then examines patterns of cultural difference to explain observed response differences. Religious tradition is measured or inferred, and the influence of the religious tradition on decision making is assumed. Prominent examples of this line of research include comparisons of value systems between Anglo-American and Far Eastern students (Kumar and Thibodeaux 1998); the integration of ethics in decision making between American and

Ukrainian business students (Kennedy and Lawton 1996); an investigation of business ethics in Thailand (Singhapakdi et al. 2000), China (Whitcomb, Erdener, and Li 1998; Harvey 1999), and Hong Kong (Snell 1999); and a comparison of different sectarian-based merchant classes in India (Iyer 1999).

Finally, some scholars have focused on the intensity of religious belief and its effect on ethical decision making. This work takes the perspective that religious teaching affects behavior to the extent that it is adhered to by believers. The greater the intensity of one's religious belief (religiosity), the greater the influence of beliefs on ethical decisions and actions. Barnett, Bass, and Brown (1996) examine religiosity in the context of whistle-blowing. They find no relationship between religiosity and idealism but do find a negative relationship between religiosity and relativism. Conversely, Singhapakdi et al. (2000) find the predicted relationships between religiousness and relativism but also between religiousness and idealism. Clark and Dawson (1996) investigate the effects of personal religiousness on ethical judgments. Contrary to their expectations, they find that the religious are more accepting of ethically questionable corporate behavior and are less likely to question corporate policies that do not clearly violate their personal religious beliefs than those measured to be less religious. Kennedy and Lawton (1998) argue that there should be a negative relationship between religiousness and willingness to engage in unethical behavior. They find a significant, negative relationship between intrinsic religiousness and willingness to engage in unethical behavior but no such relationship between extrinsic religiousness and ethical behavior.

All of these streams focus on the effects of religious teachings and beliefs on ethical decision making. Each makes a contribution but is limited by assumptions necessary to the work. The normative approach is limited in its application because it assumes that people believe and that people will do what they should do. The comparative approach assumes that differences in cultural response to ethical situations result from religious differences among cultures, but this link is often not well established. In the third case, the importance of religiousness is acknowledged, but results vary. This latter case may well be related to the difficulty of accurately measuring religiousness (Roberts 1990), although recent advances by Singhapakdi et al. (2000) offer hope in this area.

### Competitive Authority

Finally, religions affect markets when they compete, directly, by offering goods and services in the marketplace. This effect was first described in detail by Klein (1997), who examined the effect of religious hospitals, credit unions, and cooperatives on markets. Religious organizations are direct participants in markets, offering goods and services consistent with the missions of their organizations. Here religions exert *competitive authority*, where secular competitors must adapt their market strategies to account for the quality of

goods and services offered by religious organizations. Klein (1997, 7) says,

Church-sponsored institutions influence the marketplace in a variety of ways. Of course, they employ people and purchase goods and services. In these roles, they presumably “live out” their religious heritages in their policies and practices. The services they provide—education, health care, and counsel—affect people’s lives directly, one assumes for the better. They often provide “models” for comparable institutions outside the religious framework. But, most important, they provide services of a particular sort, in a particular way, and at a particular price that are either unavailable otherwise or that provide an option (i.e., competition) relative to secular institutions offering similar services.

Examples of these phenomena include primary, secondary, and collegiate educational institutions, hospitals, and clinics. Estimates by the National Catholic Education Association (1999) indicate that 8 percent of primary and secondary students in the United States attend parochial schools. More than 40 percent of colleges and universities in the United States affiliate themselves with religious organizations (U.S. News & World Report 1999). Often these institutions are intended to offer religiously based alternatives to secular institutions. The quality and price of services offered influence the competitive nature of the markets in which they operate. Religiously based hospitals may offer medical services at reduced rates, limiting the prices other private hospitals can charge. The quality of education at private, religious schools affects the satisfaction of students, parents, and taxpayers with the quality of education offered by public schools. Tuition tax credits or school vouchers would not be an issue if the quality of education offered in private schools was not as good or better than that offered by their public counterparts.

Here the effects of religion may be no different from any other market actor, except as they relate to the organization’s mission. A religious organization faces the same competitive pressures as other market actors but responds differently. Like any other competitor, it affects and is affected by the range of offerings available to consumers and the latter’s willingness and ability to “vote” with their dollars for those solutions they find most satisfactory (Dickinson and Hollander 1991).

### THE INTERSECTION OF RELIGION AND MACROMARKETING

Why should macromarketing care about any of this? The findings here should be of interest to macromarketers for two reasons. First, macromarketing is the lens through which these issues are best understood. Major streams of research within the domain of macromarketing can both inform and

benefit from understanding the effects of religion on the marketplace. Second, not only does this framework help us to understand the effects of religion on markets, but it also helps us understand the effects of markets on religions.

### Macromarketing as a Lens of Understanding

Macromarketers have long been interested in the effects of government policy on the ability of marketing to play a positive role in economic development (cf. Dholakia and Dholakia 1984; Kumcu and Firat 1988; Reddy and Campbell 1994). The role of policy in developing countries and emerging economies and the effects of policy on internal and external market liberalization cannot be fully understood in the absence of the political authority of religious organizations in these countries. This is true whether these countries are theocratic (e.g., Iran, Sudan, or Afghanistan), democratic but with growing religious movements (e.g., India, Turkey, Russia, or Poland), or politically torn along sectarian lines (e.g., the former Yugoslavia, Lebanon in the 1980s, the Philippines, Indonesia, or Sri Lanka). Our understanding of the role played by markets in developing and emerging economies is enhanced by understanding the role religion plays in formulating market-related public policy. If religious political authority shapes public policy, then marketers with an interest in marketing and public policy, or marketing and economic development, should be interested in the effects of religions on markets. Understanding the political influence of religion and its policy agenda helps us understand the policy development process within a nation. Objective quality of life will be affected by the role of religion in the political process.

Macromarketers should be interested in religious control of social institutions as well because it is through the success of these institutions that subjective standards of quality of life are developed and evaluated. Objective quality-of-life standards may be evaluated differently among cultures that hold different subjective quality-of-life standards. Indeed, there is a poor correlation between objective and subjective quality-of-life standards (Cummins 2000), suggesting that quality-of-life improvements are judged differently within different social paradigms. By controlling the institutions of the dominant social paradigm, religion affects the standards by which markets are judged to improve or harm quality of life. Understanding the relationship between objective and subjective quality of life requires that we understand the role of religion in shaping the dominant social paradigm.

Macromarketers should care about the effects of religion on the standards by which the ethics of the marketplace are judged. Normative, comparative, and intensive approaches to the study of business ethics share one important conclusion: global standards of business ethics must take into account religious differences among peoples. The study of marketing and business ethics is enhanced when we understand

religion's moral authority in the marketplace and understand the influence of ethics as a form of market authority.

Finally, Klein (1997) demonstrates that religion affects what, how, when, and where trade occurs when religious organizations participate directly in the activities of the marketplace. While forced to compete within the same parameters as others, religious organizations compete for different reasons. By understanding how organizations compete with objectives very different from one another, we can better understand the nature of competition. Mittelstaedt and Mittelstaedt (1997) argue that a macromarketing theory of competition should take into account the intentions of those who compete. Each of these issues—public policy, quality of life, ethics, and competition—is the domain of macromarketing. In each case, macromarketing enhances our understanding of the consequences of religious authority in the marketplace, just as the study of religion and markets should broaden our understanding of macromarketing.

### Effects of Markets on Religion

Second, these four mechanisms of authority serve to help us understand the effects of markets on religion. There is nothing unique about the direction of these effects. Markets can affect the parameters of religion, through political, institutional, moral, and competitive mechanisms, just as religion affects markets.

For example, the Iranian Revolution was largely a rebellion against the excesses of Westernization in Iran (Mottahedeh 1985). Control of the marketplace became a mechanism through which religious authorities solidified their political power in Iran. Yet, market restrictions and the lack of availability of consumer goods in Iran over the past twenty years have affected people's perceptions of the value of the Revolution to improve their lives and, as a result, the nature and worth of the religious movement underlying the Revolution. Consequently, requests by Iranians for greater political freedom (evidenced by the election of President Muhammad Khatami in 1997) in the marketplace may be, in fact, requests for greater religious freedom (Wright 1999). When markets fail to solve people's problems, religion can be seen as the problem, rather than the solution.

Similarly, when market offerings conflict with religious control of nonmarket social institutions, believers are forced to reevaluate what it means to be faithful. The faithful must either forgo market offerings or revise their beliefs. This was the case among Catholics in the United States, after 1968. Advances in contraception made artificial birth control safe, reliable, and affordable. But the easy availability of birth control raised concerns for the Catholic Church over the effects of the Pill on social institutions of marriage and the family. In July 1968, Pope Paul VI issued the encyclical *Humanae Vitae* (HV), which banned the use of contraception among Catholics. The Pope's concern was that contraceptives would

adversely affect the relationship between men and women, with consequences for the institution of the family. "Men, growing used to the employments of anti-conceptive practices, may finally lose respect for the woman and, no longer caring for her physical and psychological equilibrium, may come to the point of considering her as a mere instrument of selfish enjoyment, and no longer as his respected and beloved companion" (HV, July 29, 1968). The Church's primary concern was the sanctity of marriage. Restriction of birth control was merely a consequence of this concern. At the time, Catholic theologians were split on the issue, and some at the time warned of the consequences for the Church. The response of Germain Grisez was typical: "I think that the decision is undoubtedly a very hard one, and many people will have to decide whether they want to be Papists, that is Catholics, or not. If one is a Catholic, one is a Papist" (quoted in St. John-Stevan 1971, 177).

What was the effect of this action? Hout and Greeley (1987) examined trends in church attendance among Protestants and Catholics from 1940 to 1984. They conclude that *Humanae Vitae* was the single most important event in affecting church attendance during this period. While Catholic Church attendance was fairly stable before 1968, in the five years following the encyclical, weekly attendance dropped from 65 to 55 percent.

The American response to the encyclical was as negative as it was because many American Catholic couples already accepted birth control in practice by 1968. . . . When Pope Paul reiterated the traditional ban on birth control methods other than rhythm, even within marriage, the response from American Catholics (along with sisters and brothers elsewhere) was threefold. Some Catholics discredited the Pope's authority to teach on matters of sexuality. Some stopped listening to the Church teaching on a wide range of sexual issues, becoming even more liberal on matters of sexual conduct than they were before the encyclical. Some quit going to Church except, in most cases, on major holidays. (Hout and Greeley 1987, 332)

While the encyclical affected Catholic Church attendance, it has had only limited effect on contraception use among Catholics. In 1991, 58 percent of Catholic women of childbearing age used artificial contraception, not much below the general population's 60 percent usage rate (Goldscheider and Mosher 1991). In this case, markets had a greater influence on the institutional authority of the Catholic Church than the Church appears to have had on markets. Many Catholics concluded that they did not have to be Papists to consider themselves good Catholics (Kaufman 1995).

Similarly, when notions of right and wrong conflict directly with market offerings, followers are forced to choose between market actions and faith. In many cases, markets lose, but in some cases markets win. Fewer than one-third of

Convention's boycott of the Disney Corporation, which provides insurance benefits to same-sex couples (Religious News Service 1999). What was intended to create a crisis for Disney has in turn created a crisis for the Southern Baptist Convention. Asked to reevaluate the importance of Mickey Mouse, parents have instead reevaluated the moral limits of their church's authority.

Finally, as a competitor in the marketplace, religious organizations are affected by the actions of others, just like any other firm. Often, religious organizations are forced to make choices between being faithful and being competitive. This likely will be the case for religious organizations confronted with whether to compete for the \$8 billion in federal funding for social services offered under the Bush administration's new Faith-Based Initiative. The Bush administration recognizes that faith-based agencies have the access and credibility necessary to reach some consumers of social services more efficiently and effectively than government agencies. But organizations across the religious spectrum have expressed concern over this policy opportunity.

Ironically conservative religious groups, which philosophically are inclined to support such partnerships, are the ones most wary of submitting to government guidelines, while liberal groups, philosophically uneasy with the move toward privatizing welfare, are the ones most comfortable (and often already experienced) in working with government. (Faith-based programs 2001, 5)

Whether or not faith-based organizations will take advantage of this opportunity will depend largely on their perceptions of the effects the market will have on them, rather than the effects they will have serving the market. "The flow of government dollars and the accountability for how funds are used will inevitably undermine the integrity and independence of our houses of worship" (Benedetto 2001, 9A).

## **CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS**

Does religion affect markets? Yes, it affects the parameters of markets and, as a consequence, the activities of markets and marketing systems. How does religion exert authority over markets? Religion affects the activities of markets through political, institutional, social, and competitive means. As a consequence, economic development and integration into the global economy, objective and subjective standards of quality of life, the ethical boundaries of business activities, and competitive environments reflect the influence of religion on markets. Furthermore, these same mechanisms help us understand the effects of markets on the parameters and actions of religion. Table 1 summarizes the arguments presented in this article.

## **Limitations and Research Questions for Macromarketing**

The examples in this article are limited to monotheistic, Abrahamic religions. While the outline should apply beyond these traditions, one ought not generalize to other religious traditions without further investigation. In the future, the framework should be examined in the context of Eastern religious traditions. Furthermore, religion is not the only important cultural influence on markets. The relative importance of religion, compared to other cultural dimensions, should be examined. As this is largely a theoretical proposition, no attempt has been made to quantify the relative effects of different means of authority. Future research will need to measure the effects of the political, institutional, social, and competitive authority of religion as well. This may be done either in contemporary or historic contexts.

This model does not consider the possibility that sources of religious authority may interact in their effects on markets. Future research should address whether there are threshold levels of authority necessary for religions to affect markets, whether authority sources are additive or multiplicative in effects, or whether some authority sources are contingent on specific religious traditions.

From this descriptive model a number of research questions emerge. The following cannot be answered here but should provide examples of the potential contribution of religious research to our understanding of broader issues of macromarketing. Does the form of religious authority affect the role of religion in developing and emerging economies? Is the basis of religious authority different in developing versus developed economies? In what ways does religion play a constructive (or destructive) role in enhancing objective quality of life, and in what ways does it affect people's perceptions of their quality of life? Is quality of life enhanced when governments harness (or exclude) religious institutions to meet larger political or economic ends?

In terms of enhancing our understanding of religion and business ethics, future research should address whether the form of religious authority affects the ability of religion to exert normative standards of ethical market behavior. Does a religion exert ethical authority differently when it holds a minority, versus majority, status in a culture? If religious intensity affects market behavior, when is religiosity the strongest? How important is moral authority in the face of other forms of religious influence? How do religious competitors affect the environment of competition? Does the motive of a religious competitor affect the market decisions of secular competitors? Put another way, is there a cross-mission elasticity in markets, allowing religious organizations to have effects on how others compete?

Finally, religious traditions differ in their view of the moral disposition of the merchant. Christianity tends to take a

**TABLE 1  
FORMS OF RELIGIOUS AUTHORITY IN MARKETS**

<i>Authority</i>	<i>Political</i>	<i>Institutional</i>	<i>Social</i>	<i>Competitive</i>
Description	Direct, external authority to affect what, when, where, and how trade is conducted, through market regulation; theology becomes public policy.	Indirect, external power to control some aspect of life, with indirect effects on market behavior; acceptable market behavior reflects holy obligations or prohibitions; institutional control becomes market control.	Indirect, internal control over the cultural views and expectations of individuals or companies in the marketplace and the boundaries of socially acceptable behavior of market participants; this is largely the domain of business ethics.	Direct involvement <i>in</i> markets, where religious institutions offer competitive goods or services. Here the influence is competitive; markets adapt to the quality of goods and services against which they must compete.
Market authority	Direct	Indirect	Indirect	Direct
How authority affects markets	By shaping policy making, both internally and externally. Affects the distributive ethic of a nation, its intent and ability to enhance objective quality of life standards, internal market reform, and acceptance into external market liberalization processes and benefits.	Shapes expectations of and satisfaction with subjective quality of life. Determines the dominant social paradigm (DSP) and controls social institutions designed to achieve its goals. Markets are judged to succeed or fail according to how well they help achieve DSP objectives.	Establishes boundaries of right and wrong, fair and just. Willingness of buyers and sellers to engage in market activities depends on the standards of their religion, their religious orientation in contrast to others, and the intensity of their religious beliefs.	Affects when, where, and how competition occurs by offering alternatives to existing goods and services. Use of product, price, promotion, and distribution reflects perceptions of competitive position. Religion affects markets by changing the competitive position of other, nonreligious offerings.
Intersection with macromarketing	Relationship between markets and policy a macromarketing question. Market policy, economic development, and objective quality-of-life (QOL) literature inform our understanding of the role of religion in the marketplace.	Religion affects perceptions of subjective QOL. Same objective QOL may be evaluated differently because of differences in subjective QOL.	Religion affects markets by shaping standards of right and wrong. Best understood in the context of business ethics (BE). Three streams of BE literature are important but only part of the story.	Some competitors enter the market for very different reasons. Understanding the mission of religious competitors helps one understand the nature of competition in markets.
How markets affect religion	Political failure calls into question the efficacy of religion, not just policy-making abilities. When markets are not allowed to solve problems, religion is seen as the problem, rather than the solution.	When market offerings conflict with religious control of nonmarket social institutions, believers are forced to reevaluate what it means to be faithful or forgo market solutions. Catholic ban on contraception affected Catholicism more than birth control markets.	When right and wrong conflict with market offerings, faiths must adapt to maintain their voice. In extreme cases, religion may use moral authority to stop specific market behavior (e.g., boycott of Disney). Effects can be greater on faith than on market.	Bush administration intends to use religious organizations to distribute social services to needy citizens. The debate among religious organizations is whether the funding will affect the mission of religious organizations.
Questions for future research	Does the form of religious authority affect the role of religion in developing and emerging economies? Does religious political authority differ between developed and developing nations?	In what way does religion play a constructive role in enhancing QOL? Is QOL enhanced when government harnesses religious institutions to meet larger political or economic ends?	Does the form of religious authority affect the ability of religion to exert normative ethical standards? Does religion exert social authority differently on minorities and majorities? What affects religious intensity?	How do religious competitors affect the market decisions of others? Does the motive of a religious competitor affect the decisions of others in the marketplace?

dim view of merchants and trade, while Islam sees no conflict between commerce and virtue. This model should serve as a vehicle for understanding how differences in moral teachings affect day-to-day market activity.

In summary, what can we conclude? First, religious effects on markets are multiple. Scholars must be cognizant of the variety of religious authority on markets. Second, the effects of religion on markets intersect a variety of issues important to macromarketers. Those interested in the role of markets in developing economies, quality of life and sustainable consumption, and business ethics and market competition should not overlook the effects of religion on the questions they study. Finally, those interested in the effects of markets on other social institutions should find the framework useful for understanding broader relationships between marketing and society.

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