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

This review is divided into three sections: 1. The question of the appropriateness of using microeconomic concepts to analyze the activities of the medieval Roman Catholic Church; 2. The question of the more macroeconomic interpretation of the influence of the Catholic Church on economic development; and 3. The similarity between the authors’ analysis and the criticisms of the Catholic Church during the Reformation period.

The authors finish this book with the following plea: “We conclude this study, therefore, with a call for the use of modern economic theory to further study particular institutions at particular places and times, in order to penetrate the historical mysteries of the medieval church.” Besides mistrusting on principle any study that calls for further studies, perhaps it would be useful to compare this quote to Adam Smith’s description of the Post Office as a mercantile project: “There is no mystery in the business. The returns are not only certain but immediate” (Smith, Wealth of Nations, Vol. II, p. 818).

One can be certain that this book does not treat “historical mysteries of the medieval church” in any sense in which the medieval church would have understood the term “historical mysteries.” Their view of the Catholic Church in the medieval period—and it is mainly the Catholic Church that is the object of their analysis—is certainly on the level of the “mercantile project,” which is appropriate for a book extending economic analysis to a sacred institution. Where the Catholic Church would deviate from the Post Office, according to the authors, is that the Churches’ “commodity” is neither certain nor immediate. The Church is in the business of “selling assurances of salvation.” This is a “credence” good.

One begins to suspect trouble afoot when the authors state their basic
assumption: "In this book, therefore, we model the Church as a corporation that marketed and 'sold' a set of identifiable 'products' in a rational cost-conscious, 'profit'-maximizing manner" (p. 6). To have to use quotation marks around three of the essential concepts—sold, products, and profit—means that they cannot be literally understood; there is no real market, there is no real sale, and there is no real profit. Perhaps it is because of the vagueness of its controlling analogies that we are spared the pseudo-graphs.

But it is still rather strange to find a book on microeconomics, even applied microeconomics, that has no graphs, no statistics of any serious kind, and claims to explain behavior that takes place over centuries. It is perhaps even stranger to find the claim that the evolution of marriage laws, the evolution of usury teachings, and the evolution of purgatory are all explainable by microeconomic laws.

Let us return to the basic question: what is the "commodity"? What do we put on the quantity axis that makes any sense? The heart of the book is the authors' interpretation of the commodity that the Catholic Church is selling. They are very clear that the Catholic Church was not selling salvation which was not within the purview of the Church to sell, but only "assurances of salvation." But even here, G.K. Chesterton's aphorism is appropriate: "The essence of Calvinism was certainty about salvation; the essence of Catholicism is uncertainty about salvation" (Irish Impressions, p. 204).

Aside from not defining the "commodity" in any meaningful sense, the other main ambiguity is the authors' distinction between economic and noneconomic motives. Even in the business world of "materialistic" America it is hard enough to figure out the motivations of real world capitalists.

The authors do not appear to understand the full implications of what it means to say that economics is a "science of choice." The ability to distinguish easily between "economic" and "noneconomic" activities is lost whenever the concepts of rationality and incentives are applied to human beings as we actually observe them in everyday life. What do they really mean when they say, "we seek to uncover the purely economic aspects of decisions made by agents who, outwardly at least, were trying to satisfy economic and noneconomic goals simultaneously" (pp. 4-5)?

To show the difficulties, take the simple case of a Minister in a modern day American Protestant Church. Consider the multiple hats most of them try to wear: CEO, spiritual director, administrator, psychological counsellor, athletic director, author, accountant, and orator. Is it possible to separate out the pursuit of dollars and the concern with financial stability as something distinct from their other activities? Their actions are probably influenced by carrying out the institutional needs of their church and being able to pay the bills. These are the realms of prudence. Do they trump their spiritual goals?

We know, by way of common sense, that clergy occasionally do get corrupted by these practical concerns. He who has never raised money for an organization may cast the first stone. As human beings we have to make judgment calls about personalities all the time and it is a sticky wicket, deserving of the greatest charity. We often are mistaken and less than charitable.

Moving on to the microeconomic concept of the firm, we note that the subtitle of the book is The Medieval Church as an Economic Firm. Now that the "firm" is no longer a black box, which model of the firm do they choose? Their firm of choice is a vertically integrated Multidivisional (M-form firm)—a plausible choice to capture the complexity of the Catholic Church which is not easily captured by a Mom and Pop store.

But can we be so sure? There is something to be said for Mom (Sancta Mater Ecclesia) and Pop (Il Papa, The Holy Father) as organizing frameworks which helps explain Catholic Church behavior. Since their evidence is "anecdotal," there are many anecdotes of church behav
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which could be explained by the more family oriented models than the business corporation model.

As Pius XII told the College of Cardinals in 1945: "The Church is a mother—Sancta Mater Ecclesia—a true mother, mother of all nations and all peoples, no less than of all men individually" (Dawson, "The Papacy and the Modern World" in Christianity in East and West, p. 217). The complexity of motives that characterizes the family and its purposes might be a better organizing analogy than General Motors.

One has to be careful to assume that the ideal of the family is always realized in human institutions. The same derailments of greed, stupidity, and selfishness that trap us as individual human beings in the family could play a role in the church. But at least we would not be starting with an institution the narrow purpose of which is to maximize profits in the economic sense. We also would not have to strain to put everything into a microeconomic model useful for understanding the behavior of profit-maximizing firms.

Even if we wish to use something less personal than the family, there are other analogies that might be useful. We should be reminded that the word "corporation" comes from body; the liturgy reminds us that "we are very members incorporate in the Mystical Body of Christ."

In addition to the authors' microeconomic orientation, they occasionally offer some reflections on the macro question of the relationship between Catholic teaching and practice on the development of Capitalism. They oppose the standard Protestant Ethic interpretation of Max Weber. On this question, they are right on the mark, but these speculations are essentially independent of their micro-interpretations. In other words they are engaged more in economic history, narrowly interpreted, than economic theory. What are the effects of certain policies and actions? How did things work out in history independent of the question of the motivation? What were the unintended consequences of church actions?

Much recent ecclesiastical history has shown the economic progressiveness of various monastic orders, particularly the Cistercians. The teachings of the Scholastics have been interpreted as being compatible with free market economic models. The Church encouraged the bridling of the Feudal anarchy through encouraging peace, and perhaps, as the authors argue, getting the belligerents out of Europe and into the Crusades. These parts of the book are useful correctives to that reflexive use of the Protestant Ethic interpretation which is so seductive.

Now let us take a look at the historical questions raised by the book. The authors' analyses are very similar to the charges made at the time of the Reformation. Let us take as an example the Scots martyr, Patrick Hamilton (1503-1528), one of the great Scots Worthies, who moved from being a disciple of Erasmus to being a follower of Luther. In his heresy trial carried out by Cardinal James Beaton, he was subsequently burned at the stake in a typically inefficient medieval fashion; the charges against him were many, but the Scots Worthies said this about them, "though articles of the utmost importance had been debated betwixt him and them, they restricted their charges to such trifles as pilgrimages, purgatory, praying to saints and for the dead; perhaps because these were the grand pillars upon which Antichrist built his empire, being the most lucrative doctrines ever invented by man."

Our authors claim that during the Protestant Reformation the Catholics lost "market share" due to new alternative products. The Catholic Church, "once it became less responsive and efficient,... began to lose market share to upstart rivals, such as the Protestant sects" (pp. 38-40). Would this not be the Reformation counterpart to Microsoft giving away its browser, Internet Explorer, for free, in comparison to Netscape, which still charges?

It is precisely the strength of the Reformation that it understood that forgiveness of sins, like love, alas, cannot be bought and sold in the market place.
Whether or not the Reformers were fair to the teachings as opposed to the occasionally corrupt practice of the Catholic Church is still an open question.

But we should not forget that Hamilton had once studied under Erasmus, who remained loyal to the Catholic Church in spite of his many misgivings about the corruptions to which he drew attention. Patrick Hamilton was described in his early Erasmian stage as one who “loved the ancient learning, he hated the monks, he earnestly longed for church reform; but the reform he aimed at was only a transformation of the Roman Church.” In other words there may have been serious abuses of the teachings of the Catholic Church and eye-winking at lucrative practices, which our authors’ cynical view of human nature can help us capture. There is no need to whitewash the realities of human nature, even, or especially when, human nature manifests itself in church organizations.

Another example from the Scottish Reformation is where John Knox points the same finger of economic self-interest at the Catholic Church. Knox had returned to Scotland to preach against the papacy and had chosen as his text the famous episode of Christ throwing the money changers from the Temple. David Wilkie in his famous painting of John Knox preaching before the Lords of Congregation on June 10, 1559 equates the Bishops, shown on the left of the painting, with the financial corruption.

But Knox’s voice is not all that much different from the reforming voices that we find in the Catholic Church during the medieval period. According to Christopher Dawson, “Even St. Peter Damian, the leader of the Italian reformers, accepts his control [Henry III] of the Papacy as a manifestation of Divine Providence, and he compares his reforming action to that of Christ driving the money-changers from the temple” (Christopher Dawson, Religion and the Rise of Western Culture, p. 128).

Many in the Catholic Church were shocked and distressed at the abuses. The whole reforming spirit of the Monastic influence in the 10th to the 13th centuries was preoccupied with these corruptions. In essence, the Reformation was forestalled for hundreds of years by internal reforms, product differentiation in the form of the creation of innovative types of monastic establishments, and the inclusion of mendicant friars like the Franciscans and Dominicans instead of declaring them heretical. Our authors recognize these activities, but blandly state that recognition of St. Francis and St. Dominic “may well have been an attempt to defend its doctrinal monopoly against entrants and potential entrants” (p. 12).

As the authors recognize, the anecdotal facts that they use are capable of being compatible with several different theories. The reforming and puritanizing tendencies within the medieval period which used anti-wealth and economic rhetoric may well have been concerned with spiritual truth. The authors, in essence, cannot take any protestation of public or spiritual good at face value. The reforming spirit of the Catholic Church which had characterized it from the earliest days of St. Paul up to the Reformation and continuing to the present day is only a phenomenon waiting to be explained in economic categories.

In spite of my many misgivings about the book, I hope that I have not become the kind of apoplectic reviewer they warn us about in the Preface. When they say, “We do not believe that ‘history merely happens,’” I am in agreement. The question of whether God is also to be included among the purposive rational agents is the crux question in the interpretation of history that mere empirical evidence will probably never solve. But that question aside, there is more to history than profit-maximizing behavior in some narrow sense. If you take the science of choice to its logical conclusions, you must forego the old cynicism of muck-raking economics. Things are not always what they seem to be—which is a counsel of hope as well as despair.
REFERENCES


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**The Soul of Development: Biblical Christianity and Economic Transformation in Guatemala**

Amy L. Sherman


This book describes the Protestant revival of recent years in Guatemala, and discusses its implications for economic development. While the analysis is based upon data collected by the author in Guatemala, she clearly believes that the conclusions drawn are applicable at least in other countries of Latin America, and perhaps in other parts of the world as well.

The Protestant revival in Guatemala began in the 1960s, but spread rapidly after the mid-1970s. Sherman attributes the revival to several factors. Dislocations and suffering caused by political violence led Guatemalans to question the sufficiency of traditional beliefs and to search for more meaningful alternatives. The severe earthquake of 1976 also caused great suffering, which seemingly made people more open to the Christian message. The earthquake also brought numerous Christian relief agencies to the country, many of which engaged in evangelism and some of which began long-term ministries. Concurrently, parts of the Bible were translated into indigenous languages so that evangelistic preaching could take place in these languages. As a result of these and other factors, Evangelical Christians now account for an estimated 25%–35% of the Guatemalan population.

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**Reviewer**

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