Markets & Morality

bal Era for the most part succeeds in staying on solid ground, and begins to engage a debate that will not close any time soon.

Sacred Trust: The Medieval Church as an Economic Firm
Robert B. Ekelund, Robert F. Hèbert, Robert D. Tollison, Gary M. Anderson, and Audrey B. Davidson

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The Christian Church has long been suspected of harboring a bias against economic activity. One need look no further than the statements of the National Conference of Catholic Bishops, Evangelicals for Social Action, the National Council of Churches, or the writings of Jim Wallis and others to see that these suspicions are not without merit. In contrast to the dismal science and its self-interest paradigm that tends to support the case for a free, capitalist economy, Church leaders have often discouraged profit-seeking and all material pursuits in general. Some of the strongest advocates of socialism have come from its ranks, and these individuals have been quick to support government programs to limit the greed, selfishness, and exploitation that they see as the consequence of market economies.

In what may seem like revenge for all the years of abuse, economists Ekelund, Hèbert, Tollison, Anderson, and Davidson have turned the tables on the Church by showing that many of the early Church’s activities can be examined and explained using economic tools. Sacred Trust maintains that the medieval Church functioned similarly to a modern multidivisional firm, obtaining monopoly profits by supplying the product of salvation, erecting barriers to entry, and manipulating demand through product innovation.

Some may view this approach as heretical, and the authors in need of penance, or even excommunication. But this work is no crusade against the Church, it is merely an effort to “push the private-interest paradigm as far as we can in an attempt to devise meaningful insights into Church behavior” (viii). In economics, of course, nothing is sacred because any social interaction can be thought of as a market process involving exchange, and thus can be examined and explained using economic theory. The authors
are careful to point out the limitations of their work and readily admit that their focus on economic aspects necessarily ignores noneconomic goals that individuals were trying to achieve. In addition, Sacred Trust is not agnostic about the positive impact the Church had on economic development and growth, despite its economic focus.

Others may view this subject as whimsical or foolish, but this would overlook the author's use of very sophisticated economic tools that result in serious scholarship. The medieval Roman Catholic Church itself cannot be dismissed as being unimportant either. This institution is shown as a dominating force in medieval society, controlling most of the landed property in Western Europe and possessing more power and wealth than any single monarch of the time. Previous economic historians have not failed to address the importance of the Church in pre-Reformation Europe. Max Weber, Werner Sombart, and Joseph Schumpeter, among others, struggled with the impact of the Church on early economic life. Sacred Trust departs from these studies by examining the microeconomic and institutional structure of the Church, as opposed to the macroeconomic analysis of the former works. For this very reason, Sacred Trust is on much firmer ground and yields greater insights into both the complex interactions between religion, the public, and the state, and the aggregate implications of those interactions.

Sacred Trust builds on the seminal work of Ekelund and Tollison and subsequent papers published by the authors. The most technical sections of the book appear in chapters two and three, where the authors explain how the Church functioned as a multidivisional firm. These chapters are not easily accessible to readers who have not had some exposure to industrial organization, but the conclusions are clear-cut. The Catholic Church produced and sold a product that was in great demand, "information about and guidance toward the attainment of eternal salvation" (26). It established effective spans of control over its market by organizing along divisional lines. It adopted an internal structure that established incentives for efficient behavior on the part of the clergy and maintained control through legal and financial means. Much of the daily activity of the Church was delegated to its divisions—the parish, monastery, or diocese—while long-term strategy was centralized within the College of Cardinals and the Pope. The former served as a Board of Directors for the Church, while the latter was akin to a corporate CEO. Downstream financial collections were handled by the camera, which functioned both as a bank and a court of law.

The remaining chapters of the book, which are more accessible to the noneconomist, reinforce the conclusions in chapter two using a case-study
approach. Chapter three examines the role of monasteries as a downstream franchised firm, focusing primarily on the Cistercian Order. The authors cite considerable evidence that the monasteries responded to economic incentives by engaging in price discrimination according to the willingness of their entrants to pay, price discrimination in labor markets, speculation in real estate and even the use of futures markets for wool to their advantage (and disadvantage).

Chapter four shows that the Church went to considerable lengths to maintain its market dominance. "As a monopolist, the Church had to protect its 'market' against entry by competitive firms." Its product "was surrounded by doctrinal characteristics and conditions that had to be met in order to attain the final good" (60). In this context, the Church's two major threats of punishment—excommunication and sanctions against heresy and witchcraft—are seen as forms of entry control.

Not only were these devices successful at protecting the Church's market, but when combined with the sacrament of penance, these legal sanctions were clearly very profitable for the Church. These tools, which figured prominently in the Inquisition, were often used in an attempt to grab land, were disproportionately levied on religions that sought to proselytize the Church's subjects, and were gradually transformed into a pecuniary tax that further transferred wealth to the Church. Because of its subject matter, this chapter may arguably be the most controversial of the book. Yet in terms of pure explanatory power it offers a much more consistent argument than the competitors, the most popular of which posits that the medieval heretical movements were rooted in the irrational eschatological fantasies of those whose social status was insecure.²

The remaining core of the book, chapters five through eight, focus on the rent-seeking behavior of the Church through its attempts to manipulate the demand and supply of its products. This includes the Church's preemption of the marriage market, its use of the doctrines of usury and exchange, how it profited from the Crusades, and how it engaged in product innovations (e.g., purgatory, indulgences, and auricular confession). Some of the more excessive Church policies were possible only because the Church elicited support from secular governments. This unholy alliance between the church and state, an underlying theme in the book, is a modern problem as well.³

The authors conclude in chapter nine that the Church's impact on economic development was probably not as negative as previous authors have maintained. Even the campaign against heresy, despite its violent side, con-
tributed to economic welfare by suppressing sects that tended toward revolu-
tion, nihilism, and communism. The Church's establishment of a system of
legal codes and courts certainly had a positive effect on society. Official
Church doctrine in this period was actually not as antagonistic to industry
and trade as some have argued.

The upshot from each of the chapters is that the Church consistently
sought after profits and responded to economic incentives in a manner
consonant with modern economic analysis. Taken as a whole, they pro-
pose numerous challenges to those who maintain a public-interest approach
to Church history. Sacred Trust allows us to understand the seemingly irra-
tional policies adopted by the Church during the Middle Ages. The perse-
cussions of William Tyndale, the friends of John Wycliffe, and other Bible
translators, though not addressed in this book, take on new meaning in the
context of Sacred Trust.

The book is guilty of a "sin of commission," in that it views the writings
of Pope John Paul II too harshly. Note, however, that this "sin" is confined
to one paragraph in the last section of the book, so perhaps it can be con-
sidered venial. The reader interested in an economic analysis of Centesimus
Annus and other modern writings by the pope can refer to Neuhaus. Sins
of omission obviously exist in this book as well but the authors may be
absolved, for they point to future areas of research that should keep econo-
mists and scholars in Church history busy for years to come.

Notes

1 Robert B. Ekelund and Robert D. Tollison, Mercantilism as a Rent-Seeking Society (College

2 Norman C. Cohn, The Pursuit of the Millennium: Revolutionary Millenarians and Mystical

3 See Doug Bandow, The Politics of Envy: Statism as Theology (New Brunswick, NJ: Transaction
Publishers, 1994) and D. Eric Schansberg, Poor Policy: How Government Harms the Poor (Boulder,

4 Richard John Neuhaus, Doing Well and Doing Good: The Challenge to the Christian Capitalist