

Economics of Religion

- 1) Religion is an economic good. It has some interesting attributes, but these are not unique. Its demand and supply follow standard economic principles.
- 2) Demand.
 - a) Components
 - i) Adam Smith: Reputation enhancement. Certification of good will and honorable character.
 - ii) Personal, private solace about the meaning of life. Body of thought concerning the nature of human existence.
 - iii) Collective action and interaction in producing and consuming spiritual goods. Notably charity is a commonplace spiritual good in the Christian tradition.
 - b) All of these aspects of the demand for religion imply that religion is a public good. The shared theology and body of thought is a public good just as are all intellectual products. Even more important in religion because theology has brand-name characteristics. That is, as more people subscribe to it, the more valuable it becomes. Snow-ball effect: Belief induces belief. The personal reputation effect that Smith focuses on is directly a brand-name phenomenon. Charity, which is one of the common collective actions of Christian religions, is obviously a public good.
 - c) Religious participation is greater today than ever in the 20th century. Possibly higher today than ever in the history of man. Religious participation by occupation: highest among scientists/lowest for social scientists; highest among rich people; highest among fundamentalists.
- 3) Supply.
 - a) The public good nature embodied in the demand for religion creates special circumstances for the supply of religion.
 - b) The importance of brand name means that supply will most likely tend toward a franchise structure. Brand name is the ubiquitous theme of modern franchises. Franchise organization is an efficient contractual arrangement for promoting brand name. The franchise outlets have the incentive to produce efficiently. The franchise organizer, or franchisor, has the incentive to monitor franchisee quality.
 - i) The franchise structure in religious production can be loose or rigid, just as it is in other lines of business. Of today's Christian sects, the Roman Catholic Church is probably the most rigid, followed by the Greek Orthodox and the Greater Anglican Communion. The Mormon church is also quite rigid. The least rigid is probably the Baptist. In the Roman Catholic religion, church property is owned by a legal entity defining the bishopric or diocese.¹ I think that the same is true for Episcopalian and Orthodox churches as well. For most protestant sects, the church is owned by congregation. In the Roman church, bishops appoint pastors and other bishops. The pope approves the appointment of bishops. In the Episcopal and Orthodox churches the congregation appoints the pastor, who is then ratified by the bishop. There are

¹ In South Carolina, Roman Catholic Churches are owned by the bishopric of Charleston, which is a publicly chartered corporation.

- hierarchies of bishoprics. In Baptist churches, there is a loose association among churches called conventions.
- c) There is a tension in the production of the religious good between maintaining the definition of the brand name and altering it slightly to suit a particular clientele. Common issues of this sort include birth control, abortion, gay rights, celibacy of the clergy, female clergy, the role of women in the family, drinking, smoking, premarital sex, dress, tattoos, burial, etc., in addition to arcane theology points.
 - d) There is also tension in the franchise organization between the franchisees and the franchisor. Klein, Crawford, & Alchian; Rubin. When the franchise organization is young, the franchisor cannot sell the franchise rights for their full expected value because of the threat of opportunism. When the franchise matures, the franchisor is greatly tempted to renege: first, the rights were sold much cheaper than their current value; second, the reputational cost of renegeing is lower because all expansion possibilities have been exploited.
- 4) Political Marketplace.
- a) Historically, religion has been a state sanctioned monopoly. The separation of church and state in the Constitution of the United States of America was a seminal event in world history. Certainly at a time when religious participation was probably strong and growing, in was a marked turn in the marketplace for religion. Historically, the Romans before Constantine appear to have been religiously tolerant, though they did persecute the early Christians. There seems to have been some religious tolerance among the Jews, but possibly because they do not accept converts. Greeks??? Little religious tolerance in Egypt of the Pharaohs. Little religious tolerance in Islam, even today.
 - b) Adam Smith and David Hume debated the issue of competitive churches v. state sanctioned monopoly religion. Smith argued for competition on basis of efficiency in production. Hume argued for state religion on basis of controlling the masses and stopping political foment.
 - c) After Constantine declared Christianity to be the state religion of the Roman Empire, state religion was the dominant political structure in most political regimes until the 18th century.
 - i) England: From Wm. the Conqueror until Henry VIII, Christianity aligned to the Roman church. Probably true before Wm. but possibly some tolerance in the face of Nordic invasions and assimilations. Henry breaks with Rome, but only on the basis of royalties paid to the papacy, not on dogma and certainly not acceptance of protestants. Protestant movement (Presbyterians/Calvinists, Baptists, others) grow arguably as claimants to plunder of Roman Catholic subscribers (Guy Faulks and the Gunpowder Plot). Parliamentary movement v. royalists: protestants v. anglicans. Civil war, regicide, restoration, bloodless coup: return to dominant anglican church with episcopal structure with increasing tolerance for other sects.
 - ii) France: Following the protestant reformation, protestant sects are tolerated in France from early 1500s to early 1600s. Then there was fierce prosecution and purge of protestants. Roman Catholicism returns until French Revolution, after which France is largely atheistic. Revolution is strongly opposed to all religion.
 - iii) Spain: Inquisition purges protestants and Muslims.

- 5) Fall of Rome Empire and the Development of the Church of Rome.
- a) Roman See one of many, equal patriarchal sees of the early Christian church. Bishop of Rome called “Pope” out of respect for Peter the Apostle.
 - b) Fall of western empire shatters the political structure of western Europe. Political leaders in disjoint political territories align themselves with the papacy as franchised sellers of Christianity. Why Christianity; why Roman franchises?
 - c) Two centuries after fall of Rome was the dark age. Economic growth begins around 800. Charlemagne is crowned Holy Roman Emperor as evidence of the franchise arrangement. Bishops are appointed by kings and lords as part of the franchise agreement. Royalties are paid to the Pope and Cardinals in Rome. By 1000, franchise structure has spread throughout western Europe.
 - d) 1054, Rome breaks with Eastern Christian church. 1059 formally renounces the franchise agreement that allows bishops to be appointed by secular leaders. This is called lay investiture v. papal investiture. The issue is who gets to sell the bishopric and benefices. The break with the East also involves an arcane theological point called the filioque, but this is probably smoke screen for investiture controversy. Papal investiture was asserted throughout Christianity, but was impossible to enforce in East where the Roman Emperor was still higher authority than the bishops of the patriarchal sees.
 - i) Eastern Schism was a bellwether for internal conflict in the Roman church that lasted for over a century. An agreement between the HRE and the papacy was struck around 1120 that essentially shared the rents from investiture, but its enforcement was not finalized until 1180.
- 6) The Great Papal Schism
- a) The 13th century was fairly quiet, but in the beginning of the 14th century, several things occurred that ultimately culminated in what is called the Great Papal Schism.
 - i) The Roman church undertook a dogmatic invention by formalizing the concept of purgatory and creating the notion of an indulgence.
 - ii) Rome began marketing this dogmatic innovation via the mendicant monastic movement, which was largely a violation of the territorial franchise structure wherein kings, lords, and nobles had exclusive rights to oversee the production of religion in their political subdivisions.
 - iii) The papacy moved to Avignon on the border of France and within the sphere of control of the French crown.
 - b) During the 13th century, it is reported that papal revenues drawn from England were 5 times the amount raised by the King of England.
 - c) The Great Papal Schism started in 1378 and finally flickered out in 1429. At one point three different popes laid claim to the office. All were declared invalid by the Council of Constance and Martin V was invested in 1417. During the schism popes were seated in Rome, Avignon, and Pisa.
 - i) The schism was a fight to gain control of the papacy by national interests.
 - ii) Papal revenues were reduced to a trickle.
 - iii) The Council of Constance was a congregation of bishops and religious scholars. It asserted the right to overturn the papal elections of the College of Cardinals, but its claim vanished as soon as it was asserted.
 - iv) Following the schism, the papacy returned to Rome.

- d) A singular characteristic of the period between the Papal Schism and the Protestant Reformation is that the papacy & college of cardinals vastly increased the revenue flow. It was rebuilt from the low at the time of the Papal Schism to an amount substantially larger than anytime before in the history of the church.
 - i) Part of the increased revenue came from increasing the number of cardinals. Almost all of the popes in the 'renaissance' period sold many red hats.
 - ii) The papacy in this period was outside of the control of national interests, even though it conspired and plotted with all of the monarchs against one another.

- 7) Protestant Reformation.
 - a) A fair characterization of the reformation period was that it was more about money than dogma. Of course, reformers like Martin Luther raged in large part about the moral decay of the church embodied in the sale of church activities, but these complaints were not new.
 - b) The difference between the reformation and earlier schisms is that the national and political leaders went along with the revolt. During the Papal Schism, secular leaders aligned themselves with one or the other rivaling popes. In the Protestant schism they simply broke away from Rome.
 - c) The ones that didn't break away rewrote their contracts with the papacy.
 - d) Countries:
 - i) England: breaks away
 - ii) Spain: renegotiates
 - iii) France ??? initially adopts religious tolerance and allows Catholics and Protestants to coexist. Later returns to Catholicism and brutally suppresses the protestant movement.
 - iv) Holland: breaks away