

Subject: HES: RVW--Hammond on Ekelund, Hebert, and Tollison, _The Marketplace of Christianity_

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----- EH.NET BOOK REVIEW -----
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Robert B. Ekelund, Jr., Robert F. Hebert, and Robert D. Tollison, The Marketplace of Christianity. Cambridge, MA: MIT Press, 2006. x + 355 pp. \$30 (cloth), ISBN: 0-262-05082-1.

Reviewed for EH.NET by J. Daniel Hammond, Department of Economics, Wake Forest University.

"I do not mean that I have observed, all through my narrative, the impartiality of the perfect historian; such detachment is hardly possible, where eternal issues are at stake." R.A. Knox, Enthusiasm: A Chapter in the History of Religion

This book provides an economic analysis of the evolution of the existential itch-scratching industry. The analysis used is industrial organization and economic history. The period given most attention is the century after the breakout of competition that started in Germany in 1517 and spread across Europe. Also considered are the structure of the industry in the United States and the effect of the industry on economic growth. The authors use the commonplace term for the existential itch-scratching industry, Christianity. Other industries are in no meaningful sense different from Christianity -- Judaism, Islam, Buddhism, Hinduism. All provide consumers with relief from their itch, albeit in different ways. Ekelund, Hebert, and Tollison follow convention in treating Christianity as an industry separate from these others. This is sensible. Elasticities of substitution between Christianity and Islam would seem to be on the low side. The authors' choice of Christianity rather than, say, Islam is also sensible given that much of their audience is American readers.

It is not known exactly when consumers contracted existential itch, but the malady has persisted since we became human. The Enlightenment gave us science and good government, thereby providing a degree of immunization against the itch, but so far it has not been eradicated. Indeed, the authors predict that scientific marvels such as extra-uterine reproduction, though helpful, will not provide full immunization. "Existential terror will not disappear no matter how far science takes Homo sapiens" (p. 270). It seems that the itch, like hunger but perhaps unlike procreative sex, will remain part of the Homo sapiens condition. With the itch unlikely to disappear in the foreseeable evolutionary future, so is the industry that deals with it.

The Roman Catholic Church had an enviable monopoly for centuries, so powerful that it was able to engage in first degree price discrimination. Like all monopolists, though, it struggled with technical inefficiency and potential entry. The former manifested itself in excess capital investment in beautiful cathedrals and paintings. To forestall entry it practiced usual monopolistic techniques such as limit pricing, but also tortured and killed competitors. By the end of the fifteenth century the Vatican's pursuit of ever larger monopoly rents against the background of technological progress (the printing press) set the stage for successful entry by an entrepreneurial monk named Martin Luther. Once Luther's firm got a foothold, all hell broke loose. Actually, it was not all hell; it was all heaven. For as every student of economics learns, when monopoly gives way to competition consumer surplus expands. There were direct gains for consumers as the price fell from the breakup of the Catholic monopoly and, in addition, the entrants lowered real production costs.

The latter welfare gains warrant explanation. What happened is that the entry of Protestant firms reduced the real cost of itch relief by doing away with ornate churches, daily masses, pilgrimages, sacraments, and middlemen confessors. This is a classic case of efficiency gains from entrepreneurial innovation, not unlike the more recent case of Wal-Mart.

In analyzing contemporary Christianity the authors use as a measure of efficiency the degree of religious belief (relief from the itch) relative to time, talent, and treasure spent in church (scratching the itch). It seems to this reader that the way this plays out is that forming and holding religious beliefs with less involvement in churches increases the efficiency of religion. Sort of like the paperless world that computer networks allow for publication of EH.NET book reviews. Religion without Churches or churches is the limit on efficiency gains in the industry. The Catholic marketing department would no doubt argue that the sacraments and other items done away with by the Protestants are part of the product, not wasteful inputs. Protestant firms disagree. The beauty of the competitive process is that in the end the consumer decides. If it should turn out that there is a God, He may also have a preference set. But investigation of that question is, as they say, beyond the scope of this project.

J. Daniel Hammond is the editor, with Claire H. Hammond, of Making Chicago Price Theory: Friedman-Stigler Correspondence, 1945-1957 (Routledge, 2006).

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