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Religion and Wealth

Wealth ownership is essential to financial security and general well-being. *Wealth*, or net worth, is total household assets less total liabilities. Wealth is relatively enduring – both within and across generations – and is related in some way to most other measures of achievement. For those who own it, wealth can have extraordinary advantages. It can enhance educational attainment, occupational opportunities, political power, and social influence. It provides a buffer against income interruptions, medical emergencies, and other crises such as accidents and natural disasters. Wealth can create more wealth when it is reinvested, and it can generate income in the form of interest or dividends. At high levels of wealth, the income it generates can make paid employment unnecessary. Yet even a small amount of savings can improve security, mitigate the effect of job loss and other financial shocks, and improve well-being dramatically. There are, of course, disadvantages of owning wealth as well, but most people agree that having wealth is more desirable than not having it.

Although the benefits of wealth are significant, they are not enjoyed uniformly in the United States because asset ownership is highly concentrated (Keister 2000b, 2005; Wolff 2004). Between 1995 and 2004, mean net worth increased 72 percent to $448,000, whereas the median net worth increased only 31 percent to $93,000. Between 2004 and 2007, the period in which a financial and housing bubble developed, mean net worth grew to a remarkably high $506,000, and median net worth increased to $109,000. Consistent with this growth, in 2004, the top 1 percent of households owned 33 percent of net worth, and the top 10 percent owned 70 percent of net worth. At the same time, 16 percent of households had zero or negative net worth.[1] Financial wealth – net worth less net equity in owner-occupied housing – is a measure of relatively liquid resources. In 2001, the top 1 percent of households owned 40 percent of financial wealth, and 26 percent of households had zero or negative financial assets. Throughout the years leading up to the recession, these values – not surprisingly – became even more extreme (Bucks et al. 2009). Prior to the twentieth century, wealth mobility was extremely unusual, and even today, the majority of people do not change positions in the wealth distribution compared with their parents or during their adult lives (Keister 2005). Economic downturns tend to reduce wealth inequality as the wealth of those at the top of the distribution of wealth tends to drop. The recession of 2008–2009 was typical in its effect on wealth ownership: As stocks and many other financial assets lost value, the net worth of wealthy households declined, leading to a slightly more equal distribution of wealth. However, in that recession, as in many recessions, wealth inequality remained quite high, and those who owned some wealth typically were better prepared than those without assets to weather the crisis (Bucks et al. 2009). As the economy improves, the wealthy also appear to be rebounding comparatively quickly.

Although we know a great deal about the distribution of wealth, we still know very little about the individual and family processes that contribute to that distribution. It seems logical that a person's general approach to the world – their cultural orientation – would be related in predictable ways to their wealth. After all, the things we consider important and our operating assumptions about how the world *does* work and how it *should* work are certain to affect the goals we pursue, our decisions about critical life events, and, ultimately, how well off we are. In the United States, because religion is an important part of cultural orientation, it follows that religious beliefs should affect material well-being. Yet this relationship has proven to be much more difficult to study effectively than it might appear at first, resulting in decades of intense debate among social scientists and other observers. A growing body of research has recently begun to provide compelling evidence that religion affects outcomes such as education, income, and work. Yet what is missing is a comprehensive study of how religion is related to one of the most critical indicators of well-being: wealth ownership.

1 All values are 2004 dollars. Author's estimates from the Survey of Consumer Finances; consistent with other estimates from these data (Bucks et al. 2009).

This book fills this gap by asking how religion and wealth are related. That is, I explore how people's religious affiliations are associated with their educational attainment, family processes, incomes, savings, and, ultimately, their accumulation of net worth. My focus is on total wealth, but my interest is in both those who are wealthy and those who are wealth-poor. Most of what I do is describe empirical patterns, but I do so with a realization that most readers will want to understand why these patterns exist. When I can, I provide explanations based on contemporary theory and empirical evidence. For example, I ask why it is that conservative Protestants have tended to have much lower wealth than mainline Protestants. There is some evidence that certain conservative Protestant groups are gaining financial ground, but for much of recent history, members of conservative Protestant religious groups have been relatively poor. How do conservative and mainline church members compare today and why? Have conservative Protestant churches simply attracted those with few resources, or is there something about the teachings of these churches that affects how people work, spend, and save? Similarly, why have white Roman Catholics been upwardly mobile in recent decades? In other words, why do contemporary white Catholics resemble mainline Protestants in their worldly success more than they did in prior generations? How do Catholics from other ethnic origins compare to white Catholics? What other groups are upwardly mobile?

In this book, I answer these questions and more. I study a range of contemporary American religious groups and show that there are distinct patterns across groups in asset ownership, debt, saving, and overall wealth. I explore the degree to which these patterns reflect the indirect effect of religion on wealth via other behaviors and processes such as educational attainment, marriage and family patterns, job and career processes, and income. I also propose that there is an important connection between religion and orientations toward work and money, and I explore how this connection potentially creates a direct association between religion and wealth. The ideas I propose and examine in this book are designed to provide a plausible explanation of very strong empirical patterns. This is not a definitive statement but rather a first account designed to encourage others to continue to explore and improve our understanding of the important relationships that are involved here. I do not have a stake in a particular answer or ranking of religious groups. I do not have an agenda or an axe to grind. On the contrary, I am deeply committed to understanding the sources of wealth inequality. By studying the relationship between religion and wealth, I hope to shed light on the factors that account for the complex relationship between cultural orientation and material well-being, one of the most crucial questions in the social sciences.

A Challenging Question

I recognize that the relationship between religion and material well-being is a topic with a long history in the social sciences, and I know that it is a very difficult issue to address effectively. However, both the relevant questions and the landscape have been changing in ways that make this topic both important and timely, and contemporary data and methods make it possible to provide empirical evidence that sheds new light on the topic. Sociologists have debated the material consequences of religious beliefs, affiliation, and practices for a large part of the twentieth century (Mathews 1896; Wuthnow and Scott 1997). Weber (1930 [1905]), Sombart (1911), and others have related religion and aggregate outcomes. Weber, for instance, famously linked religion to economic development and the rise of capitalism, arguing that otherworldly asceticism among European Protestants (Calvinists, Pietists, Methodists, and others) fueled the rise of capitalism in Europe. These arguments have been controversial because, among many other reasons, they propose individual- and family-level processes for aggregate outcomes without adequately addressing these processes empirically (Coleman 1990). Of course, Weber did not have access to the data available today. If he did, perhaps he would have approached the issue differently. More recently, Collins (1997) related religion to the rise of capitalism via entrepreneurship, using Japan as a case study. Kuran (2003) drew a connection between Islam and economic development (a negative relationship in this case), arguing that avoidance of usury prevented the development of financial markets and banking institutions.

More closely related to my objective is the contested literature from the 1960s and 1970s linking religion to status attainment. Lenski's *Religious Factor* (1961) ignited the debates by proposing that American religious groups differed from one another in their levels of social and economic attainment because of the values inherent in the religious beliefs. This proposal fueled heated intellectual exchange – but few convincing answers – before waning by the 1980s (Demereth 1965; Glenn and Hyland 1967; Jones and Westoff 1979; Roof and McKinney 1987). Research in this area virtually disappeared for at least two reasons. First, there was a growing realization that it was not sufficient simply to compare Catholics and Protestants, as scholars found themselves doing. It became increasingly apparent that Catholics from different ethnic groups and Protestants from different denominations could not always be grouped neatly. Unfortunately, limitations in both data and research methods made it difficult to explore more fine-tuned group differences that might have resolved some of the controversies. Second, it also became clear that family background was another important factor mediating the relationship between religion and socioeconomic status. However, empirical data at the time were not adequate to allow researchers to parse the relative importance of family background, childhood religion, and adult religion.[2]

In recent years, interest in the material consequences of religion has begun to experience a revival, and improved data and methods allow researchers to isolate and answer questions that eluded prior generations of scholars (Edgell 2006; Ellison and Bartkowski 2002; Glass and Jacobs 2005; Lehrer 2009; Sherkat and Ellison 1999; Smith and Faris 2005). Moreover, as Wuthnow (2004) pointed out, there are some elements of Lenski's *Religious Factor* that are worthy of reconsideration, particularly given modern data and methods that might adjudicate his claims.[3] The relationship between religion and wealth is particularly important now, given changes in patterns of both wealth accumulation and the American religious landscape (Keister 2003b, 2005, 2007, 2008). Wealth and poverty are no longer about shifts in the mode of production, but instead reflect group and individual commitments to human capital, savings, and entrepreneurship. The religious landscape is also different. The diversity of Protestant traditions, the changing position of Catholics, and the growth of groups such as Muslims and the Church of Jesus Christ of Latter-day Saints (Mormon/LDS) would be unrecognizable to early scholars, and yet these changes provide just the contrasting experiences that allow the testing of ideas about religion and wealth attainment.

My objective is to provide a comprehensive, contemporary, empirically grounded discussion of how religion, various individual and household processes, and wealth outcomes are related. In doing so, I extend a growing body of superb contemporary research that shows that religious

[2] Sherkat (2006) provides an excellent summary of literature relating religion and status attainment.

[3] Wuthnow (2004) identifies four elements of Lenski's proposal that are worthy of reconsideration, including his religious classifications and his proposals regarding differentiation among socioreligious groups. I address these issues in more detail as they become relevant throughout this book.

orientation influences education, income, female labor force participation, careers, and many other important individual and family outcomes (Chiswick 1993; Sherkat and Ellison 1999; Ellison and Bartkowski 2002; Lehrer 2004a; Glass and Jacobs 2005; Smith and Faris 2005). I discuss the complex interactions among various individual- and household-level processes, explore how these are related to overall wealth and the components of total wealth, and include a large number of religious groups. My results paint a picture of a complex, nuanced process because the relationship between religion and wealth is just that: complex and nuanced.

Although I attempt to be comprehensive, there are many issues I cannot address in a single book. One important question that I do not tackle here is how religion relates to economic development. Wuthnow and Scott (1997) provide an excellent summary and evaluation of the literature on this relationship, but such a summary is beyond the scope of this book. Similarly, I do not address other aggregate outcomes, including inequalities in well-being among groups. My findings are suggestive of important aggregate outcomes; for example, when I show that members of a religious group tend to have low wealth, I am also saying something about the distribution of wealth across religious groups. However, as Coleman (1990) and others have shown, there is more to the aggregation of individual and household outcomes than a simple summation. Elsewhere (Keister 2009), I addressed the multilevel processes that relate religion, micro-outcomes (e.g., wealth), and aggregate outcomes (e.g., inequality), but I do not incorporate that work here because it is not possible given today's data to adequately explore these processes empirically. I also do not address issues related to the reasons people hold certain beliefs, although there is a sizable literature identifying important factors that precede religious affiliation. Rather, I accept affiliation and stated beliefs as given and explore their consequences. Similarly, I do not address how and why religious groups conflict with each other on important doctrinal and political issues, nor do I address political action, social justice, or related issues. Related to the origin of religious belief is the issue of religious tolerance and clashes in religious ideas. There has historically been an ethos of tolerance for a range of religious ideas in the United States, which affects the nature of individuals' belief systems. Religious tolerance is an important issue, but the topic is beyond the scope of this work. Finally, I restrict my discussion to the United States. There are important benefits that could be gained from including cross-cultural analyses, but I have opted to err on the side of a thorough discussion of processes in the

United States – already complex enough – rather than include multiple countries in my discussion. Future research will certainly fill this gap.

In the remainder of this chapter, I provide a preliminary portrait of the relationship between religion and wealth. I propose that religion is important for understanding wealth and that the effect is both indirect (through other processes) and direct. I describe the theoretical foundations of the approach I use, provide details about data and terminology, and present an overview of the American religious landscape. My goal is to clarify who I am talking about when I refer to various religious groups and to identify the size and other traits of these groups that will become relevant throughout the remainder of the book. In Chapters 2 and 3, I discuss how religious affiliation is associated with behaviors and processes that are known to affect wealth. In Chapter 2, I explore how religion is related to family processes and human capital acquisition; and in Chapter 3, I study the relationship between religious affiliation and work, occupation, and income, including how religion is related to orientations toward work and money.

I then look directly at the relationship between religion and wealth. In Chapters 4 and 5, I provide detailed empirical evidence of the relationship between religion, asset ownership, and debt acquisition, focusing first on real (or tangible) assets and then on financial assets and liabilities. In Chapter 6, I focus on wealth mobility, or changes in wealth over time. I showcase three groups that are (or may be) in different stages of mobility. I describe the upward mobility of white Roman Catholics, a transition that occurred in recent decades. I then speculate about the potential mobility of conservative Protestants and Hispanic Catholics. In Chapter 7, I focus on other groups that have been unique in their wealth-accumulation trends, including mainline Protestants and MP subgroups, Jews, and Mormons/LDS.

Chapter 8 is a unique chapter. Modern data is superb and allows me to study relationships that would have been unheard of even a couple decades ago. However, there are still many questions about the relationship between religion and wealth accumulation that we can only answer moderately well with current data. These issues (e.g., how do social networks intercede between religion and wealth ownership?) are important and supported relatively well in some cases by current data. However, there are still many gaps in our understanding of the issues, most of which derive from inadequate data. I describe these behaviors and processes in Chapter 8 and speculate about how future research might be better able to provide definitive information and answers to these questions. I conclude the book with a chapter called "How Much Is Enough?" This is a question that is ultimately impossible to answer, but I nonetheless attempt to do so. If there is any source for an answer to this question, it might well come from religion.

Does Religion Matter?

There are, indeed, reasons to anticipate that religious affiliation and religious beliefs shape wealth ownership. In this section, I propose a causal model that provides a plausible explanation for a connection between religion and wealth. Adult wealth ownership is an outcome that reflects behaviors and processes that begin early in life and that interact and change in complex ways over the life course. Religion is likely to influence wealth outcomes both indirectly and directly. Religion likely affects saving, asset accumulation, and wealth *indirectly* through its effect on orientations toward education and educational attainment, marriage behavior, fertility, and the timing and ordering of education, marriage, fertility, job, and career behaviors. Life course processes are extremely complex, involving interrelated pathways about major life decisions, which condition the needs and capacities to save. Moreover, religious beliefs affect these processes in unmistakable ways. For example, there are marked differences by religion in family background and the context in which people are raised. There are also religious differences in attitudes toward educational attainment, the importance of education by gender, and returns to education. Education, in turn, is one of the strongest predictors of wealth accumulation. Thus, we would expect that those affiliated with religions that encourage educational advancement are likely to have an advantage in wealth accumulation over those affiliated with a religion that either does not incorporate ideas about education or is skeptical of or overtly hostile toward secular education.

Similarly, family formation, family dissolution, and other processes interact with one another and with educational processes in complex ways that affect wealth, and religion plays a critical role here as well. For instance, fertility behaviors – the onset of sexual behavior, the age at which a person first has children, the number of children born – and other processes related to family formation all affect saving, accumulation, and wealth. Because there are important variations in family formation across faiths and even denominations within a single faith, religion is certain to shape wealth ownership. Likewise, the timing of marriage, marital strength, divorce, and related processes affect saving and wealth, and there is evidence that marriage processes differ by religious affiliation. Similar arguments can be made regarding the relationship between religion and work behaviors, gender roles in the family and the labor market, income, nonwage work benefits, willingness to sacrifice career outcomes for family, entrepreneurship, and other processes that influence wealth ownership. To the extent that religion affects these processes – and mounting evidence suggests that religion is an important determinant of each of these processes – religion will affect wealth ownership.

Religion may also affect wealth *directly*. A person's orientation toward work, saving, investing, and related issues is critical to wealth accumulation, and these can be affected by religious beliefs. Orientations or values toward work and money refer to the general approach that a person takes to selecting among available jobs or careers, deciding whether and what kinds of loans to take, and determining how to save and invest, when possible. For example, investing in high-risk, high-return financial assets, as opposed to relatively conservative instruments such as certificates of deposit, can have dramatic effects on total wealth accumulated over the life course (Keister 2000b). Likewise, the timing and ordering of financial decisions can shape wealth accumulation in important ways. Beginning to save in early adulthood can have significant advantages over postponing saving until later. Because there is a degree of path dependence built into saving and consumption decisions, people tend to follow paths through their lives that influence in important ways the amount of wealth they accumulate over time. For example, a traditional trajectory might involve first buying a house and investing in financial assets only later in life.

Orientations toward work and money, saving, consumption, portfolio composition, and risk begin to develop early in life. The behaviors that result from these patterns also start to emerge early in life, and the implications of both orientations and behaviors cumulate over time. Children learn how to save from their families and other acquaintances. They learn about whether it is desirable to start a business, to invest in the stock market, to buy expensive consumer goods, or to accumulate debt. They learn detailed strategies within each of these general issues: for example, what kind of business to start, if any; how much risk is too much; and whether debt ever can be good or is always a problem. Children and young adults test these strategies, hone them, and personalize them, often through trial and error. A child who learns that investing in the stock market is desirable but then has a bad experience losing money in the market as a young adult might develop a lower risk tolerance as a result. Alternatively, a child who learns that most risk is bad but then interacts with people in college who have learned to invest and use risk to their advantage might develop a slightly higher risk tolerance. Adults draw on these early experiences, on the financial literacy they have accumulated through formal and informal training, and on other experiences to develop a strategy for saving, spending, and accumulating wealth.

What is most important here is that orientations toward work and money, saving, consumption, portfolio composition, and risk can be influenced by religion. Religion shapes values and priorities, affects decisions about which goals are worth pursuing, and contributes to the set of competencies from which actions such as saving behavior are constructed (Swidler 1986; Keister 2003a). Nearly all churches and related religious organizations offer some guidance for living, often including specific tips for money management such as household budgeting, desirable expenditures, and saving strategies. Religious beliefs attribute value to working for certain organizations and in some occupations. Religious beliefs also attribute value to saving, sacrificial giving, and other behaviors that directly involve money. The value associated with particular work and financial behaviors vary dramatically by religious beliefs, but there is little question that money is meaningful, that values and finances are intimately connected, and that Americans recognize this connection (Zelizer 1978, 1989; Wuthnow 1994).

Religion might also affect wealth ownership directly through social connections. As I mentioned earlier, we are not born knowing how to save or with a particular orientation toward work and money. Rather people learn how to deal with money from their parents and others they encounter as children and young adults (Chiteji and Stafford 2000). Strategies for saving, avoiding debt, and work behaviors that facilitate saving are largely learned. Not surprisingly, people who learn to save and invest typically find that their wealth accumulates, whereas those who do not learn these skills tend to be at a disadvantage in accumulating wealth. If people learn some of what they know about work, money, and saving from social contacts, and if they are members of churches (either as children or adults) where people save and invest, they are more likely to pick up those skills and use them. Religion and membership in religious organizations may also provide social contacts who can furnish information (e.g., about business opportunities) or capital (e.g., for investing) that facilitates wealth ownership. I address these ideas throughout the book, as in Chapters 2 and 4, where I discuss how orientations and perspectives can be reinforced in complex ways by the people we encounter over the