
Church and State in Historical Political Economy

Discussion Paper no. [2022-09](#)**Sascha O. Becker and Steven Pfaff****Abstract:**

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Keywords: Church, State, Secularization, Political Economy, Deregulation**JEL Classification:** Z12, N00, H00

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Church and State

in Historical Political Economy^{*}

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Prepared for *The Oxford Handbook of Historical Political Economy*

Abstract

Over many centuries, church and state have grown together, and apart. Sometimes linked like Siamese twins, sometimes in conflict with each other. This chapter discusses the major themes in the literature on church and state, some of the findings in the political economy of religion, and evaluates emerging directions in research on church-state relations.

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April 2022

* Detailed comments by the Editors, Jeffery A. Jenkins and Jared Rubin, are gratefully acknowledged.

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But if politicks had never called in the aid of religion, had the conquering party never adopted the tenets of one sect more than those of another, when it had gained victory...There would in this case, no doubt, have been a great multitude of religious sects, [the state] would have probably dealt impartially with all the different sects, and have allowed each man to chuse his own priest and his own religion as he thought proper...In a country where the law favoured the teachers of no one religion more than those of another, it would not be necessary that any of them should have any particular influence or immediate dependency upon the sovereign or executive power; or that he should have anything to do, either in appointing, or in dismissing them from their offices.

Adam Smith, *The Wealth of Nations*, vol. II, 1776

I. Introduction

The starting point in any analysis of church and state is that religious and political powers in society are organizationally distinct. Of course, this is a profound departure from many conventional ideas about the organization of society in which the polity is defined, in great part, by membership in a religious community (Durkheim 1964 [1912]; Henrich 2020). For much of human history, neither the institutional nor the intellectual separation of religion and state obtain; to be subject to sovereign authority is to be subject to the authority of a shared god or gods.

The particular notion that, no matter how intertwined in practice, political and religious institutions can be thought of as different and separate, is an idea that owes much to the Christian doctrine of two powers (temporal and spiritual) that together constitute social order. The doctrine had an enormous influence on the development of secular law and delimited sovereignty in Western Europe (Berman 1983; Bueno de Mesquita 2000; Grzymala-Busse 2020). However, the extensive literature in theology and comparative religious studies on these issues is not the focus of this essay. In this review we use the conventional terms “church and state” or “church-state relations” because they are standard in the literature, not because we endorse a Western or Christian-centric perspective on the relationship between religious organizations and states. Without denying that doctrinal and institutional differences matter across religions, our perspective is informed by political economy. Since the beginning of complex agrarian civilizations, social differentiation has produced

specialization in religion as distinct from political specialization (Lenski 1984; Mann 1986). Once such specialization is present, the relationship between political and religious organization has major importance for understanding the evolution of societies (Weber 1963). A historical and comparative political economy of religion seeks to understand the dynamic relationship between politics and religious groups and its manifold consequences across time, place, and cultural traditions (Becker, Rubin and Woessmann 2021; Coşgel, Histén, Miceli, and Yıldırım, 2018; Iyer 2016). Contemporary work examining diverse cases continues to show that church-state relations are important for understanding economics, politics and society. This essay discusses the major themes in the literature on church and state, some of the findings in the political economy of religion, and evaluates emerging directions in research on church-state relations.

II. The Church-State Bargain

The most important idea in the literature on church and state in the social sciences is that the relationship between governments and religions is predicated on a bargain between rulers and religious authorities. Max Weber (1978 [1921-22]: 908) suggested that, in exchange for fiscal and political support from rulers, religious authorities can offer ideological support that legitimates the political order. Although Weber recognized that secular ideologies can perform this function, at least until modern times religions provided the most complete ideological systems. Consequently, the historical linkage between religion, rule and economic institutions has been tight and religious ideologies have been implicated in the evolution of economic and political institutions (Weber 1978, 1981).

The logic of church-state alliances

The parties implicated in church-state relations contend with the potential costs and benefits of cooperation.¹ From the perspective of a ruler, an established religion can be a valuable partner because it lends ideological legitimation through teachings that lower the cost of rule. It does this by justifying the role of the ruling class and convincing at least some subjects that they must obey because of divine will and, perhaps, divine sanctions like blessings and punishments. Although this

¹ For an elaboration of a bargaining model of political legitimation, see Greif and Rubin 2022, Chapter X in this volume.

is potentially a very attractive partnership for rulers, it also depends on the incentives that they can offer religious authorities in exchange for supporting the regime. Religious organizations are social enterprises that supply religion to potential adherents and regulate their exchanges with god/gods. They operate in a religious economy in which they may compete with other religious firms for adherents and revenues (Ekelund, Hébert and Tollison 2006; Hull and Bold 1989; Iannaccone 1995, 1998; Iyer 2016; Stark and Finke 2000). One strategy for increasing adherents and revenues is to attain a monopoly position as the sole supplier of religious goods. Outside of natural monopoly conditions (such as those that obtain in small-scale and tribal societies, see Durkheim 1964 [1912]; Henrich 2020), this usually means eliminating the competition. A religious organization can become the only (licit) source of spiritual goods when it is established through regulation or through state-sponsored violence. Ideally, from the incumbent monopolist's perspective, it will enjoy an incontestable position that guarantees a predictable revenue stream and shields it from market rivals, such as foreign imports or upstart sects offering superior products or lower prices (Iannaccone 2005). Historically and comparatively, this means that such monopolies depend on a bargain struck between a ruler or ruling class and religious leaders.

Religion may help to constitute nascent polities by involving people in group rituals that create collective identity and communally-integrative emotions (Henrich 2020). However, it is debatable whether such polities can scale up to the level of kingdoms and empires. Recent work suggests that some religious organizations are more attractive partners to rulers than others because of the kinds of religious ideas they supply. For instance, moralizing gods seem more important than other gods for attaining large-scale social order and exchange networks (Beheim et al. 2021; Lang et al. 2019; Roes and Raymond 2003). Moralizing gods provide divine incentives, particularly punishments, for non-cooperators and those who defy the political community. The character of religious doctrines seems to matter. Gods who are indifferent to human fates, who are morally inconsistent, who lack omnipotence and omniscience, and whose authority is limited to certain regions, tribes or holy places, may be much less useful for backing claims to broad political authority. In particular, religious organizations that have offered the notion of "One True God" -- universal, moralizing, omnipotent, and omniscient -- seem to have conveyed a political advantage on the states that adopted them (Stark 2001; Stark and Finke 2000). In many instances, a state and a religious group become very closely associated with each other such that religion effectively determines the state's nationality, as was

historically the case in examples such as the Orthodox churches in Eastern Europe, the state Lutheran churches in the Nordic countries, or Theravada Buddhism in the Thai kingdoms.

The role of the Catholic Church in medieval Europe is a much-studied case of church-state bargaining in which the religious organization, at least initially, held the upper hand (Grzymala-Busse 2020). Ekelund, Hébert, and Tollison (2006) show that the medieval Catholic Church made an exclusive claim on products and services focusing on sanctification and redemption from sin. Over time, it evolved into a multidivisional economic firm with substantial political power as it expanded first within the boundaries of the late Roman Empire and later throughout Europe, North Africa and the Middle East through its missions to the barbarians. Achieving a transnational monopoly, it generally had a superior bargaining position relative to local princes because of its organization, scale of operation, wealth, and human capital resources. Nevertheless, the Church needed secular rulers. In order to defend its monopoly, the Church had two tasks: maintain its exclusive claim to the promise of salvation and prevent rivals from entering the religious marketplace (Ekelund, Hébert, Tollison, Anderson and Davidson 1996). In the wake of the collapse of the Western Roman Empire, both imperatives required cooperation with the local feudal nobility and nascent kingdoms to provide armed force to battle infidels, “heretics” and schismatics (Rubin 2017; Stark 2001). The medieval arrangement was thus one in which the Roman Church conferred legitimacy on a warrior caste and gradually attained an effective and practically incontestable monopoly in return. Because the Roman Church was (usually) organizationally unified and resourceful, it tended to bargain favorably with secular princes until the early modern era, particularly once the 16th century Reformation overturned its monopoly in Western Europe.

Why do church-state bargains fall apart?

Religious organizations are generally cost-effective legitimating agents that can produce semi-voluntary compliance among believers (Greif and Rubin 2022). However, these costs can rise because of both exogenous and endogenous institutional reasons. The well-documented case of the Roman Catholic Church forces us to consider the robustness of church-state institutions once established. North (1981) proposes that rulers invest in ideological legitimation in order to deter free riding on the political order and lower the costs of enforcing the dominant property rights regime. However, legitimating ideologies must be both persuasive and flexible, effective to the extent that they make sense of property rights, exchange relations, and labor market positions. A church-state

equilibrium can be disturbed by endogenous or exogenous factors that alter beliefs about the fairness and inevitability of the institutions, whether through empowering new groups, threatening the welfare of others, or by providing new sources of information that suggest most favorable terms of exchange (North 1981: 48-52). In Europe, urbanization, economic growth, legal rationalization, administrative consolidation – each abetted in various ways by the growing sophistication of the medieval Church – gradually undermined its bargaining power vis-à-vis the rising secular princes (Grzymala-Busse 2020).

Economic development can also put dominant religious explanations into doubt and increase the costs of restrictions on the economic behavior beyond the point elites are willing to bear. For example, growth that improves material welfare and existential security can make religious explanations stressing divine immanence and supernatural assistance in everyday subsistence unsatisfactory, at least to the privileged classes (Weber 1963: 140-1; see also Norris and Inglehart, 2004). The Protestant Reformation, for instance, appears to have exploited demand-side dissatisfaction with Roman Catholicism among burghers that resulted from urbanization and commercial expansion (Becker, Pfaff and Rubin 2016).

Building on North's model, Gill (1998) argues that a prevailing church-state arrangement reflects the relative power of the two institutions. He proposes that episodes of church-state conflict occur “when the opportunity costs of cooperation for any one party exceeds the present or future benefits of cooperation” (Gill 1998: 83). Where rulers are weak and insecure, they will exchange much in return for legitimacy. Weak states may not only establish and protect a religious monopolist, but also grant it extensive privileges in the secular political and economic domains. These concessions can prove very costly over time. However, where rulers are stronger, the monopoly firm may be compelled to allow rulers to become the *de facto* head of the religion (e.g., caesaropapism, as in the Eastern Church), grant them the right to appoint senior clerics and fill clerical vacancies (e.g., investiture in the Western Church), exempt ruling classes from tithes, and share religious revenues with the state.

Gill (1998) finds that shifting calculations as to whether the state would protect them from competition from Protestant sects explain why some Latin American churches backed authoritarian regimes while others switched their support to opposition forces. Clearly, church-state conflicts are not always resolved in favor of the state. The papacy successfully worked to keep the medieval Holy Roman Empire politically divided and papal intrigue helped to weaken the Italian city states, major

factors helping to explain why Europe remained politically fragmented into the modern era (Grzymala-Busse 2020). Part of the reason for the subsequent divergence between the economic fates of Western Europe and the Middle East appears to have been that the Islamic clerical establishment consolidated its advantages vis-à-vis Ottoman rulers (Kuran 2012; Rubin 2017). If alternative ideologies to legitimate the state become available at a lower cost, or when the religious monopoly holds coveted financial assets that can only be had by the state through expropriation, rulers may seek to depose the incumbent monopoly, as many European rulers did during the Reformation (Cantoni 2012; Pfaff and Corcoran 2012). At the extreme ends of the continuum of church-state rivalry, conflict between rulers and incumbent monopolists can result in theocracies in which the religious elite captures the state (e.g., Iran after 1979 revolution), or one in which the state fully captures the church, perhaps abolishing religion outright (as Communist regimes attempted to do, see Froese 2008; Pfaff 2011; Yang 2011).

In the long-run, a cooperation with rulers can be quite costly to a religion. Monopolism may harm the vitality of an established religion, as first discussed by Adam Smith (1976 [1776]). Establishment reduces clerical incentives to act with energy and religious zeal in attracting and retaining adherents. A state-established religion is probably most secure and cost-efficient when its customers have brand loyalty and its institutions are self-enforcing. Self-enforcement depends on the credibility of religious goods such as sanctification and salvation that the established religion produces exclusively. For instance, the Catholic Church long maintained that it controlled the only route to eternal salvation. However, inherent tensions created by monopoly status undercut performance and created incentives to exploit religious consumers through rent-seeking (Ekelund, Hébert, Tollison, 1996). Religious ideologies are credence goods whose value can be spoiled by behaviors and organizational practices that diminish faith (Ekelund, Hébert and Tollison 2008; Iannaccone 1998; Hungerman 2013). Rent seeking, clerical neglect, and corruption are thus endogenous features of monopoly religious institutions that can undercut their self-enforcing properties. Moreover, because of their closeness to power and identification with the state, established religions are often obliged to make doctrinal or theological compromises that damage their reputation and violate their original foundations in scripture and revelation (Bénabou, Ticchi, and Vindigni, 2022).

As the historian Ernst Troeltsch (1960 [1912]) observed, sectarian rebellions tend to erupt from the perception that a church has grown too worldly, betraying its original message and

surrendering its religious legitimacy. Once worldliness, greed and indolence combine to undermine an incumbent monopolist, the demand for its services typically weakens and this reduces the legitimation benefits it can credibly offer a ruler. Once this point is reached, existing church-state institutions are in jeopardy. Rulers will either depose the established church and replace it with another (as many Protestant princes such as England's Henry VIII did in the wake of the Reformation), pluralize the religious economy, allowing a variety of approved religious groups to operate under state license (effectively, a religious oligopoly of the kind established in Russia under Vladimir Putin or as in the People's Republic of China after Mao, see e.g., Yang 2011), or thoroughly de-regulate the religious economy as part of the secularization of the state.

Secularization depends, in part, on the remaining clout of religious leaders generally and, in part, on the level of education in society (Becker, Nagler, Woessmann, 2017). Secularization of church-state relations implies that rulers have calculated that they no longer rely on religious legitimation to propagate their rule and can rely on ideologies such as liberalism, nationalism, or socialism to win popular assent (Greif and Rubin 2015; Pfaff 2008; Rubin 2017). It then becomes appealing to secularize religious organizations and assets, either to reward regime loyalists (Heldring, Robinson, Vollmer 2021) or to reallocate resources toward other political and economic purposes (Cantoni, Dittmar, and Yuchtman, 2018.) Despite the apparent benefits of disestablishing religion, in the contemporary world truly secular states in which no religious firm is officially privileged or dis-privileged by government regulation and all firms rely entirely on voluntary financial donations remain unusual (Barro and McCleary 2005; Finke 1990; Fox 2008; Grim and Finke, 2010).

On the other side of the bargain, a close church-state arrangement can become politically costly to rulers. This is because legitimacy bargains between an established religion and the state constrain the future actions of both parties (Greif and Rubin 2022). Rulers who act in ways that obviously contradict their religious commitments risk the loss of their legitimacy. Moreover, a regime closely associated with a discredited or failing religious establishment can become tarnished, weakening the reputation of its ruling elite. In the 14th century, Ibn Khaldun described a dynamic in the Islamic Mahgreb in which urbanized rulers are gradually corrupted by prosperity and luxury, their civilized worldliness contradicting the austere religion of the desert. Reliance on increasingly scholarly and urbane clerics further undermines the ruler's popular legitimacy. Religious unrest in the towns and encroaching barbarians in the wastes weaken the regime that, in short order, is overthrown and replaced by a more militant elite (Khaldun 2005 [1377]; see also Gellner 1981). In

modern times, close relationships between rulers and established clerics mean that religious unrest can also mushroom into political rebellion, as has been witnessed in the rise of Islamism across the Muslim world (Berman 2006; Brooke and Ketchley, 2018). In fact, sectarian rebellions against established religions are a reoccurring source of conflict in the contemporary era (Fox 2008; Grim and Finke, 2010).

The institutional legacies of church-state bargains

Conservative religious institutions have long been understood as brakes on the modern economy. Weber (1963: 207-8) observed that, “The dominance of law that has been stereotyped by religion constitutes one of the most significant limitations on the rationalization of the legal order and hence also on the rationalization of the economy.” Weak states have often relied on the clergy to staff courts, make laws, and educate the public. Economically, studies by Kuran (2012) and Rubin (2017) among others, show that when states rely heavily on established religions to propagate their rule, clerical interests may have a large say in setting economic policies or shaping legal institutions. This influence can persist long after institutions are formally secularized by imprinting dominant attitudes and practices on a society. Religious influence over economic and educational policy has been shown to affect economic growth through a number of mechanisms: first, inefficient property rights regimes, such as Islamic waqfs that tied wealth to be spent on religious services and diverted it from commercial activities (Adiguzel and Kuran 2021; Michalopoulos, Naghavi, and Prarolo. 2016), Second the duty to pay “zakat” (often translated as “alms”) once a year, gave preference to religious purposes and equated limited fiscal capacity for broader purposes (Kuran 2020). Third, religious conservatism puts limitations on innovations by constraining scientific discoveries that raise productivity but sometimes erode religious beliefs (Bénabou, Ticchi, and Vindigni 2015, 2022). Fourth, and related, the (Catholic) Church issued an Index of Forbidden Books and thereby constrained the freedom of the (printing) press, holding back the spread of new ideas (Becker, Pino, and Vidal-Robert 2021). Fifth, religious influence affects the allocation of public spending: Cantoni, Dittmar and Yuchtman 2018 show that after the Protestant Reformation, Protestant rulers redirected spending towards secular purposes., Sixth, human capital acquisition is strongly influenced by religious institutions that either see education as a threat to their rule, or as a force for good (Bazzi, Hilmy, and Marx 2020; Becker and Woessmann 2008, 2009; Dittmar and Meisenzahl. 2020; Chaudhary and Rubin. 2011; Meyersson 2004; Squicciarini 2020; West and Woessmann 2010.)

Seventh, religious groups that are more educated also invest more in new technology, which explains the positive influence of (Protestant) Huguenot refugees in Prussia's nascent textiles industry (Hornung, 2014) and the constraining influence of Muslim rulers on introducing the printing press (Coşgel, Miceli and Rubin, 2012). Finally, where the clergy control courts or schools, they can use those institutions to undermine reforms they oppose through direct resistance or biased exercise of their offices (Kuran and Lustig 2012). Sectarianism of this kind promotes insurrection and religious persecution of minorities (Kulkarni and Pfaff 2022a, 2022b).

Even in advanced capitalist democracies where the social importance of churches has declined and established religious organizations no longer play the central legitimating role they once did, religion still affects political economy. For example, the imprint of church-state arrangements is evident in welfare state institutions and beliefs about the appropriate relationship between citizens and the state. Anna Grzymala-Busse's (2015) work shows that the "political theology" underlying historical church-state bargains continues to influence attitudes about legitimacy and what leaders and citizens can properly ask of each other. In modern democracies, these ideas become salient when political competition compels religious organizations to become interest groups that mobilize adherents, make alliances with parties, and try to influence voting all with the aim of influencing policy. The legacy of church-state institutions can also raise hurdles that make it difficult for new religious movements and immigrant faiths to gain official recognition and exercise civil liberties (Pfaff and Gill 2006). In many countries, historically established religions remain strongly associated with nationalism and political belonging, a serious obstacle to social acceptance and political integration in newly diverse societies (Grzymala-Busse 2019).

III. Research on Religion and State-Making

Whereas religion informed the art of politics in the medieval Christian and Islamic worlds, by the Renaissance era European political discourse was becoming progressively secularized in ways that are not mirrored in the Middle East (Blaydes, Grimmer and McQueen 2018). This seems like further evidence of a "long divergence" that marked the trajectories of the Middle East and the Western world up through the present. Important research has shown that, because of eroding political-military standing and the proliferation of independent religious endowments, Muslim rulers in the late medieval and early modern eras needed the legitimation bestowed by Islamic schools and courts more than clerics, who controlled substantial trusts (*waqfs*), needed the state (Kuran 2012, Rubin 2017).

Religion, which had fostered early Islamic state-building, became a hindrance in the modern era. Other religions seem to have enhanced state efficiency in the early modern era. This seems especially true of European states that adopted Protestantism. Cooperation between politically dependent churches and ambitious rulers helped many states to improve administration and impose social discipline (Becker, Pfaff and Rubin 2016). Gorski (2003) argues that Calvinism, in particular, made societies more orderly and tractable because of bottom-up religious governance and its ability to impose moral surveillance at the congregational level.

The role of religion may have been more general and less tied to Protestantism particularly. In the “confessional” age in the 16th and 17th centuries, the newly established Protestant churches and their antagonist, the Counter-Reformation Catholic Church, played substantial roles across European countries and their colonies by shaping government and administrative practices (Gorski 2000; Schilling 1986). Scholars have argued that the Counter-Reformation in the 16th and 17th century was a key development that helped the Habsburg Monarchy unite its Empire, and that the Jesuits played a crucial role in fostering education/human capital and the cultivation of a literate elite dedicated to state service (e.g. Evans, 1979; Grendler, 2019). The confessional era of state-making and administrative centralization did much to pacify countries internally, even as states devoted ever-greater resources to making war abroad. As hand-in-glove cooperation between centralizing states and religious authorities expanded, distinctive differences in the provision of welfare and the management of the poor became apparent. Distinctively Catholic, Lutheran and Calvinist doctrines concerning the interpretation of poverty and the proper delivery of assistance imprinted policy, with enduring consequences for welfare state development and stratification today (Kahl 2005; Pullan 2005; van Kersbergen and Manow 2009). By contrast, the *waqf* system in the early modern Ottoman Middle East was the main mechanism through which welfare benefits were distributed, but inefficiently and in ways that hampered state formation (Kuran 2001, 2013).

Missionaries, colonial states, and human capital

Church-state interactions in Christianity are not limited to Europe, but also extend into other continents. Pioneered by Woodberry (2004), researchers have looked at whether the presence of

missionaries (Protestant or Catholic) had long-term effects on modern-day outcomes.² Interestingly, a lot of the literature looks at missionaries in isolation, abstracting from the role of the (secular) colonial forces. But some work explicitly looks at the constraints imposed on missionaries by the colonial powers. Gallego and Woodberry (2010) provide evidence that regions in former Colonial Africa in which Protestant missionaries dominated have higher literacy rates than those where Catholic missionaries dominated. This is largely the result of the different degree of regulation in British colonies where missionaries from different denominations had to compete for students, and in Belgian, Portuguese and Spanish colonies which had a bias towards Catholic missionaries, giving them a quasi-monopolistic position. While the French initially favored Catholic missionaries, they later took a more neutral stance. Woodberry (2012) highlights the role Protestant missionaries played in influencing the rise and spread of stable democracy around the world. Statistically, the historic prevalence of Protestant missionaries explains about half the variation in democracy in Africa, Asia, Latin America, and Oceania. The key mechanism behind this finding is that Protestants supported religious liberty, mass education, mass printing, newspapers, voluntary organizations, and colonial reforms, thereby creating the conditions that made stable democracy more likely. Valencia Caicedo (2019b) studies the long-term effects on human capital investment of Jesuit presence in South America that lasted to this day despite the expulsion of the Jesuit order by the Spanish Crown (an example of conflict between church and also in colonial areas).

While these examples illustrate how church and state mutually influence each other in colonial countries, rarely do researchers try to quantify the relative contributions of missionaries and colonizers. Wietzke (2015) exploits historical differences in the timing and organization of historical school investments and colonial legal-institutional reforms in Madagascar. Christian missionaries introduced formal schooling several decades before the imposition of French colonial rule and were thus unrelated to the economic or military objectives of the colonizers. Results indicate that colonial institutions had comparatively stronger effects on local economic outcomes than missionary school investments.

The growing literature on the role of missions in development should not limit our appreciation of their oftentimes destructive legacy (e.g. Cagé and Rueda 2020). Just focusing on their legacy on

² See Woodberry (2011) for an early survey on the literature on missionaries, and recent surveys for Africa by Meier zu Selhausen 2019 and for Latin America and Asia by Valencia Caicedo 2019a.

state-making, missionaries and colonial churches often sowed seeds of division among native populations and helped create oppressive institutions. One of the most notorious cases is Belgian-ruled Rwanda-Burundi (1916-1962) where Catholic missions became *de facto* education and welfare agencies of the colonial state; “nowhere was the marriage of convenience between church and state more evident than in Belgian Africa,” (Carney 2015: 366). Missions ran primary and secondary schooling and sent selected candidates on for university study in Belgium, mostly to seminaries (Duarte 1995; Masson 1958), this allowed them to promote a race policy favoring the putatively superior Tutsi “race” (Mamdani 2001). After the Second World War, lower-class mobilization against colonial rule changed the Church’s calculations. Prelates distanced themselves from the Tutsi and supported the majority’s Hutu nationalist awakening. When Rwanda became independent in 1962, the ruling elite in both state and Church was composed of ethnic Hutus. Leading prelates backed an increasingly virulent and exclusive Hutu nationalism, which repeatedly triggered violence and civil war. Many of the politicians who incited the genocide against the Tutsi in 1994 had close ties to the Church leadership and some priests abetted it at the local level (Des Forges 1999:39; Longman 2010).

IV. Secularization and the Deregulation of Religion

All early modern states, to varying extents, imposed religious monopolies and restricted religious minorities. The United States is probably the country that first and most thoroughly deregulated the religious sphere. Earlier instances of toleration, such as the Augsburg Peace 1555, effectively split territories of the Holy Roman Empire along denominational lines, so that those who did not follow the ruler’s religion had to convert or migrate. Historically, most instances of institutional toleration have been “conditional”; i.e., the religious outsider was tolerated based on the goodwill of the ruler, secured through payments, services or political support (Johnson and Koyama 2019).

The U.S. Constitution prohibits the federal government from the establishment of religion (in the First Amendment) and forbids the imposition of religious tests on office holding (Article VI). The new republic instituted national religious freedom after having had established churches in the original colonies and the post-independence states. The new Federal government rejected an

established church and the various states abandoned theirs by the early nineteenth century. Besides normative commitments to religious freedom among the founders, the economics of church and state in a frontier society seem to have demanded disestablishment. Politicians found that there were simply too many upstart sects to suppress, that established churches were unpopular and relied on expensive subsidies, and that the ability to exit beyond the frontier or to operate across state boundaries made the costs of enforcing a monopoly church prohibitive (Finke 1990; Finke and Stark 1992). Having effectively deregulated the religious economy, America experienced an unprecedented supply-side expansion of churches and sects that Finke and Stark (1992) have aptly called the “churching” of America. For the next two centuries, a competitive religious marketplace thrived both in terms of its diversity and levels of American religiosity achieved.

The situation tended to be quite different in a heavily regulated European market, where waning religious establishments based on historical throne and altar alliances gradually lost their grip on the population while still imposing regulatory burdens on firms entering the market and restricting public religious activities (Iannaccone, Finke and Stark, 1997; Pfaff 2008). By contrast, America’s early disestablishment made religion a feature of voluntary associational life that enabled religious leaders to compete unhindered for influence in the public sphere. The legacy of American civil religion is evident in comparative perspective in that the contemporary U.S. is unusual among advanced democracies not only for its religiosity but also for the influence of religious interest groups on politics and the surprisingly high share of the population (somewhat less than half) that believes that religious leaders *should* influence public life (Grzymala-Busse 2015.)

What drives secularization and the expansion of religious freedom?

The state remains a major player in religious markets around the world, either through religious establishment or through active regulation of religious groups (Barro and McCleary 2005;

Fox 2008; Grim and Finke 2010) Nevertheless, secularization has advanced in many polities and declining popular religiosity can diminish the political benefits that churches can offer parties or regimes in an alliance. Comparatively speaking, there are many pathways to secularism (Gorski and Altinordu 2008; Grzymala-Busse 2020) but the changing incentives of rulers to maintain established religions is one of the most important. For example, Greif and Rubin (2015) regard the “Glorious” Revolution of 1688 in England as a watershed moment in the history of secularization. The Revolution overthrew Stuart absolutism, completing the transition from governments making sacred claims to legitimacy to ones relying on the rule of law and parliamentary consent to propagate rule. Johnson and Koyama (2019) show that regimes with established state-church institutions favor religious identity-based inclusion rules that, over the long run, foster instability and undermine effective governance. They too see 1688 as a decisive moment in the secularization of political authority because it meant the stepwise reduction of religious influence in government and, as secular elites gained strength, the rise of general citizenship rules over older sectarian "identity-rules" (Johnson and Koyama 2019: 174-9). Finally, Gill (2008) argues that what really matters is a ruler’s adopting a pragmatic approach to religious diversity. Commercially valuable religious minorities are more likely to enjoy toleration in a state with a religious establishment. Political liberty is the gradual result of rulers perceiving economic benefits to religious toleration.

Education has been highlighted as another factor driving secularization. At the turn of the 19th to the 20th century, cities in Germany where secondary education expanded more quickly saw a faster decline in church attendance (Becker, Nagler, Woessmann, 2017). The shift in the sectoral composition of the economy from agriculture to manufacturing and services made taxation easier. Concomitantly the rise of income taxes as a source of government revenue made governments less dependent on institutional support by non-state actors like the church. Seemingly innocuous policy changes may also drive down the influence of the church, such as in the case of the liberation of shop opening hours on Sundays (Gruber and Hungerman 2008). Finally, as the share of those seeing religion as central to their lives increases, the state relies less and less on religious legitimacy and can afford to offer more religious freedom. Over time, the support for separation between church and state grows, with support even from rural constituencies that one would expect to be less favorable to secularization, as in the French case (Franck 2010).

V. Frontiers and Future Research

Historical scholarship has much to offer as we seek to understand the origins of church-state institutions and the consequences of doctrines for the organization of state and society. So far, the vast majority of the research in the social sciences on church-state interactions that we are aware of, -- and we freely admit our own shortsightedness --, is concerned with the Islamic world and Western Christianity. There seems to be less research in the social sciences on Orthodox Christianity in Eastern and South-Eastern Europe where churches tend to be organized along national lines (e.g. Greek-Orthodox, Russian-Orthodox, Serbian-Orthodox). This contrasts quite starkly with the Roman-Catholic Church as a supra-national entity. The Islamic world is often treated as a monolithic block without regard to differences between Sunni and Shia Islam. More research into the historic roots of these differences, and their persistence to the present day would be welcome.

The political economy of religion would also benefit from sustained attention to Asia, where different models of religious organization and church-state interaction may be at work. For example, recent research on China suggests that perspectives drawn from political economy can be useful in a comparative context. However, different models for supplying religion and regulating it in Asian societies can also challenge existing understandings of church and state. Some important research suggests that commercial involvement and an interest in economic development among rulers may be fostering an attitude of pragmatic accommodation toward competitive religious pluralism, albeit within strongly defined limits (Chan and Long 2014; Lang, Chan and Ragvald 2005; Yang 2011; Yang and Tamney 2005).

Text analysis has conquered many areas of the social sciences. It would be fruitful to see more work analyzing the church-state nexus, over time, through the lens of newspapers, contracts, organizational charters, speeches and diaries. Church-state separation during the 19th and 20th centuries can be traced, to some extent, through roll call votes and election results (see e.g. Franck 2010), but a more systematic analysis could yield deeper insights.

More provocative questions that seem understudied are: Why does the state still support churches in many countries, through tax breaks, subsidies or charitable status? (e.g. Bentzen and Sperling 2020). Religious loyalties were among the most important social cleavages that shaped the emergence of party systems in many democracies (Kalyvas 1996; Kalyvas and van Kersbergen 2010; Warner 2000). However, in many advanced industrial democracies, the share of religiously involved people in the population has been decreasing for decades. Do favored religious organizations continue to

provide legitimation benefits to rulers or do they hang on as entrenched interest groups protecting their interests through political alliances?

The privatization of religion in many wealthy democracies seems to limit the public role that can be played by churches. However, the causal arrow could operate in the opposite direction. In other words, is it the spontaneous decline of religion that diminished the political role of churches or rather politics that intentionally displaced the churches? Did elite-led secularization of public institutions such as education and the substitution of public welfare systems for religious charity undercut religion's standing, as some provocative studies suggest (Gill and Lundsgaarde 2004; Smith 2003)?

What of newly democratizing societies? There is good reason to think that, paradoxically, as societies become more secular, religious parties become more salient as a means by which to assert the interests of confessional groups and renegotiate their bargains with the state (Grzymala-Busse 2012). What new church-state arrangements are taking shape around the world, and how will they influence political economy? How have migration and religious pluralism affected church-state institutions that are often the legacy of intolerant religious establishments?

What is clear is despite widespread secularization in many countries, church-state interactions will continue to be a central feature of our political economy and as such a research area for decades to come.

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