The Market for Faith and the Marketing of Faith

Prof. Gianfranco Mossetto

Draft

University Ca' Foscari of Venice
ICARE – International Center for Art Economics
Calle delle Colonne 4391/A
30124 Venice
Tel. +39 041 522 8580
Fax +39 041 520 1866
icare@unive.it

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1. Constitutional economics earlier, and cultural economics later, suggest that religions are network goods: sets of commonly shared behavioural rules producing a private good called “pure credence”[1] to be consumed by individuals together with a public good called “moral constitution.”[2]

Churches are under this respect to be seen as organizations/firms with two different outputs, the main being a “pure credence good”, its by-product the “moral rules” themselves.[3]

2. The market of such a “credence good” is unavoidably endowed with (or afflicted by) information asymmetry because “credence” (faith) in its nature implies a relationship of trust where the truster (the believer), trusts the trustee (the priest) for information (on the existence of a life after death or of the Truth) which is not owned by anyone else but the Church itself. This information asymmetry can be paradoxically overcome only if additional information is not asked for. The specific requirement in the consumption of such a “credence good” is to believe in its undemonstrated existence.

“Consumers’ acceptance of the Church’s product depends on their trust in the Church’s reliability”[4] that is on their faith, which is fundamental in belonging to any Church. If one “believes” he has the information he otherwise would lack. In other words, the information is there at the consumer’s disposal but it is not known as such until the moment it is “revealed” as the real “Truth” by an act of faith (Pascal’s leap of faith) by the consumer himself. Faith is a tautological deadlock: if I believe I know the meaning of faith, but if I don’t know the meaning of faith I’m not in the position to believe.

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[*] I have to thank Dr. Marilena Vecco of ICARE for helpful suggestions and contributions in researching and editing this paper.

[1] Andersen, Tollison (1992).

[2] Vanberg (1998).

[3] Ekelund, Hébert and Tollison (1989) and also Stark and Bainbridge (1985), Finke and Stark (1992), Ekelund et.al. (1996), Iannaccone (1998).

[4] Andersen, Tollison (1992).

3. This deadlock can be overcome by the intermediation of the Church. This intermediation has been called different names such as *revelation* and *intercession* in the Christian tradition, *proclamation* by the prophets in the Muslim or Jewish terms; *guidance* to Nirvana and in Brahmanist views, etc.

In all cases these intermediation functions have been historically the grounds to extract socio-political and economic rents (to be measured in terms of power, revenues, etc.), the lower and more measurable of which the believers' charitable contributions.[5]

4. The intermediation of Churches is generally based and marketed by producing and marketing "moral rules". Believers build, keep and show their faith by adopting and observing, or breaching the set of "moral rules" referring to their religion (by sinning against them). These rules are produced/established and enforced by their Church. Shared "moral rules" are therefore the constitutional public good coming as a by-product of the production of all "credence goods". To market faith means to produce and market moral rules.

5. The extraction of rents from intermediation can be maximized by a monopoly. Such a monopolistic view is typical of the large majority of religions: "Thou shall not have any other God" as commanded by monotheistic religions, the "fusion" with God of Brahmanism, the "Conjunction" with the Absolute of Nirvana, all cases where God is exclusive.

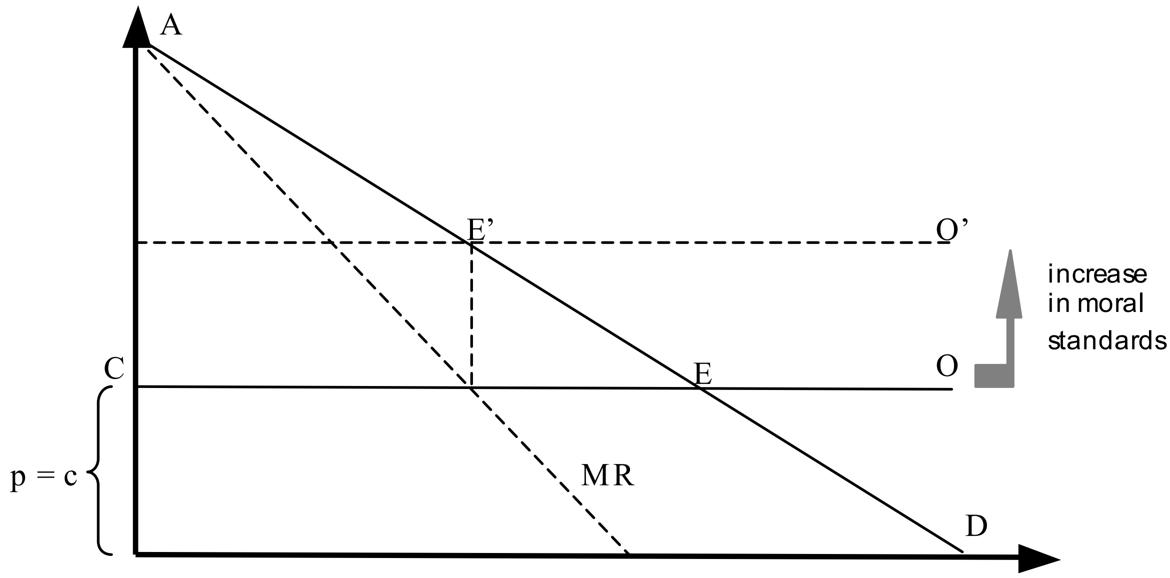
Very often monopoly historically comes with a privileged identification of the Church with the State, either being the Religion of a given State (as in many Christian examples, e.g. the UK) or being the Church itself a State (as in the Case of the Catholic Church at the Vatican) or being the Religion the substantial grounds for the Constitution of the State (like in many Islamic Countries).

[5] Historically speaking one could refer to the market for indulgences. See Cassone and Marchese (1999), Schmidtchen and Mayer (1977).

6. Monopolists incline to rent-seeking behaviours, which are their specific marketing policies, consisting in investing in barriers to entry to prevent other agents to enter their markets.

In establishing rent-seeking, Churches invest in enforcing moral rules on stricter (morally higher) standards than others. This enhances their reputation towards worshippers, who are therefore inclined to faith.

FIG. 1

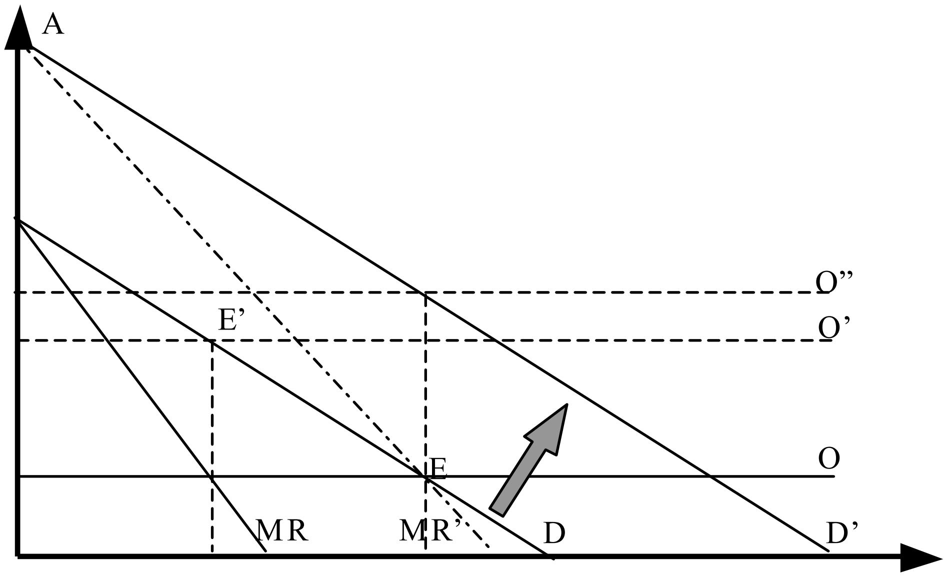


Assuming a medium term standard equilibrium *E* between demand and supply of moral rules, where *p* is the individual cost of applying a rule, equal (in perfect competition) to *c* which is the cost for the Church of establishing/enforcing it, and *ΔACE* is the rent extracted by the consumer from its application, *O* can be seen as a given level of moral standards. Consumers will prefer lower levels increasing their rents and the Church will prefer higher ones to increase its own.

As a monopolist the Church will raise the standards to the level referring to the point of rent maximization (e.g. O' for E'). Here there is room for a medium term marketing investment up to the rent, enforcing the stricter rules, to counteract the reactions of customers to the reduction of their rent when trying to loosen the rules.

7. Any further expansion of the rent will need an increase of the consumer's rent that is a shift to the right of the demand curve. This means, all other things being equal, an increase in the "appreciation" of the rules by the worshippers coming from an increase in the reputation of the Church (a stronger faith). In this case the same level of strictness in rules goes with a better appreciation from the worshippers.

FIG. 2

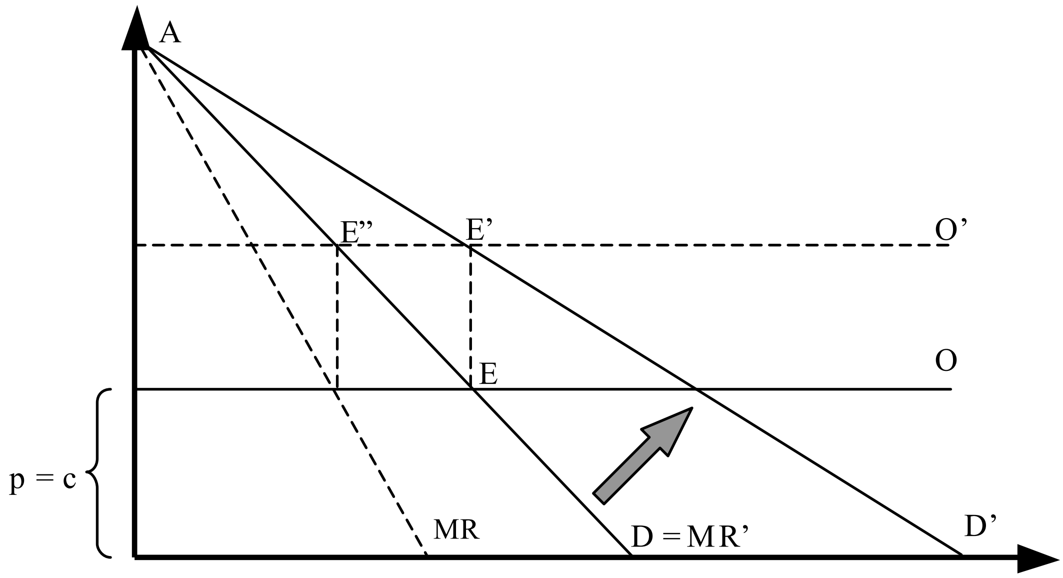


The alternative to E' (stricter rules than in E, lower consumer's rent, higher Church rent) could be E" (even stricter rules with the same consumer's rent than in E and a substantial increase in the Church rent).

Additional investments in reputation are needed for the expansion of the consumer's rent to soften the increasing strictness of the rules (Saints proclamations, monumental buildings, ceremonies).

8. Alternative strategies can be put in place to modify the worshippers' demand of moral rules. Instead of increasing their "appreciation" for the Church, they can be induced in changing the elasticity of their demand for rules. The lower the elasticity, the higher, all other things being equal, the consumer's and the Church rent.

FIG. 3



The alternative to E' could be E". The increased strictness of the rules could be softened by the consumer's different perception of how the strictness is binding for him, perfect inelastic demand totally compelling him in accepting any increase in strictness and a perfect elastic one leaving him completely free.

In this case marketing policy is one investing no longer in enforcement (fig. 1), nor in reputation (fig. 2), but in the worshippers' freedom itself (the investment, here, can be represented by the insurance on the risk of loosing the worshipper, that is the rent, in order to maximize it).

This does not mean to adopt lower moral standards but to leave to people a higher freedom of choice (“libero arbitrio”).

9. Churches, and therefore religions, market their faith with stricter references to one model of marketing strategy or another.

The first case (marketing investment in enhancing the enforcement of rules) was, for instance the Santa Inquisizione case for the Catholic Post-Reforma Church, and is generally the case of other monotheistic religions. Here the investment is specifically in human capital[6].

The second case (marketing investment in reputation) was, for instance, the great Cathedrals or Mosques case, where the “fabbrica” was bound to last as long as possible and the building was designed to be as magnificent as possible to maximize the peoples’ trust in the intermediatory power of the Church[7]. Same can be said about the investment in reputation offered by the sanctification proceedings of The Roman Church or by the martirization of adepts of all Churches which represent a huge investment in human capital for the Glory of the “All Mighty”.

The third case (marketing investment in freedom) it is very specific and shared by part of Christianity but also by part of the Far East religions. This again is completely and extensively a case of investment on human capital.

[6] See Azzi, Ehrenberg (1975); Durkin, Greeley (1991); Iannaccone (1984, 1990); Stigler, Becker (1977).
[7] see Mossetto (1992) for an extensive analytical discussion on the effects of cultural investments on the development of institutions.

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