

The Salvation Market

Susan Lee, 12.19.08, 12:00 AM EST

Warning: No refunds.



Millions of people will be sitting in church pews over the next week. And many of them will be thinking about divine matters. But for those of you who find your mind drifting during the Sunday school's re-enactment of the nativity scene, I can offer something to ponder: the economics of religion.

Granted, there's nothing new about economists arguing that people respond to economic incentives--to costs and benefits--in religious matters as well as secular ones. However, when this analytical grid is placed over some great religious controversies, intriguing findings follow. Take one of Christianity's great battles: the Roman Catholic Church versus the Protestant Reformation in the 16th century. I promise that even a little dip into *The Marketplace of Christianity* by Robert Ekelund Jr., Robert Hebert and Robert Tollison (hereafter EHT) will give you plenty of new insights.

Christianity became entrenched in the 4th century after Constantine gave it political and legal status. Fast-forward six centuries when the Roman Catholic Church had so extended and consolidated its [market power](#) that it became a sort of supranational government. More important, as EHT describe it, this medieval Church had become a monopolistic, bureaucratic firm engaged in rent-seeking.

Rent-seeking is key. (In economics, rent-seeking means using the political or bureaucratic process to secure economic advantage.) Indulgences and matrimonial dispensations are two powerful examples. Consider:

The chief product offered by the Roman Church was eternal salvation. But salvation wasn't assured by simple faith. Instead, salvation could be secured with the purchase of an indulgence. Indulgences, which were granted by the Pope, allowed the purchaser to reduce time spent in purgatory.

Sinners could buy a cheap pardon for 40 days or, if the situation and income merited, an expensive pardon for the reduction of hundreds of years. The selling of indulgences was an enormous revenue raiser for the Church (and so onerous that it drove Martin Luther into a frenzy.)

The Church was just as single-minded in its approach to extracting rents from the marriage market. As EHT observe, creating a dynastic family was a major way for people to accumulate wealth. So lots of marriages were among kinsfolk. But these marriages were governed by regulations on just how close the kinship ties could be--regulations that covered the gamut from siblings to seventh cousins.

The Church, however, assumed the power to suspend these regulations through matrimonial dispensations. For a price. And granting these dispensations became another big, rent-gathering line of business.

In short, as a rent-seeking monopoly, the Roman Catholic Church was superb. Monopolies, however, are difficult to maintain. Not only do they require some political and/or military muscle but the more successful they are in amassing economic surplus, the greater the incentive for rival firms to invade their markets.

And when the Roman Church's rent extraction in the dispensation of salvation and the administration of justice went too far--when it wildly overcharged for these services--disaster followed. Adherents went over to its rival, Protestantism, which was a lower-cost dispenser of religious services; and, for their part, civil authorities were happy to find a new, cheaper provider of legal services.

There's no question that Protestantism offered a much lower-cost way to salvation. Indeed, salvation was a matter of faith, not purchase, and

faith was a gift from God. No expensive indulgences necessary. Protestantism also lowered costs by offering freedom from regulations and rules. No more costly and time-consuming ceremonies like feast days, or pricey clerical vestments and church decorations, or money-eating cathedrals, or the maintenance of a giant priestly bureaucracy.

Simply put, the success of the Reformation was insured by the Roman Catholic Church's relentless pursuit of rents, which raised the price of the Church relative to Protestant churches. Or, as EHT observe: the Reformation "...amounted to a massive tax cut in terms of money and time committed to salvation-seeking."

And here's one final thing to think about during the nativity re-enactment.

Christianity is a type of credence good. Its utility is pretty much impossible to assess--both before and after consumption. Since its major product is salvation, or a heavenly life-after-death, consumers must purchase this good on faith and without a guarantee the good will be delivered. This lack of verifiability prompts EHT to call Christianity a meta-credence good.

This sounds about right to me: You can't even return to earth to demand a refund if you end up in, um, hell.

Susan Lee, an economist, also has degrees from Union Theological Seminary and General Theological Seminary. She is a commentator for NPR's "Marketplace" and writes a weekly column for Forbes.com.

http://www.forbes.com/opinions/2008/12/18/christianity-market-rents-oped-cx_sl_1219lee.html