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# ECONOMIC UPDATE

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Center for Economic Development & Business Research  
College of Commerce & Business Administration  
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## Religion and Economics

By Christopher Westley

[The following book review was published in the *Journal of Markets and Morality*, Vol. 10, No. 2 (pp. 419-421).]

### ***The Marketplace of Christianity***

by Robert B. Ekelund Jr., Robert F. Hébert, and Robert D. Tollison; Cambridge, Massachusetts: The MIT Press, 2006  
(355 pages)

In many ways, *The Marketplace of Christianity* is a remarkable book. It is, first and foremost, an examination of the supply and demand for Christianity, using the tools of neoclassical economics by a trio of accomplished scholars. Although the book often examines religion in general, its overall aim is to utilize the tools of economics to explain events in the history of Christianity as well as some contemporary and controversial issues that relate to religion today.

To the interested non-economist, the use of economic analysis to such an area may seem odd. However, some of the most interesting economic theory in recent decades has involved the application of economics to non-traditional areas. Indeed, if economic models can apply to any scarce good or service, then this would apply to those created to satisfy individual spiritual needs. The result has been a growing subfield within economics called the economics of religion which is often quite fascinating. One of *Marketplace's* central contributions is to assemble much of this research

in one place, including some of the more important papers published by the authors themselves.

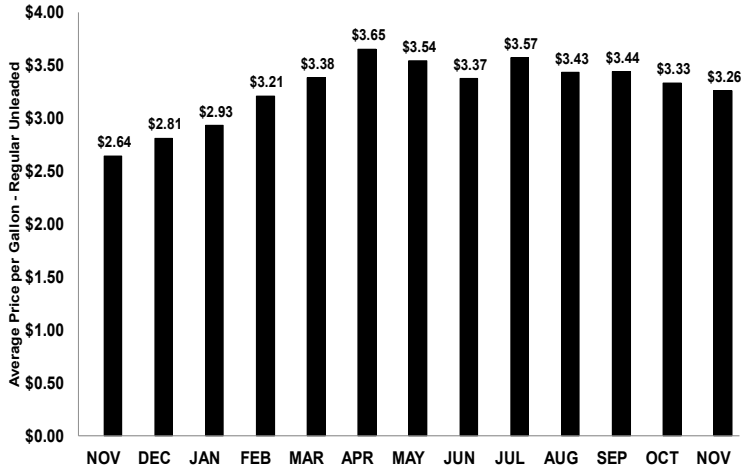
*Marketplace* is comprised of nine chapters covering topics such as religious markets, the Protestant Reformation, the Counter-Reformation, the spread and development of Protestantism, and a consideration of and complementary analysis to Max Weber's *The Protestant Ethic and the Spirit of Capitalism*. The book concludes with remarks on contemporary issues relating to religion, along with predictions regarding the future evolution of religious practice and belief.

The authors' analysis, largely based on the writings of economist Gary Becker, approaches religious goods or spiritual services as *Z-goods*, which is Becker's measure of nebulous (or "psychic") output that would include (in this case) assurances of salvation, fellowship, security, etc., resulting from the combination of labor, capital, and market goods. When measured in this way, this output can be measured and maximized, subject to constraints such as income and time.

This output, however, is both demanded and supplied in a marketplace of Christianity which was once dominated by a monopoly firm in the form of the medieval Catholic Church that collected monopoly rents for its religious output. Since any successful monopoly attracts substitutes, the Protestant Reformation occurred, altering the marketplace to the one described in the dominant firm/competitive fringe model. Here,

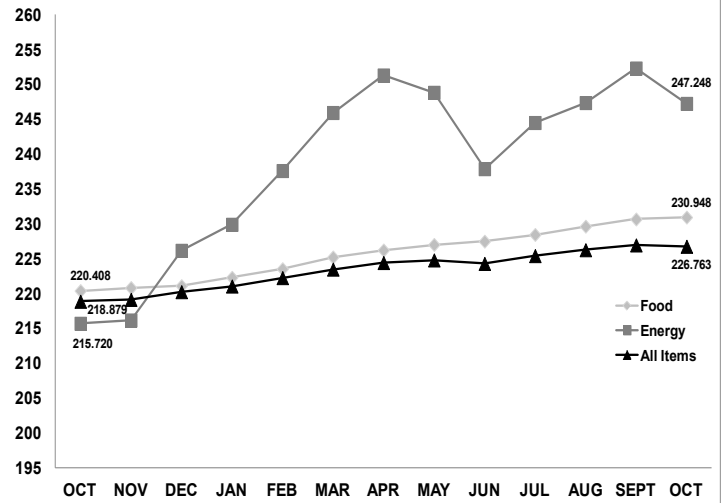
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### Gasoline Prices November 2010 - November 2011 (3 County Average - Calhoun, Etowah, Talladega)



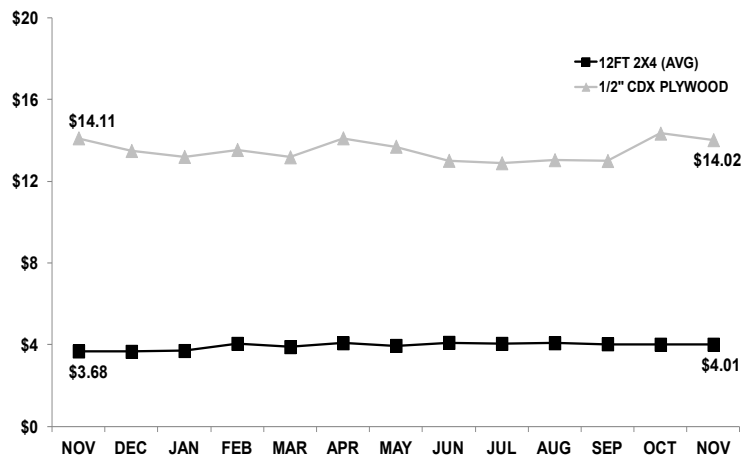
Source: AAA Alabama

### Consumer Price Index - U.S. Average October 2010 - October 2011



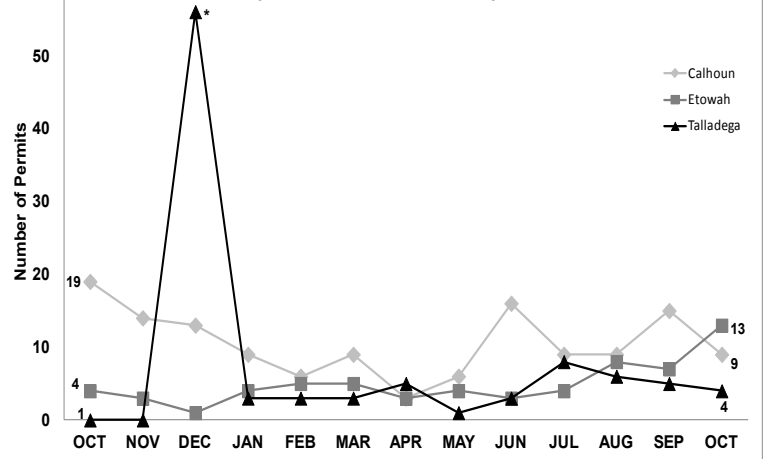
Source: Consumer Price Index

### Lumber Prices November 2010 - November 2011 (3 County Average - Calhoun, Etowah, Talladega)



Source: Phone Surveys

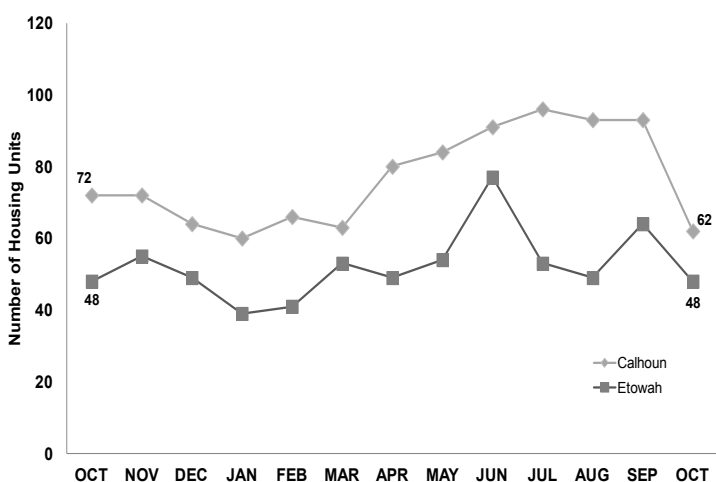
### Building Permits October 2010 - October 2011 (New Construction)



Source: Data submitted by municipalities within the three counties

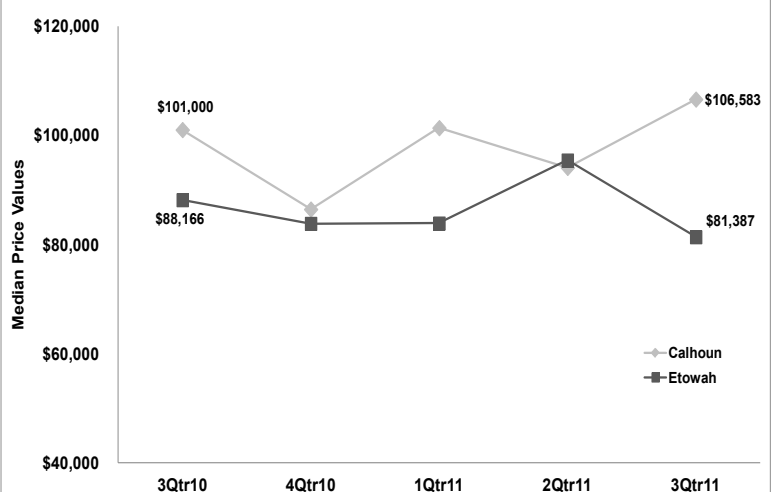
\* Permit to build 56 apartments

### Housing Units Sold October 2010 - October 2011



Source: Alabama Center for Real Estate, University of Alabama

### Median Home Prices 2010 - 2011



Source: Alabama Center for Real Estate, University of Alabama

(Religion..., cont. from p. 1 )

the new Protestant competition lowers prices (pecuniary and non-pecuniary) for the market of religious Z-goods, thus forcing the Catholic Church to do the same in order to maintain and recapture market share.

Of course, not all countries and regions converted to Protestantism, and *Marketplace's* discussion of the inverse relationship between primogeniture laws and Protestant growth is intriguing. Equally intriguing are the discussions of pilgrimages, cathedrals, and a supply-side explanation for economic growth in newly-Protestant regions.

My analysis so far is purposefully general so as to give the reader an idea of some of *Marketplace's* more important focuses. However, there are some areas of specifics in this book that I found wanting.

First, neoclassical economics is only as good as its assumptions, but for a topic such as this the assumptions are more important because the subject matter, so removed from time, is often not amenable to empirical tests. The conclusions drawn are only as sound as the assumptions and the models in which they are employed. For instance, a central theme throughout *Marketplace* is the equation between magic and religion, and that since the former leads to the latter, similar demand functions apply to both. Not only is this relationship well established in the anthropology literature, it also has roots in some of the Protestant reformers' characterization of Catholic belief in the Eucharist as simply *hocus pocus*.

However, economic theory suggests that if Christians in general believed the Catholic Eucharist is what Catholics have claimed it to be since the time of the Early Church—the actual and not symbolic presence of Jesus Christ—then demand for this sacrament would become perfectly inelastic. Far from magic, this sounds like a smart argument, and that even those who reject Catholic teaching on the Eucharist would understand the logical conclusion made by those who do. Is this a case of product differentiation? Instead, *Marketplace's* assumptions interpret Catholic arguments on such matters as reflecting a medieval “natural law” mindset that was (and still is) in the process of being rejected by a modern mind.

It is surely true that many are attracted to religion and magic out of a fascination with events that they cannot explain. However, this analogy has its limits. Since magic generally involves objective deceit on the part of its practitioners—we know Penn and Teller are skilled illusionists—the analogy is unfair to religion, unless the authors wished to imply similar intentions on the part of priests, ministers, and rabbis.

Second, it is a fact of history that the Catholic Church filled a void left by the diminution of secular power during the second half of the first millennium, and since corruption often results when temporal power increases, abuses were predictable. Many of the abuses chronicled in *Marketplace*, such as the selling of indulgences, are more likely when the Church assumes the role of the State. It has been good for the Church, and for Christianity, for it to lose that role.

Nonetheless, the medieval Church was *the* primary provider of public goods in the medieval world. For instance, it provided a safety net for the “deserving poor,” financed and organized defenses against the Turks in places like Lepanto, supported the arts, established universities, and otherwise promoted scientific inquiry. How should such activities be financed? Is it hard to imagine that this might take place via spontaneous offerings of the Christian faithful, as opposed to Church extractions? In any event, raising funds through the selling of indulgences—which, contrary to *Marketplace's* presentation, was never a common practice, for any length of time—seems preferable to modern modes of finance such as coercive taxation and monetary inflation.

*Marketplace* also summarizes some of the authors' research on medieval cathedrals, characterizing them as devices constructed to intimidate entrants into the religious marketplace. While this argument has merit, it ignores the role of the cathedral to teach the faith to a largely illiterate population, provide central meeting locations for worship and reception of the sacraments, as well as community, fellowship and security. The authors' argue that the advent of Protestantism slowed construction of these often gargantuan edifices, and that this promoted the development of capitalism as resources were diverted to productive activity in the market. However, it seems that this argument rests on the assumption that a cathedral built in 1550 carried

Cont. on p. 4

(Religion..., cont. from p. 3 )

the same opportunity cost as one built in 1150. It is more likely that as these opportunity costs grew as capitalistic institutions developed throughout the European continent, the demand for cathedrals waned.

The authors are simply wrong in stating that Purgatory was invented by the medieval Church. Unfortunately, *Marketplace's* presentation of Catholicism and medieval history (including several such sections addressing Galileo, the evolution of the papacy, and the Crusades) ranges from stereotypes to Bob Jonesisms. It often describes a Catholic Church so out of touch with its target market (at least for the last 1000 years, with an apparent respite during the 1950s and 1960s), one wonders how such a boorish and nefarious institution maintains membership of one-sixth of the world's population today. Such biases are unfortunate. They detract from the valuable conclusions of positive analyses of an otherwise recommended and inspired book.

One final point concerns statements made early in *Marketplace* responding to criticisms of the authors' previous book by "non-economist" and "Roman Catholic apologist" William Campbell who wondered about cardinality issues applied to religious goods. In truth, William F. Campbell is professor emeritus of economics at Louisiana State University who earned his Ph.D. in economics at the University of Virginia and studied under Ronald Coase. Since the authors have close connections to both schools, this is information one thinks they would have known.

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Christopher Westley teaches economics at Jacksonville State University.

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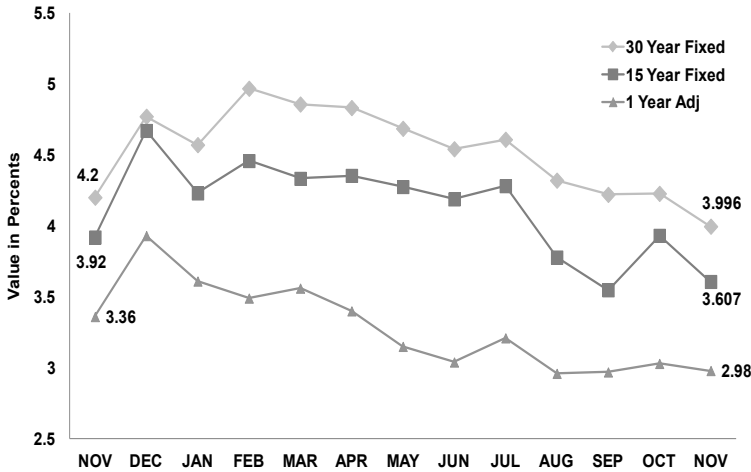
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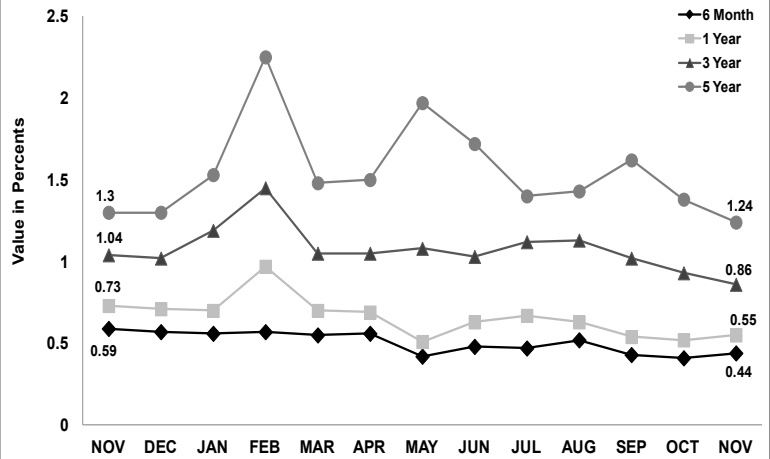
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### Mortgage Rates November 2010 - November 2011 (3 County Average - Calhoun, Etowah, Talladega)



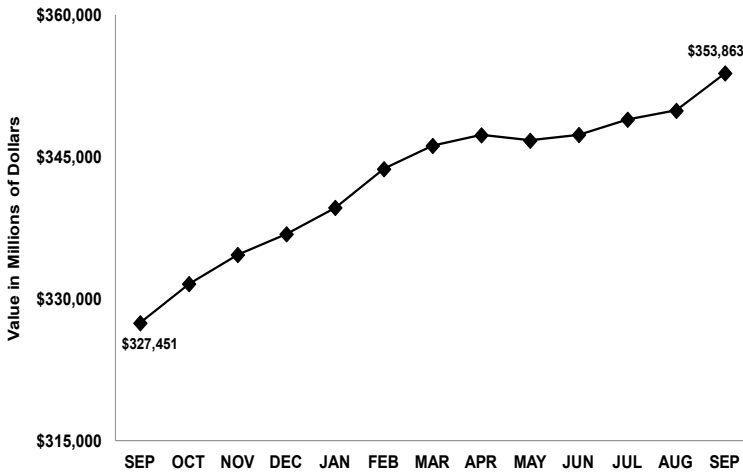
Source: Phone Surveys

### Certificate of Deposit Rates November 2010 - November 2011 (3 County Average - Calhoun, Etowah, Talladega)



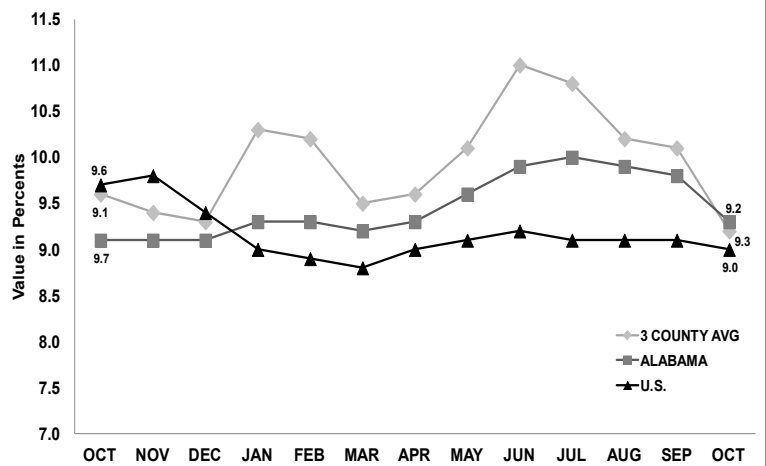
Source: Phone Surveys

### U.S. Retail Sales September 2010 - September 2011



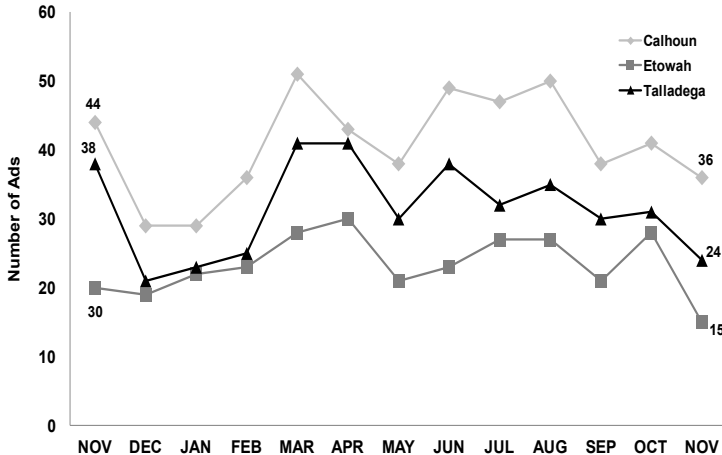
Source: Monthly Retail Trade Report, U.S. Census Bureau

### Unemployment Rate October 2010 - October 2011 (3 County Average - Calhoun, Etowah, Talladega)



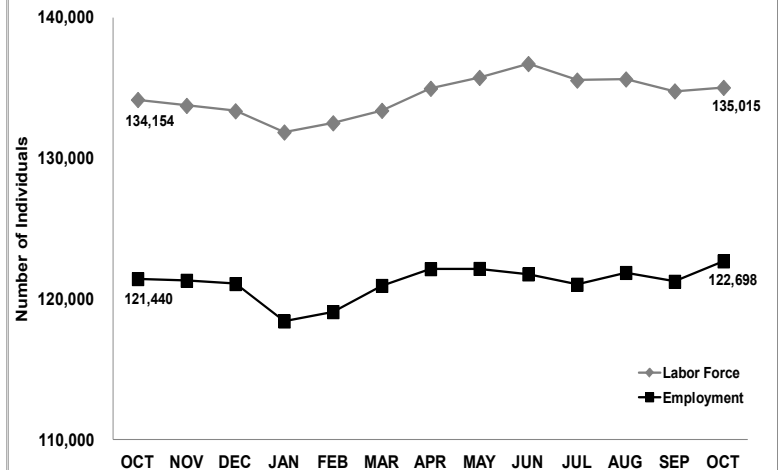
Source: U.S. Bureau of Labor Statistics, Alabama Department of Industrial Relations

### Help Wanted Ads November 2010 - November 2011



Source: Phone Surveys

### Civilian Labor Force & Employment October 2010 - October 2011 (3 County Average - Calhoun, Etowah, Talladega)



Source: Alabama Department of Industrial Relations



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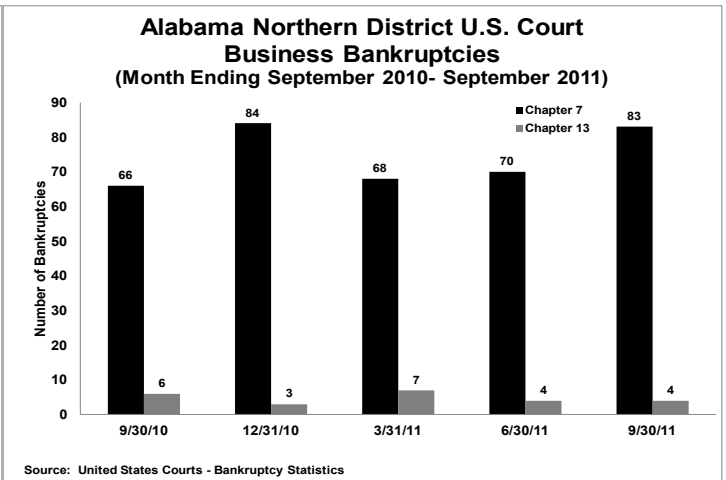
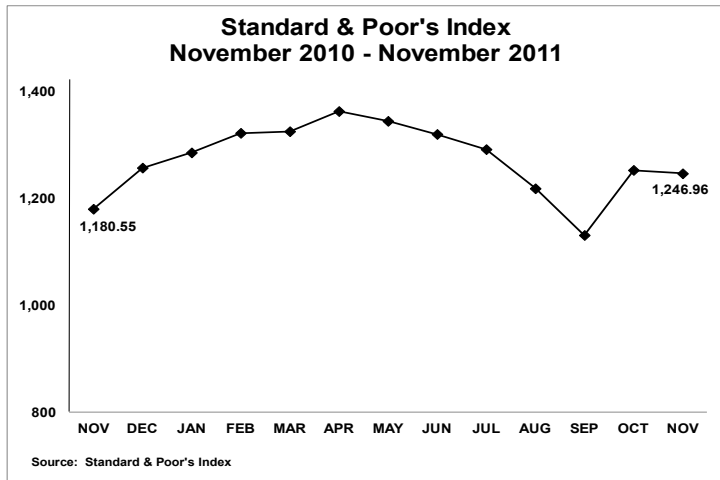
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