

**THE RISE AND TRIUMPH OF CHRISTIANITY IN THE ROMAN EMPIRE:  
AN ECONOMIC INTERPRETATION**

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**ABSTRACT.** This paper offers an economic interpretation of Christianity's takeover of the Roman empire. It first examines the strengths and weaknesses of paganism and its inability to provide individual security in times of distress, such as the third century A.D. It then reviews Christianity's competitors and points out the reasons why they lost out. Next, it addresses the Christian church's dilemma between exclusive membership and open access to all applicants on the day of its triumph, and suggests that open access and universal membership was a superior policy if coupled with doctrinal radicalization. Finally, it analyzes the theological controversies of the fourth and fifth centuries by means of a Hotelling-type linear spatial model of doctrinal strictness ranging from paganism to Judaism, and traces the theological choices that were made back to the church's need to distance itself from its potential competitors.

## 1. Introduction

Sometime around the middle of the first century A.D. a small dissident Jewish sect broke away from Judaism and set out to proselytize in the Gentile world at large. By the beginning of the fourth century this sect, called Christianity, had grown into the single most widespread religion of the Roman empire, endorsed and protected by its emperors. By the end of that century it had been raised to the position of official religion of the Roman state and its predecessor in that position, paganism, was henceforth to be banned and actively suppressed.

The fact that, in the space of three centuries, a movement from below, completely alien and inimical to the religion and culture of the ancient world, was able to take on and conquer the greatest power of its age is an extraordinary feat, whose explanation has engaged generations of historians, religious scholars, theologians, and sociologists. This paper makes a start toward producing an economic interpretation of that epoch-making event. It does so by casting some of the established knowledge and understanding of the rise and triumph of Christianity into a framework that is familiar enough to economists. To the age-old question, how could the Christian revolution in the Roman empire lastingly succeed, this paper offers a two-word answer: competition and monopoly. It argues that a string of innovative entrepreneurs grasped the potential for a universal religion that was embryonically contained in the early Christian faith; that competition for religious allegiance in the Graeco-Roman world was stiff and increasing; that to ward off and outbid its competitors Christianity gradually took on certain distinctive features in its organization and teaching; that the pursuit and achievement of political monopoly on the wake of popular success was not a mechanical necessity but a fateful choice; and that the choice of monopoly forced upon the church a development in doctrine and policy that was to leave a permanent imprint on the subsequent history of Christianity and on the divergent evolution of Eastern and Western Christianities.

Specifically, the grand question of why Christianity triumphed can be broken down into a chain of smaller, more manageable questions. First, the age-old system of paganism collapsed in a relatively short time and without ever coming back to life. What explains its peculiar brittleness at that particular time? Second, among the very many groups and sects that were competing to win converts over from paganism by advertising a message of man's salvation, why was it the Christians that finally won the contest? Third, around the turn of the fourth century the church changed from an exclusive sect, carefully guarding and rationing admission to membership, to an inclusive church granting admission to all applicants. Why

was this fundamental change made and with what consequences? Fourth, the move to an inclusive, universal religion was accompanied and followed, between the fourth and the fifth century, by an unprecedented hardening of doctrinal teaching, excommunicating views and practices that had previously had wide currency within the church. Why should a triumphant church become conspicuously more dogmatic in its theology and thereby breed division and conflict within its ranks?

We will try to address each of these questions in turn below. Such an undertaking requires breaking new ground, as we can find little assistance in the existing economics of religion (Iannaccone, 1998). The latter is economics of religion in the small. It suffers from two major limitations from our vantage point: first, it is equipped to deal with relatively minor consumers' shifts at the margin between adjacent denominations arranged along a continuum, not with quantum leaps from one world view to another, as the conversion from paganism to Christianity necessarily entailed; second, and relatedly, it carefully avoids addressing questions of theology, which are left in the unexplained background of "religious commodities". We will have no choice but make both of these awkward steps and try to sketch out an economics of religion in the large. On the other hand, those approaches that view the medieval church and the Protestant Reformation as a contest for the monopoly supply of "salvation" (Ekelund et al., 2002) deal with a church whose doctrine and practices were long since well-established, something that took shape many centuries after the period we are concerned with. We will, however, borrow from a spatial model of church strictness when appropriate.

The paper is organized as follows. Section 2 sketches out the backstage on which the Christian mission unfolded: the system of Graeco-Roman paganism and its impending crisis in the early centuries of the common era. Section 3 examines Christianity's starting point in Judaism, the competitors and challengers from within and without it encountered along the way, and the why and how it finally managed to drive them all out. Section 4 addresses the dilemma between exclusive membership and open access that the church faced on the day of its triumph, and explains why the second option required doctrinal radicalization. Section 5 looks into the theological controversies that rent the Christian empire apart and suggests that the evolution of the dogma was a response to the re-emergence of the church's historical enemies, paganism and Judaism, within its own ranks. It also suggests why this response was different in the East and West, foreshadowing the parting of the ways between Eastern and Western churches that was to come to a head several centuries later. Section 6 concludes.

## 2. The trouble with paganism

To call the system of Graeco-Roman paganism a “religion”, as we understand the notion today, is to stretch the word to its limits. Even the label “system” can be used only by an observer who places himself outside of it. For the ordinary inhabitant of the Mediterranean world, religion meant allegiance to one’s city’s tutelary gods and the performance of sacrifices and offers at the various gods’ temples to ward off calamities and secure good fortune. There were believed to be an array of greater and lesser powers, good and evil, in the universe, whose capricious behavior affected man’s well-being and had therefore to be propitiated by offers, in a strictly *quid-pro-quo* relationship. The deeds of the gods, between them and in their intercourse with humans, were the subject of an elaborate mythology, told and retold by storytellers, poets, and others, but this had nothing to do with ultimate truths about creation, life, death, and the hereafter. The multiplicity of local gods, born of the system of Greek city-states, was in time homogenized by migration and commerce and then, after the time of Alexander the Great, swelled by the addition of Oriental divinities which made their way into the Hellenistic world and later into the Roman empire. Roman hegemony across the Mediterranean involved a fusion of originally Roman gods with their Greek counterparts, and the imposition of nominal tribute to the emperor’s genius as a symbol of loyalty to the state.

Such a bewildering multiplicity of divinities naturally elicited in the inquiring minds attempts to bring order. The poet Hesiod had constructed a hierarchical system of divinities in his *Theogony* as early as about 700 B.C., but this was a literary construction, not an organized system of belief and practice. Since the Hellenistic age and down into Roman times it was the consensus view of the literate class, steeped in rhetoric and philosophy, that a single principle must lie behind and above the multiplicity of powers and be the creator and architect of the universe; on this much all the major classic Greek philosophies (Aristotelianism, Platonism, Stoicism, Epicureism) concurred. Mindful of this, the man of birth and education had better concern himself with a righteous conduct, but the naive, “popular” gods were nevertheless good for the uneducated to uphold law and order and should therefore not be challenged.

The great, unique strength of this religious system, often noted by scholars, was its seemingly unlimited capacity to accommodate new and foreign cults of every description, which would be lined up alongside the others for the believers to worship as they pleased.

Unlimited religious tolerance was the hallmark of the system. Some cults might in time decline and die out while others might rise and spread, following worshippers' demand, but if one turned to a new cult there was no requirement that one should forsake or forswear previous allegiances. The very notion of "conversion", i.e., subscribing to a new cult to the exclusion of all others, had no meaning in this world (Nock, 1933). Judaism, of course, was strikingly different in its requirement of belief in the one and only God, and so were the Christians. But as long as loyalty to the Roman state was not called into question, the baffling reply of the Roman officials and the literate elite to both groups was the same: do follow your own cult as you wish, let everyone else do the same, and be content with your place in the sun in this universal tolerance of diversity.

This quality of unlimited openness apparently made the system very resilient and capable of adapting to changing demand and supply without ever breaking apart. So the question has exercised generations of scholars, how could such a flexible system be finally displaced? What was there in the Christian sect that the pagan system could not swallow and digest, the Christians' claims to uniqueness notwithstanding?

The negative side of the answer – the fatal flaws of paganism, rather than the strengths of Christianity in particular – was provided by the first-ever economist of religion in the large, the emperor Julian (361-363), who went down in history as Julian the Apostate. A "hero of a lost cause" (Frend, 1984), he tried against all odds to engineer a revival of paganism fifty years after the Constantinian revolution and started from an analysis of the factors that explained Christianity's success. Julian made four points: (1) the Christians had books to read out during their services, the pagans didn't have anything, indeed no services at all were held in their temples beyond the performance of sacrifices; (2) the Christians provided extensive social protection to the members of their communities, caring for the widow, the orphan, the sick and the needy, whereas pagan temples had long since forsaken provision of such services; (3) Christian priests were required to be exemplars of moral behavior and righteous conduct, as true shepherds who point the way to their flocks, whereas the pagan priesthood was never supposed or required to possess moral qualities; in turn this was possible because (4) the Christian clergy was hierarchically organized, ensuring unity of purpose and policy, whereas the pagan priesthood was a disparate collection of caretakers of local temples. In a frenzied effort to remedy these flaws, Julian called on his provincial supporters to draw up compilations of hymns and prayers that could be read out before the believers at temple services; instructed local authorities and priests to set up temple storehouses for the support of the needy among a temple's faithful; and made steps to

organize in each province a high priesthood, endowed with oversight over temple operations and authority over appointment and demotion of local priests on grounds of proper conduct.

Julian's attempt was terminated at its inception by his untimely death in battle at the hands of the Persians, and would in all likelihood have been doomed anyway, but his diagnosis of the causes of the breakdown of paganism was deep enough to be essentially supported by modern historical research. This research (Harnack, Nock, Bardy, MacMullen) has shown that the Christian message made converts because it promised individual spiritual salvation, made this promise credible by a unity of doctrine and organization founded on books embodying God's revelation to humankind, and backed this long-term promise with a short-term network of mutual protection and charity that paid tangible benefits to members. So Christianity asked of its converts a complete renunciation of all other cults and "insurances" against misfortune and an uncompromising break with the religious traditions that had seemingly made the Roman state the greatest power to date. Against these heavy costs, however, were to be set the benefits of spiritual salvation and material within-group security. These benefits would become especially valuable when the old order appeared to be incapable of further guaranteeing the security and prosperity it had prided itself of for centuries, as happened in the third century. Unfortunately, Christianity was not alone in offering relief and shelter: we must now turn to its competitors.

### **3. The problem with monotheism**

Christianity was born as a dissident sect within Judaism, and continued to wrestle with its Jewish heritage for centuries. The true founder of the Christian enterprise was Paul, who first perceived that the coming of Jesus of Nazareth held the prospect for monotheism to break away from the Jewish fold and become a universal religion: Jesus's promise of salvation was not limited to a chosen people as part of a unique covenant with God but was addressed to all of mankind. As a consequence, Paul maintained, a Christian was not bound by Jewish Law and Gentile proselytes should not be subjected to observance of the Sabbath, circumcision, dietary restrictions, and the rest of orthodox Jewish behavioral requirements: all that was required of a Christian was faith – faith in the second coming of the Lord, the salvation of the soul, and the resurrection of the dead. In retrospect, however, it is easy to see why Paul's recipe for expansion and consolidation of the Christian mission was not, and could not have been, an equilibrium solution. As the millennial expectations of the

beginnings faded and the church had to adjust to a prolonged, difficult coexistence and struggle with the pagan world surrounding it, it became clear that the Christians had to settle for a set of regular practices centered around the distinctive feature of their faith – the celebration of the Eucharist. Even so, the church had to wage a continuing struggle to find a distinctive terrain that could validate the Christians' claim to be a "third race" between Jews and Gentiles – in other words, to unmistakably distinguish its religious "product" from the competitors'.

These were many, both inside and outside the church, and continued to evolve and to respond to the swelling demands that the increasing insecurity of life and fortune in the third century brought with it. In the second century there arose Marcionism, an important splinter movement inside Christianity which held that the God of the Christians was not that of the Jews and that the New Testament was not the continuation and perfection of the Old Testament. Outside the church, but overlapping with many Christian communities, were the Gnostics, a syncretistic movement drawing from mystery cults, sundry Oriental religions, and Neoplatonism; it promised man's salvation by initiation to esoteric knowledge, and put Jesus on top of this line of revelation of hidden truths. Both Marcionites and Gnostics downplayed or allegorized the historical figure of Jesus the man. In the third century there was the spread of Mithraism, a modified form of Zoroastrianism preaching faith in one Sun god and an unending struggle between good and evil in the universe. Then there came Manicheism, a religion manufactured by Mani as a deliberate fusion of Christian and Persian elements and centered around a cosmic dualism of Light and Darkness. All these cults were versions of monotheism that drew on the same pool of potential believers as Christianity too was targeting, and which enjoyed much success well into the fourth century.

On the other hand, there continued to exist and thrive so-called Jewish-Christian sects which remained within, or close to, the fold of Judaism. To appreciate the importance of the latter type of competition, one must bear in mind that in that period, unlike in later centuries, Judaism was engaged in a very active and successful proselytizing mission, so that a large part of the substantial numbers of Jews in the Dispersion (i.e., outside of Palestine) must be accounted for by conversion, not demographic growth (Harnack). In the period to the mid-second century, aptly called the period of the "Christian synagogue" (Frend, 1984), the Christians relied on the network of Jewish communities across the Mediterranean world as a vehicle for their proselytizing work, despite their differences with the Jews. To distance themselves from the Jewish competition the Christians had to break free of the synagogue but, by so doing, they faced the threat of becoming just another among the many salvation cults,

such as those reviewed above, that fed on the apparent and growing inadequacy of the pagan polytheistic system.

This brings us to the theological dilemma that confronted the church. As we have seen, the uniqueness of Christianity lay in the figure of Christ, his incarnation, death and resurrection, and was epitomized by the central liturgy of the Eucharist. But this ritual could be interpreted in many ways, as could the historical narrative of the Gospels that it was meant to celebrate. The riddle was in the doctrines of the Incarnation and the Trinity, or the mystery of Jesus, God and man at one and the same time. This doctrine was indeed unique, if only the christological paradoxes could be expounded in a way that would prevent confusion, or fusion, with either of the opposite contestants, Judaism and paganism. If Jesus was essentially a man, however inspired, anointed, and sent forth by God, then (as Muhammad was to claim centuries later) he was yet another Jewish prophet, perhaps the ultimate one, or the Messiah of Jewish eschatology, and we were back in Judaism, however universalistic in outlook and practice. By contrast, if Jesus was essentially God who came down in human garb to redeem mankind, then the incarnation, death and resurrection was yet another theophany, of which there was no dearth in pagan mythology and the various movements reviewed above were the latter-day instances. Put otherwise, only in the duality *and* unity of Christ as man *and* God could Christianity find its own exclusive territory and breeding ground. Without that, there already was pure monotheism, but only for a chosen people, and there already was salvation for all, but this in itself could not possibly justify the injunction to forsake and disclaim all other cults as untrue that was the hallmark of the church. Looking at the dilemma from the point of view of the credibility of the Christian promise, if Jesus is just God, then he cannot easily be held up as a model for believers to imitate, whereas if he is just a man, then there is no assurance of final redemption of men (Frend, 1984, p. ).

As long as Christianity remained a confessors' church, in opposition to the existing order and subject to discrimination and persecution, its struggle was mainly to distance itself from outside competitors. Internal dissent there was (Marcion is one early example), and it was cast aside as heretic by what came to be known as the "Catholic" church. But overall the theology remained soft and broadly defined, and only the most blatant concessions to either paganism or Judaism were anathematized. But after A.D. 313, outside competition receded and the triumphant church had to face the same dilemmas inside. It could have continued to be broadly tolerant of alternative interpretations of the theology; on the contrary, it chose to harden its doctrinal contours and brook no further dissent toward the Catholic mainline. We will try to account for this momentous development in the next two sections.

To summarize on the outcome of the religious competition in the pre-Constantinian era, Constantine's endorsement of Christianity in preference to the competing new cults is itself evidence that the church was outbidding them. How did it manage to prevail? Conversion to an exclusive cult involving rejection of all alternatives was, as one would expect, achieved in the same way as any new cult had always attracted converts in the ancient world: not by doctrinal persuasion – that was only for the educated few – but mainly by showing, in stark contrast with Judaism, a superior capacity to work miracles, healings, and other benefits believed to be of a supernatural quality (MacMullen). This was reinforced, as Julian understood, by the attraction of the mutual assistance and solidarity that the churches – much like the Jewish synagogues but unlike the mystery cults – provided to their members. The superior command of supernatural powers was in turn backed and made credible by the capacity to point to a historical figure as the bringer of salvation – Mithraism and the other mystery cults had no such asset. Finally, but crucially, the Christian message was in principle addressed to the ordinary people and required neither esoteric initiation into an elite, as did the Gnostics and the Manichees, nor the acceptance of extreme asceticism and estrangement from the world, as with the Marcionites.

The potentially universalistic mission of Christianity remained, however, embryonic until religious toleration was achieved in A.D. 313. To an explanation of this epoch-making change we must now turn.

#### **4. Universal religion at work**

Before toleration, the Christian church was an exclusive group. It made converts by “door to door” propaganda, often through a house's women, but there is no evidence of public missionary activity after the apostolic age. Its main preoccupation was to keep at a distance from the secular world around it, which in itself required of the candidate member a costly sacrifice of alternative opportunities and social relations and thus worked as a screening device. Admission was carefully controlled and full membership was awarded as a privilege after a long and demanding probationary period (catechumenate). Re-admission to the church for those who had apostatized under the imperial persecutions was awarded only after an ordeal of penance and tests.

Toleration confronted the church with a dilemma. It had emerged triumphantly from the last and greatest persecution, ordered by emperor Diocletian and his associates, and the

many militants who had stood their ground and risked their lives now claimed a right to leadership in the church. They wanted to continue an exclusive, selective church, run by “saints” and antagonistic to the secular order. On the other hand, church leaders perceived an unprecedented opportunity for expansion and influence. Crowds of possibly opportunistic candidates, along with genuine believers, demanded admission. Taking them all in would have taxed the organizational capacity of the church to the limit, especially in view of its chronic shortage of educated leaders and clergymen. But it would have entailed a spectacular rise in the status, privileges, and power of the leadership – the bishops.

On the other hand, if the church was to become the majority religion of the empire and its hierarchy was to be enhanced and strengthened, it was no longer possible to allow for pluralism and diversity of doctrinal beliefs within its ranks – for those educated enough to appreciate theological subtleties. If anyone could join in and undertake an ecclesiastical career simply by subscribing to a broad, vague set of unconstraining and undemanding principles, then the benefits of monopoly accruing to the professional clergy and especially its leadership would be diluted away by excessive entry. Concomitantly, public recognition and imperial endorsement not only provided an incentive to doctrinal radicalization, it also supplied the means to implement it for the first time. Even if some degree of theological hardening and conformity might have been desirable in the previous period, the loose, scattered organization of the militant church without legal recognition would have made enforcement of decisions next to impossible. Working in broad daylight and with government favor made centralization possible.

So the church turned from an exclusive to an inclusive organization, basically permitting free access on demand. The alternative of continued exclusivity, selectivity, and “confession” of the faith under hardship as a screening mechanism was rejected at the cost of a very serious schism, that of the Donatists, in the important province of North Africa. Standards for admission were relaxed, ways were in time found for apostasy to be forgiven and for “deadly” sins to be remitted, the period of catechumenate was shortened, and the church was swamped by huge numbers of new members. Church leaders of the time, from Augustine to Ambrose to Gregory of Nissa, openly recognized that a great many of these newcomers were only “half-genuine”, if not disguised pagans, but took the position that the church could not but be as imperfect as the world it lived in and that Christians’ belief and behavior could be improved after admission.

At the same time, the ideological cleanup began in earnest. As early as A.D. 325, the general council of Nicaea, summoned and presided over by emperor Constantine in person,

marks the sharp beginning of doctrinal purification. In a century and a quarter, through the council of Ephesus I in 431 to that of Chalcedon in 451, as well as a score of sectional or regional councils, the trinitarian and christological doctrines were sharpened and made precise so as to weed out and brand as heresies all manners of “Jewish” and “pagan” conceptions from within the church<sup>1</sup>. The “Jewish” heresies either denied the full divinity of the Son (Arianism, anathematized at Nicaea), or the divine nature of Jesus (Nestorianism, excommunicated at Ephesus), or the necessity of Christ’s incarnation for the human soul to be saved (Pelagianism, defeated by Augustine in the early fifth century). The “pagan” heresies denied the human nature of Jesus (the monophysites, originating from the Alexandrian school of theology defeated at Chalcedon). The defeated factions in most cases gave birth to “nonorthodox” churches which survived and grew outside the borders of the Roman, and then Byzantine empire, that is, beyond the reach of the secular arm of the church-state. The latter, from emperor Theodosius onward, took it as its mission to enforce orthodoxy and actively suppress not only the remnants of paganism but also the Christian heretics. At the same time, persecution of paganism and of heresies gave a field for action to the militants, often including the monks, who were no longer allowed to fight against laxity of church standards and membership but could nevertheless signal themselves in the church’s active service.

Finally, first imperial favor and subsidization of the church, then disestablishment and financial starving of pagan cults, and lastly the lifting of Christianity to the rank of official religion of the state under Theodosius in the 390’s, with the accompanying proscription of all nonchristian cults, solved the church’s acute problem of adverse selection in recruitment. What restrained the growth of the church when it turned to universal inclusion was a serious shortage of talented, literate men: for the strongholds of resistance to Christianity and loyalty to the traditional religion were on the one hand the illiterate masses of the countryside, and on the other the literate, wealthy aristocracies of many provincial cities and especially of Rome. These two groups together (including the aristocracy’s slaves) easily made up a majority of the population of the empire even to the end of the fourth century, but as emperor Julian sadly found out, there was no possible ground or means to unite these opposite extremes of the social spectrum: seen as a political actor, Christianity won because it took the middle ground – it targeted the “median” citizen, the urban working classes and middle classes, especially the women. Now it was precisely these literate aristocracies that the church badly needed as officials, and they were the last to join in and the most repelled by the church’s rejection of

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<sup>1</sup> A telling indication of the doctrinal upheaval involved is the fact that the doctrines of Origen, one of the greatest minds of the early church, whose teaching had inspired generations of churchmen, were declared heretic at Ephesus I.

classic Greek and Roman intellectual legacy. By harassing these people and thereby lowering their opportunity cost of joining in, the church was able to sustain its huge organizational growth.

All this can be formalized in a model that views the church as a cooperative organization that, quite naturally, maximizes per capita benefits of its members. Its size is constrained by a fixed factor, leadership, which makes per capita benefits peak at some definite membership level. The church sets admission standards and thereby can control membership levels. At some point however – at the beginning of the fourth century – the church acquires the additional power of defining and enforcing doctrinal standards, or the degree of “strictness” of its teaching and practice. If a turn to doctrinal radicalization and conformity expands the limiting factor and otherwise increases per capita benefits at all levels of membership, and if this increase is sufficiently strong, while at the same time the radicalization makes ecclesiastical careers more costly (in an expected utility sense) and therefore turns away potential candidates, then the church can give up on rationing admission, open access to everybody, and indirectly regulate access through doctrinal hardening. The position is analogous to that of many revolutionary movements that found it difficult or impossible to directly keep out applicants on the wake of success: instead they resorted to political extremism to thin out excessive numbers by inducing “voluntary” exit, as modelled in my previous work (Ferrero, 2002, 2004).

(Figure 1 about here)

Figure 1 depicts the per-capita benefit curve of church members,  $B$ , and the voluntary supply of applicants for membership,  $S$ , both as a function of the number of members  $M$ . In the pre-constantinian era the church settles optimally at  $A$ , through direct regulation of admission. This is where the militant confessors would like to keep the church forever after. Around A.D. 313, large numbers apply for admission but are kept out under the existing rules: if they were let in by a free-access policy, with everything else unchanged, per capita benefits would drop to  $F$ . If, however, free access were coupled with doctrinal radicalization, the supply curve  $S$  would shift upward and to the left, to  $S'$ , because the task is made harder, while the benefit curve  $B$  would shift upward and to the right, to  $B'$ , because more able personnel is recruited, the militant monks are made happy, and centralized conformity permits church hierarchy to take on a central, indispensable role as the guarantor of orthodoxy. If these shifts are large enough, as in the figure, the new free-access equilibrium at  $E$  will yield

higher per capita benefits than the initial, controlled-membership equilibrium at A, with a greatly expanded membership, making the free-access policy worthwhile. Strictness of admission standards, no longer feasible in an environment of universal religion and religious monopoly, has thus been replaced by strictness of doctrinal standards as a policy instrument to maximize per capita benefits.

## **5. Fighting friends and foes on the doctrinal line.**

The previous section has argued that the choice of universal, inclusive membership in the 4<sup>th</sup> century rationally drove the church toward doctrinal radicalization and the hardening of dogma, but this by itself says nothing about the direction dogmatic development should take. As suggested above, doctrinal development throughout the evolution of Christianity was essentially dictated by the need for the church to distance itself from its competitors on all sides – and this extends to the radicalization of the Constantinian era as well. To an economist, such a description is intuitively reminiscent of a setting of monopolistic competition with product differentiation. The intuition can be made precise by a Hotelling-type model of spatial competition. The latter has been introduced to the economics of religion by Barros and Garoupa (2002), who constructed a model of church “strictness” to analyze the doctrinal choices of competing churches and sects. Their model is unnecessarily complicated for our purposes, so we drastically simplify it and tailor its interpretation to suit our case study.

Suppose that religious denominations freely choose their location on a continuous line of length one. Individuals are arranged along this line according to their preferred degree of “strictness”, i.e., their willingness to submit to different degrees of demands on their behavior and belief. To make sense of this, it is not necessary to follow Barros and Garoupa (2002) and postulate the odd notion that people have a “preference for strictness” as such. All that is necessary to assume is that given the benefits that membership in a religious group confers, individuals have different opportunity costs of joining in. Assume further, for simplicity, that these per capita benefits, gross of “transportation” costs, are constant in each group, and that they are equal across groups. Then the natural objective of each religious organization is simply to maximize the number of members, as in the original Hotelling model in which vendors maximize the volume of sales (assuming that each person consumes only one unit of the good, this is tantamount to maximizing the number of customers).

Assume finally that no overlapping membership is permitted, and that individuals are uniformly distributed along the line.

We borrow from Barros and Garoupa (2002) the useful idea of a “non-church”: a denomination located at one end of the line, whose degree of strictness is strictly zero, and which is an attractor, i.e., it bids nearby customers away from the other churches. Whereas the authors use this fixed position to capture the choice of not subscribing to any religion, we use it to identify paganism: a religious system that makes no demands whatsoever on the individual’s beliefs, ethics, and behavior. At the opposite extreme of the strictness continuum, we introduce another fixed-location religion: Judaism, which makes maximal demands on, and asks maximal sacrifice of, its members. Recall that in Roman times Judaism was a proselytizing religion.

In the environment of the ancient world, entry into the religious market was virtually costless, so we assume free entry. This would in the limit yield one denomination for each individual. However, there was a crucial factor that set a limit to the number of active denominations on the market: bounded rationality, i.e., the inability for ordinary people to appreciate doctrinal subtleties and behavioral differences beyond some point. This informational limit implies that people could not tell the difference between any two denominations located too close to each other: these would be mistaken as identical. It follows that no denomination could lastingly establish itself unless it kept a minimum critical distance from its neighbors on each side of the line.

Consider a strictness line with a fixed denomination, paganism (P), located at zero, and another fixed denomination, Judaism (J), located at one. Entry is sequential. As a Stackelberg leader, the Christian church (C) chooses its location first, knowing that one or more sects (S) might enter, in response to its choice, to either its left or its right, that J and P are already there, and that its own location must satisfy the minimal distance constraint. For purposes of illustration, suppose that this minimal distance is 0.25, one-fourth of the line, symmetrically on each side. Clearly, with these numbers, the maximum number of denominations that could be supported in a free-entry equilibrium, in addition to J and P, is 3: one at  $1/4$ , one at  $1/2$ , and one at  $3/4$ , all of the same size ( $1/4$  of the line each, leaving  $1/8$  each to J and P). Incidentally, this would be the efficient allocation. But by moving first, the Christian church can do better and reduce the number of competitors to one sect, although it cannot completely foreclose entry. This yields two possible equilibria, each of which is the mirror image of the other. They are depicted in Figures 2 and 3.

(Figures 2 and 3 about here)

In Figure 2, C locates slightly above  $1/2$ , leaving no room for entry to its right, but allowing entry of S at slightly above  $1/4$ . C covers ca.  $1/4 + 1/8 = 3/8$  of the line, S covers ca.  $1/8 + 1/8 = 2/8$ , leaving J with ca.  $2/8$  and P with ca.  $1/8$ . Here S is a “pagan” competitor to the church. In Figure 3, C locates slightly below  $1/2$ , leaving no room for entry to its left, but allowing entry of a “Jewish” competitor, S, at slightly below  $3/4$ . C and S have the same size as in Figure 2, but P covers  $2/8$  and J  $1/8$  of the line. (By comparison, simultaneous entry and Nash behavior would yield locations at  $3/8$ ,  $5/8$  and equal size for the two denominations – i.e., the “median voter” result modified by the minimum distance constraint.)

The broad pattern of doctrinal evolution of Christianity can be illustrated with the help of this model. In the course of its long march away from Judaism, during the 2<sup>nd</sup> and 3<sup>rd</sup> centuries, the church targeted the “pagan” sects (Marcionism, Gnosticism, Mithraism, Manicheism) as its main enemies and, starting from ca.  $3/4$ , moved leftward towards the equilibrium of Figure 2. This shift expanded the church’s coverage at the expense of the sects, while it did not have to fear any substantial challenge from its right – from the “Jews”. By the early 4<sup>th</sup> century, the church had crossed to the left of center and the pagan sects were out. Momentarily, the church had no competitors left and enjoyed maximum coverage – covering all those not served by paganism or Judaism proper. It was high time for the epoch-making move to universal membership and free admission, as discussed in the previous section. But a vacuum had thereby opened to the right of center, and the “Jewish” heresies within the church itself (so labeled by the Church Fathers themselves) rushed in: Arianism first, then Nestorianism and Pelagianism. We have thus the equilibrium of Figure 3: by overstretching itself to the left to squeeze the pagans out of the market, the church had made itself vulnerable to challenge on its right flank – the “Jewish” or monotheistic side.

From the council of Nicaea (325) to that of Ephesus I (431), the church then moved once again to the right of center to displace and squeeze out the “Jews”: this is the doctrinal radicalization discussed in the previous section. Its left flank was temporarily protected from competitive entry by the newly acquired state monopoly, which as mentioned above, was effective not just against non-Christians but against Christian heretics of every description as well.

After Ephesus, however, the secular parting of the ways between Eastern and Western churches began. The Western empire was rapidly heading toward disintegration, and many of the invading barbarian tribes were Arian Christians – a “Jewish” heresy. By

contrast, the “pagan” threat inside the Western church was comparatively negligible. Therefore the Western church remained at the theologically radical Ephesus equilibrium thereafter. The Eastern church, on the other hand, at the council of Chalcedon (451) and later, shifted again to the left of center and softened the contours of christological dogma to displace the Alexandrian school of theology, which was in time to become the Monophysite church – a “pagan” heresy. So the Eastern church was responding to a situation like that of Figure 2. It could afford the leftward, “liberal” move because in the East the “Jewish” threat was virtually extinguished: the ban on Nestorianism after Ephesus had been effectively enforced by the imperial authorities and Arianism had long since faded away. The burgeoning cult of Mary the “God-bearer” and the expansion and political influence of monasticism were added forces that ruled out any possibility of a “Jewish” renaissance within the Eastern church. Understandably, the Western church, which remained about the only functioning institution that survived the collapse of the Roman order, had neither the means nor the interest to follow the Easterners along the road to and beyond Chalcedon, the lip service paid to the council’s deliberations notwithstanding. The rift thus opened up that after many centuries was to lead to the Eastern Schism.

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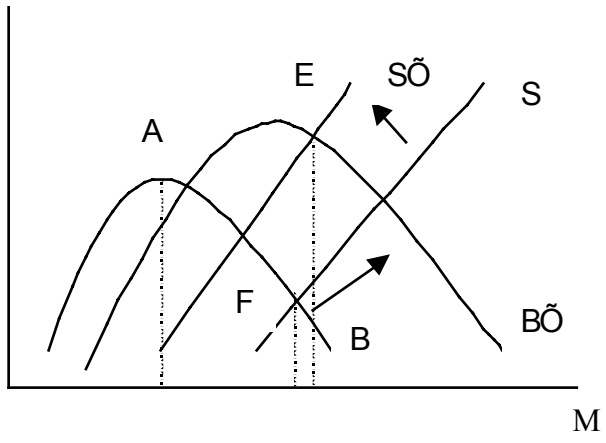


Figure 1

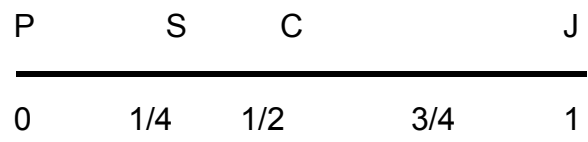


Figure 2

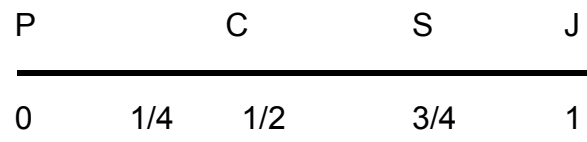


Figure 3