



Religion, longevity, and cooperation: The case of the craft guild[☆]

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ABSTRACT

When the mortality rate is high, repeated interaction alone may not sustain cooperation, and religion may play an important role in shaping economic institutions. This insight explains why during the fourteenth century, when plagues decimated populations and the church promoted the doctrine of purgatory, guilds that bundled together religious and occupational activities dominated manufacturing and commerce. During the sixteenth century, the disease environment eased, and the Reformation dispelled the doctrine of purgatory, necessitating the development of new methods of organizing industry. The logic underlying this conclusion has implications for the study of institutions, economics, and religion throughout history and in the developing world today.

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1. Introduction

Religious beliefs influence economic activity, a fact established by a large literature.¹ Why religion matters remains the subject of debate. Recent research elucidates how economic incentives shape the organization of congregations, why religious sects specialize in particular niches, and when economic opportunities induce trade-offs between spiritual and secular activities.² This research extends earlier scholarship that explores the influence of religion on individuals' tastes, desires, proclivities, and habits and emphasizes how religion shapes both preferences and constraints upon human action.³

The earlier literature grew from Max Weber's work on *The Protestant Ethic and the Spirit of Capitalism* (1930). Weber argued that in protestant nations, the Reformation changed preferences for labor relative to leisure, for savings relative to

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¹ See for example, Iannaccone (1998), Barro and McCleary (2003), and Mokyr (1990).

² Abramitzky (2005), Berman (2000), and Iannaccone (1992, 1994, 1998).

³ McCleary and Barro (2006). See also Hume (1993), Smith (2003), and Tawney (2000).

consumption, and for physical goods relative to emotions such as acceptance by peers and fear of damnation, encouraging the accumulation of capital and expansion of industry. Weber's thesis emerged from his dissertation on *The History of Commercial Partnerships in the Middle Ages* (2003), which established a baseline from which to assess how the Reformation influenced commerce and industry.

Comparing recent and earlier research reveals a line of argument analogous to Weber's, in the sense that it explains the symbiotic evolution of religious and economic institutions during the centuries crucial for the formation of the modern market economy, and complementary to Weber's, in the sense that it illuminates an additional channel through which religion affected the economy. Religious beliefs shaped the evolution and influenced the effectiveness of occupational organizations.

Our analysis of this observation begins at the same point as Weber's. We examine the organization of industry in late-medieval England, a society where artisanal activity occurred in organizations called craft guilds. These associations of artisans dominated economic activity for centuries, during which the foundations of modern economic progress (including industries such as clothmaking, metallurgy, and manufacturing, which took off during the Industrial Revolution, and concepts such as contract and incorporation, which comprise the legal foundation for capitalist economies) evolved.

Scholars have long pondered craft guilds' rise and decline. In 1776, Adam Smith attributed guilds' origins to the universal "interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves" (Smith, 2003, Book 4, Chapter 3, Part 2). In 1848, Marx and Engels argued that guilds were the late-medieval manifestation of the materialist dialectic, in which "guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another . . . [until] guild-masters were pushed aside by the manufacturing middle class" (Marx and Engels, 2004). Subsequent scholars attributed the origins of guilds to continuity from Roman *collegia*; descent from fraternal associations abundant in ancient Germanic societies; a universal taste for association; the need for collective defense; urban political imperatives; government regulatory and taxation policies; and changes in technology, prices, and transaction costs. No consensus concerning these theories exists, probably because few of the theories generate testable implications, and all are inconsistent with some facts.⁴

This essay offers a new theory of the rise, decline, and changing nature of craft guilds that is consistent with the evidence. The key is to understand how guilds convinced members to cooperate and how exogenous changes in the environment influenced the effectiveness of guilds' enforcement mechanisms. The principal driving forces were the disease environment and religious doctrines.

Disease influenced craftsmen's ability to cooperate by determining the mortality rate. Folk-theorem logic holds that cooperation occurs more readily when individuals care more about the future, which in turn depends on how long one expects to live. Low mortality rates meant long lives and extensive cooperation. High mortality rates meant short lives and little cooperation. The mortality rate for craftsmen fluctuated dramatically during the Middle Ages, as the introduction of virulent, infectious diseases such as the Black Death scourged urban populations.

Religion influenced the way in which craftsmen cooperated by emphasizing the concept of an afterlife. The late-medieval Christian church promoted the doctrine of purgatory, which stated that after death, individuals experienced excruciating pain which purged them of sins in preparation for entrance into Heaven where one experienced ecstasy. Purgatorial pain could be lessened by the prayers of the living, particularly by pious people who knew one well, such as family, friends, and colleagues. Guilds were organized to provide prayers for the souls of deceased members. Guilds threatened to punish members caught breaking the rules by excluding them from intercessory services. This threat became more salient when belief in the doctrine spread and mortality rates rose, enabling guilds that bundled together religious and occupational activities to sustain occupational cooperation in environments where purely secular associations employing folk-theorem threats could not.

This logic provides a new understanding of the rise, decline, and changing nature of guilds in medieval and early modern England. During the twelfth and thirteenth centuries, when industrial activity initially expanded in towns, urban residents formed organizations focused on secular, economic, and legal concerns. During the fourteenth century, as the doctrine of purgatory spread and the disease environment deteriorated, craftsmen organized increasing numbers of guilds that prayed for the souls of deceased members. Guilds that engaged both in religious and occupational activities proved especially effective at facilitating cooperation. During the sixteenth century, mortality rates fell, religious reformation swept aside the doctrine of purgatory, and new methods of organizing industry evolved.

This logic builds a bridge between hitherto unrelated literatures. The first employs game theory to study economic institutions. Greif pioneered this line of research (Greif, 1992, 1993, 1994, 1998, 2006; Greif et al., 1994). His work reveals how reputations, repeated relationships, and folk-theoretic interactions fostered the rise of anonymous exchange during the later Middle Ages. Institutions that foster cooperative endeavors arise endogenously, and these institutions and individuals' beliefs in the institutions' ability to sustain cooperation coevolve through time. The second employs club theory to study religious institutions. Iannaccone pioneered this line of research (Iannaccone, 1992, 1994, 1998). His work reveals how the imposition of sacrifices and the threat of exclusion shape the behavior of congregations that provide religious services. We study groups that operated both as Greif-style economic cooperatives and Iannaccone-style religious cooperatives. In our work, the types of institutional arrangements that arise to foster cooperation depend on environmental factors. We show that

⁴ See Richardson (2001, 2004, 2005a) for discussions of these theories.

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