

The Marketplace of Christianity

Robert B. Ekelund Jr., Robert F. Hébert, and Robert D. Tollison. 2006. Cambridge, MA: MIT Press. 328 pages. ISBN: 978-0-262-05082-1, \$29.95.

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The *Marketplace of Christianity* is a follow-up to 1996's *Sacred Trust*, written by Ekelund, Hébert, Tollison, and two others. *The Marketplace of Christianity* picks up where *Sacred Trust* left off—the end of the medieval period and the cusp of the Protestant Reformation. The authors' premise is that “the history and contemporary state of organized religions can be better understood if one uses economic principles to analyze their evolution and development” (p. 1). They support that premise with economic interpretations of incidents from the histories of the Christian churches. The book aims to be accessible to non-economists, which turns out to be an unfortunate weakness. To make the book accessible, the authors rely heavily on a demand-and-supply model that is not fully up to the task of explaining the “evolution and development” of Christian religious organizations throughout history. Overall, the book is interesting and engaging, but its level of theory is disappointing.

The first four chapters explain what the economics of religion is, what has been found so far, and how the economic way of thinking applies to religion. The first chapter provides a basic introduction to the “economics of religion,” stating that “[t]he distinguishing feature of this field is the belief that religion and religious behavior are rational constructs” (p. 3). As most economists will recognize, this claim is primarily about the process by which economists study religion, religious belief, and religious organizations. The analysis is neither about why people hold religious beliefs nor about whether they *should* hold them. Rather, economic analysis of religion means that the authors take the existence of religious beliefs as given and use the tools of economics to see what effects such beliefs have on observable outcomes.

In chapter 2, the authors provide a selective overview of the literature in the economics of religion, beginning with a more thorough discussion of Adam Smith than is typical in comparable literature reviews. Following passing nods to Thorstein Veblen, Karl Marx, and Alfred Marshall, the authors describe Max Weber's *The Protestant Ethic and the Spirit of Capitalism*. Next, they summarize the literature explicitly based in the utility-maximizing framework of Gary Becker that has been applied to religion by Laurence Iannaccone and others. Finally, the authors summarize

several works on church history (including their own) rooted in the new economic history approach. In all, chapter 2 provides a useful though necessarily incomplete introduction to the literature on the economics of church organization and structure.

Chapter 3 develops a qualitative theory of demand and supply in religious markets. The authors cite research by social scientists and neuroscientists on the underlying sources of the human yearning for religion—primarily “existential dread” and genetic/evolutionary causes—to develop an understanding of preferences regarding religion. Next, the authors acknowledge that religion is a complex good composed of many aspects that make it simultaneously a private good, a public good, and a club good. Despite religion’s admittedly composite good nature, the authors nevertheless argue that the core product of religion (or Christianity, at least) is assurances of salvation, the demand for which can be captured adequately through a basic demand curve. Similarly, the structure of the religious market—the supply side—matters for the observed level of religious practice, including the nature of religious organizations and the degree of government intervention. The emphasis on assurances of salvation in a demand-supply framework raises some difficulties. For example, what elements comprise the “full price” of religion? If the good is “assurances of salvation,” then what exactly is the quantity axis measuring?

Chapter 4 presents four examples of how chapter 3’s demand-and-supply theory can illuminate changes in “religious forms,” a catch-all term the authors use for both changes in doctrine and entry of new religious organizations. The four examples are (1) Egyptian pharaoh Akhenaton’s attempt to establish a monotheistic religion in the fourteenth century BCE, (2) the role of the printing press in fostering the growth of Protestantism, (3) the Roman Catholic Church’s 1966 decision to relax the prohibition on eating meat on Fridays, and (4) the economic motivations of the medieval Roman Catholic Church previously presented in *Sacred Trust*. Oddly, each of these examples tells a story that is not neatly captured in chapter 3’s demand-supply model. The first and third examples suggest both Douglass North’s (1990) model of institutional change and the public choice approach in economics (to which author Tollison has been an important contributor). The fourth example tells about a monopolist struggling to maintain market control as barriers to entry fade and new entrants abound. Even the second example (the printing press) is used by the authors only to argue that technological change shifted demand curves by facilitating publicity about the flaws of the Catholic Church and by making literacy

more broadly attainable. Why not also discuss the supply-side effect of a reduced cost of printing and distributing Bibles as a necessary precursor to Protestantism's Bible-centered theology? Contrary to the authors' stated intent, each example suggests that a simple demand-supply framework is *not* adequate to explore religion from an economic perspective.

Indeed, this is the primary flaw that lurks throughout the book. The authors' determination to boil down the economic analysis of religion to a simple demand-supply model removes much of the richness that an economic approach to religion can bring to our understanding of the functioning of religious organizations and religious markets. I will elaborate on this point throughout the rest of my review.

The authors use the remainder of the book to apply chapter 3's theory in greater detail to explain various events in church history. They begin with the "Economics of the Protestant Revolt" in chapter 5, which argues that the Protestant Reformation resulted from the late medieval Catholic Church's charging a full price for salvation that was too high to deter successful entry by competing religious suppliers. The authors contend that, in more traditional societies where incomes of the elite were based on land rents, substantial wealth was concentrated in the landed class, and this distribution of wealth was fairly stable. These factors lowered the cost of information on willingness-to-pay that the Church needed to engage in price discrimination. In commerce-based societies where the wealth distribution was more spread out and fluctuated more, the various forms of price discrimination were not feasible because information about parishioners' willingness-to-pay was too costly to obtain. The authors conclude that the Catholic Church was most successful in fighting off Protestant entry in the semi-feudal societies where the wealthier classes primarily engaged in land-based rent-seeking, mainly because discriminatory limit-pricing strategies were feasible in such places.

Chapter 6 describes the Counter-Reformation as the response of the incumbent Catholic monopolist to Protestant entry. The authors use a variation on the classic monopoly model to explain how the Catholic Church responded to new entry by (1) lowering the average price charged to its followers, (2) competing most intensely in regions where Protestants were nearby, (3) taking steps to increase the marginal cost of being Protestant, and (4) developing policies to increase its own demand and make that demand less price elastic. In addition, the authors argue that important institutional factors within the Church deterred the achievement of many internal reforms that were ordered by the Council of Trent as part of the Counter-Reformation. Chapters 5 and 6 both provide interesting

and worthwhile economic perspectives on the Reformation and Counter-Reformation.

Unfortunately, the insistence in chapter 6 on couching the analysis in demand-supply terms leads to hazy conclusions. Counter-Reformation improvements in the quality of the Catholic Church's products are treated as price reductions, presumably because the demand-supply model does not really incorporate product quality into P and Q . Similarly, demand-side effects of taxation and persecution of Protestant consumers are treated as increases in the (supply-side) marginal cost of Protestantism.

Chapter 7 analyzes post-Reformation denominationalism within Protestantism. The authors argue that Protestant church governance structures depended on the political and competitive environments. In particular, episcopal governance was more likely (relative to congregational governance) for Protestant churches in religious markets with a strong national government and only limited competition from other religious groups. Once again, these conclusions arise from strained applications of the authors' demand-supply model even though, at the beginning of the chapter, the authors advocate use of a model rooted in the product differentiation and spatial competition literatures. Unfortunately, they do not develop such a modeling approach. It would have been preferable if, from the beginning of the book, the authors had developed a more sophisticated model of religious markets upon which to build their subsequent analyses.

In chapter 8, the authors take up the question raised by Max Weber's *The Protestant Ethic and the Spirit of Capitalism*: whether Catholicism and Protestantism differed in their effects on the economic development of western Europe. They propose two main supply-side effects not emphasized in prior literature that could have promoted faster economic development in Protestant Europe. First, Protestantism's substantial reduction in religious price discrimination left more "consumer surplus" in the hands of the private sector, where it could be more productively invested. Second, by reducing the number of festivals and other Holy Days, Protestantism left more days for laborers to work and thus be productive. These micro-level effects are plausible and merit inclusion in the growing set of theorized influences of religion on economic growth. In addition, the linkage made in chapter 5 between rent-seeking economies and the success of Catholicism may also be a source of contemporary correlations between religion and economic growth.

Chapter 9 concludes with a broad discourse on several issues in contemporary Christianity. Framed as implications of the authors' theory

of the evolution of Christianity, they predict what might happen in the future in regard to looming conflicts within Christian denominations in the U.S. and around the world. The issues discussed include liberal vs. conservative theology; Philip Jenkins's North-South divide; and controversies over evolution, stem cell research, cloning, and acceptance of homosexuality. "In our view, differences in fundamental beliefs—if that means fundamental differences in theology or scriptural doctrine—are to be interpreted as economic factors that create differences in full price" (p. 247). At this point, the demand-supply model nearly becomes a metaphor rather than economic theory, in that traits characterizing the quality and nature of the good are rolled up into the price component rather than dealt with in more appropriate theoretical ways. Furthermore, many conservative Christians will disagree with the authors' various predictions on moral, analytical, and scriptural grounds.

As they conclude the book, the authors declare that "the economics of religion uses the principle of rational behavior as well as interest-group analysis, public choice analysis, industrial organization analysis, and the theory of clubs to develop and evaluate" (pp. 268–269) the various claims throughout the book. Indeed, they should have more formally incorporated these very elements into their theory, rather than relying heavily on a demand-supply model that is too simplified to capture the many complexities of religious goods.

Some Christian economists will object to using economic reasoning to discuss matters they think are better understood as works of God, but that objection applies to most work in the economics of religion. With that said, this book was interesting and informative and worth reading for economists studying religion, even though I was disappointed that more insightful economic theory was not employed.

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