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Center for Research in Economics, Management and the Arts

# Catholic Orders as Efficient Institutions

Working Paper No. 2015-12

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## *Catholic Orders as Efficient Institutions*

Bruno S. Frey and Stephan Rothlin

### I

#### **An Uncommon Approach**

Orders have been much analyzed from a theological, historical or sociological point of view. There are even some contributions by economists: Kieser (1986), Inauen and Frey (2008), Rost, Inauen, Osterloh and Frey (2008).<sup>1</sup> However, this has, to our knowledge, not been done from the point of view of “political economy”, with a focus on “public choice” and how such choices are made. This approach goes beyond economics in the traditional sense and seeks to combine economic and political aspects (see e.g. Mueller 2003). It forms part of a more general economics as a science of human behavior where economic analysis is applied to many different areas ranging from the family, crime and conflict to art (Frey 1999).

In this essay, as an illustration of this approach, we examine the institutional efficiencies of the many different religious Orders operating within the Catholic Church. In particular, we analyze Orders as a particular case of *Functional, Overlapping Competing Jurisdictions (FOCJ)*—see Frey and Eichenberger, (1999)—that emerge from below as a reaction to pressing problems of the time and that require the development of new functionalities within society. FOCJ are a part of a modern political economy, often called *Public Choice* (see e.g. Mueller 2003), which seeks to bridge economics and politics. It belongs to the general effort to make economics part of a more general social science (Becker 1976, Frey 1999).

In this paper we emphasize aspects of competition between Orders, and how they overlap within a given territory. Another important aspect is that each Catholic Order has its own laws and regulations, or constitution, i.e., each is a relatively autonomous institution within the Church. While members of religious Orders may be involved in parishes, the main function of religious Orders is usually considered to be complementary to the ordinary functions of parishes within a Catholic diocese governed by the local bishop. Section II discusses the ways Catholic Orders differ from the national entities that are so dominant in the present world. Section III characterizes the four basic elements of *Functional, Overlapping Competing Jurisdictions*, while Section IV applies this concept to Catholic religious Orders. Section V offers a brief conclusion.

### II

#### **The Nation-state Paradigm and its Problems**

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<sup>1</sup> For the “Economics of Religion” see e.g. Iannacone (1998), Miller (2002), Ferrero (2002, 2014).

Since the 19<sup>th</sup> century, the world has been dominated by nation-states, often with negative consequences. All too often, national feelings turn into nationalism, which becomes aggressive towards other nations and often precipitates wars. It should, however, not be overlooked that nation-states have positive features such as giving a sense of belonging (but we will argue that this can also be the case for *FOCJ*). They also enable material progress by overcoming the closed economies of small states, characterized by heavy barriers in the form of custom duties, as were found in Germany and Italy before their unification as nation-states in 1870-71. The formation of nation-states allowed economies to profit from the division of labor. As a consequence the income of the populations in the new states rose dramatically.

Today, however, we observe two countervailing developments. On the one hand, some nation-states have decided to give up a considerable part of their sovereignty as has happened with the formation of the European Union. On the other hand, major parts of traditional nations are on the verge of breaking up. Scotland almost left the United Kingdom; Corsica wants to achieve greater independence from France; and the Basque country and Catalonia want to leave Spain altogether. The concept of a nation-state therefore is no longer sacrosanct, even as such independence movements are still heavily opposed by national governments.

Catholic religious Orders, from their very beginning, were devised to fulfill a function irrespective of whether they operated within or without national boundaries. Orders are a prime example of transnational units and by design were not to be defined by national identities. In most cases the provinces of an Order were not identical with national borders. Actually, since their founding, religious Orders have often developed in response to a distinctive sense of mission that required them to move beyond national boundaries in order to share their wisdom. This created some conflict with national governments that would have preferred “national Orders” because it would have been easier to control and discipline them for the rulers’ benefit.

We wish to argue that the transnational structure of Catholic religious Orders is a major advantage and supports efficiency, i.e. it enables these organizations to achieve their goals with as few resources in terms of work and material as possible, thereby reducing waste. Indeed, religious Orders can be considered a notable example of the recently developed concept of *Functional, Overlapping Competing Jurisdictions (FOCJ)*.

### III

#### The Concept of FOCJ in Politics

The new political entities called *FOCJ* (and in the singular *FOCUS*) are characterized by four elements. These are related to economic theory as well as to existing federal institutions, which enables us to point out both similarities and differences to existing concepts. A more extensive discussion of the properties of FOCJ is provided in the book by Frey and Eichenberger (1999), as well as in various subsequent publications by the two authors (for instance Eichenberger and Frey 2006).

##### A. Functions (F)

In theory, the public services that benefit a certain geographical area should be financed by the people living in that area, all things being equal. Local governmental units can cater more effectively to regional differences in the populations' preferences or, more precisely, to their demands. To minimize costs, these units have to exploit economies of scale in production. As the latter may strongly differ between functions (e.g., between schools, police, environmental policy or defense), there is an additional reason for uni-functional (or few-functional) governmental units of different sizes. This is the central idea of “*fiscal equivalence*” as proposed by Olson (1969) and Oates (1972). This endogeneity of the size of governmental units constitutes an essential part of FOCJ. However, fiscal equivalence theory has been little concerned with decision-making within functional units. The supply process is either left unspecified or it is assumed that the mobility of persons (and of firms, a fact rarely mentioned) automatically induces these units to cater to individual preferences.

### *B. Overlaps (O)*

FOCJ may overlap in two respects: (i) FOCJ catering to different functions may overlap; (ii) two or more FOCJ responding to the same functional need may geographically intersect (e.g., a multitude of school FOCJ may exist in the same geographical area). If there are strong economies of scope dominating the economies of scale, a FOCUS (which is taken to be the singular of FOCJ) may cover more than one function. A person or a community may belong to various FOCJ at the same time. FOCJ need not be physically contiguous, and they need not have a monopoly over a certain area of land. Thus, this concept completely differs from archaic nationalism that typically gives rise to territorial aggression. It also breaks with the notion of federalist theory that units at the same level may not overlap. On the other hand, in this respect it is similar to Buchanan's (1965) conception of “*clubs*”. His “clubs” are voluntary private associations providing public goods, i.e. goods each club member may freely consume but which are not available to persons outside the club. The optimal club size is reached when the marginal cost caused by an additional member corresponds to the marginal utility gained by the consumption made possible by this additional entry. Buchanan's clubs postulate a size corresponding to the extension of the public good in question. Only those individuals are admitted who are ready to pay the marginal cost produced. In contrast to Buchanan's clubs, FOCJ attribute a large role to the formal political participation rights of the citizens. The decisions are made according to the decision-rules agreed on in the constitution of FOCJ which are public jurisdictions with the power to tax.

### *C. Competition (C)*

The heads of FOCJ are induced to conform closely to their members' preferences by two mechanisms: while the member units' possibilities for *exiting* mimic market competition (Hirschman 1970), the citizens' right to *vote* establishes political competition (see Mueller 2003). It should be noted that in FOCJ exit does not depend on migration. The citizens of a political unit can discontinue membership in a particular FOCUS and perhaps enter a new one without changing their location. Moreover, exiting is not restricted to political units as a whole; parts of them may also exercise this option.

The right to secede stands in stark contrast to the prevailing concepts of

nation- states and federations, which strictly forbid secession and often prevent it by force. However, exit in a system of FOCJ is a much broader concept than secession. While secession in the traditional sense is always total, i.e. referring to all functions, exiting from an FOCJ is partial, i.e., it refers to only one or a few functions.

Competition also needs to be furthered by political institutions, as the exit option does not suffice to induce governments to act efficiently. The members should directly elect the persons managing the FOCJ, and may even be given the right to initiate popular referenda on specific issues. These democratic institutions are known to raise efficiency in the sense of caring well for individual preferences (for elections, see Downs 1957, Mueller 2003; for popular referenda, see Frey 1994, Frey and Stutzer 2000).

#### *D. Jurisdictions (J)*

A FOCUS is a democratic governmental jurisdiction with authority over its citizens, including the power to tax. In stark contrast to national states it does not claim a unique authority over a particular territory. Indeed, there will be many FOCJ active in the confines of a territory. The lowest political unit (normally the community) is a member, and all corresponding citizens automatically become citizens of the FOCJ to which their community belongs. They have to carry the taxes to finance the public services provided by a particular FOCUS.

These *Functional, Overlapping, and Competing Jurisdictions* form a federal system of governments that is not dictated from above, but emerges from below as a response to citizens' preferences. The constitution must ensure that the emergence of FOCJ is not blocked by existing jurisdictions such as direct competitors or higher level governments. The citizens must be given the right to establish FOCJ, and political entrepreneurs must be supported and controlled by the institution of popular initiatives. The FOCJ themselves must have the right to levy taxes to finance the public services they provide.

The concept of FOCJ is based on theoretical propositions advanced in the economic theory of federalism. It nevertheless leads to a governmental system that is completely different to the one suggested in that literature. While the economic theory of federalism (see Oates 1972) analyzes the behavior of *given* political units at the different levels of government, FOCJ *emerge* in response to the '*geography of problems*'. Political institutions are required to have a territorial extension corresponding to the problems to be solved. Some issues are best dealt with at the local level (such as the way garbage is publicly collected) while other issues are best addressed at a level with a large territorial extension (such as the establishment of free trade). As the territorial extensions differ between issues, the system of FOCJ correspond to a web of different governments each with its own issues to solve, and each having a different size. This means that it is not the existing governments which determine which issues are to be solved, but the problems to be solved determine what political institutions of what size are to exist.

## IV

### **Catholic Religious Orders as FOCJ**

The four characteristics of *FOCJ* apply well to Catholic religious orders. They are discussed in turn.

*Functional.* Each Catholic religious Order is defined by a specific function to be performed, or in its own terminology, it is defined by its particular “charism,” i.e. the specific mission which makes it different from other Orders. It may even be said that these functions define the nature of an Order. The goals of the various Orders differ widely. As history demonstrates, Catholic religious Orders generally have been founded from below as a reaction to some ill or shortcoming observed in society. Often, a particular person started the movement and then is joined by persons sharing his or her goals. Good examples are Saint Francis of Assisi and Saint Dominic whose mendicant Orders founded in the 12<sup>th</sup> century had a most significant impact on the reform of the Church. It seems, therefore, only natural that the present Pope Francis chose his name in a clear reference to the profound renewal initiated by the charismatic St. Francis of Assisi who had the ability to share his insights and lifestyle with like-minded disciples within the framework of an Order that carried on the mission after the founder’s death. The mendicant Orders were innovative in adapting a strongly missionary approach to people who had not yet received the message of the Gospel.

*Overlapping.* An Order establishes its governance structure for operating in its targeted territories according to their specific needs. For this reason, the provinces are rarely defined such as to correspond to national borders. Catholic religious Orders typically are transnational institutions clearly set apart from national units. They also differ from the Church’s ordinary administrative structure, the diocese, which under a local bishop typically covers a territory that does not overlap with other dioceses, and normally functions within the borders of a nation-state. By contrast, the territories of religious Orders overlap. In a particular territory, there normally exist many different Orders. It is also misleading to conceive of religious Orders as monolithic blocks. Already in the early traditional monasteries there had been a considerable variety of overlapping tasks that the members needed to fulfill, such as manual labor in the kitchen and garden and the more intellectually oriented activities in libraries, involving copying manuscripts and translating. Therefore religious Orders have been challenged from their very beginning to achieve a basic division of labor in the midst of overlapping and sometimes conflicting tasks.

*Competing.* It is well known that Orders are in competition for young persons interested in joining a religious community, as well as for financial support. This competition raises efficiency because it forces the Orders to perform well in order to attract these two resources. An Order known to perform particularly well finds greater support than one that is thought to be lacking in energy and devotion. For their survival it seems to be particularly relevant that the Order’s specific charism must stand out well. A particular kind of competition arises when an Order splits up such as happened in the proliferation of different Franciscan Congregations as a result of conflicts over the authentic interpretation of the founder’s charism. In the case of Saint Francis of Assisi, conflicting views on the interpretation of radical poverty were one of the main causes for breaking up of existing units and creating new Orders. The implicit question behind such conflicts concerned how far a religious Order could adapt its charism to ever changing situations in a given culture. One of the most

monumental theological controversies among religious Orders took place in the 16th and 17th centuries between the Dominicans and the Jesuits around topics of conscience and norms. The seemingly never ending conflicts provoked the intervention of the Pope, who, while not taking side with any of the positions, simply forbade both Orders to further debate controversial issues. Most interestingly the realm of these topics was by no means restricted to the academic subjects of theology and philosophy but touched in a significant way also subjects of economics and law.

*Jurisdiction.* A crucial moment in a Catholic religious Order's history is the acknowledgment and constitution given by the Pope. This act establishes an Order within the community and constitution of the Roman Catholic Church. In many cases there was an extended battle to obtain this acknowledgment. This act establishes a legal entity with extensive rights. An indispensable element for Papal approval is the "constitution," i.e., the different rules and regulations which need to be respected by those who belong to the Order. In particular, a constitution explains its own rules, for instance whether the abbot is elected for life, or only for a limited period, or whether he can be chosen among the monks, or may come from outside. Also the participatory rights of the monks vary between Orders; some are more hierarchical and others more democratic. It may be assumed that the choice of such rules is strongly influenced by the functions to be fulfilled. They create a framework that allows the Order to be faithful to the inspiration of its founder. Among Catholic religious Orders the extent of decentralization also differs strongly. Some Orders, such as the Jesuits, are rather centralized with a General Superior who has considerable power over the individual members. However, the Constitutions of the Jesuits, as conceived by their founder St. Ignatius of Loyola, also emphasize the need for adaptation of the given rules and regulations according to the specific requirements of a given culture. Others are decentralized, such as the Benedictines who convey to their monks a wide range of self-regulation and the right to choose their own abbot. Only rather recently have the Benedictines established confederations, in which the general abbot has restricted administrative power over particular monasteries, and still less over individual monks. For the stable growth of Orders it seems to be decisive that the initial insight and charisma may translate into a body of regulations which secure the fidelity to this charisma while leaving open a space of freedom for adaptation to changing situations. One successful example is the Order of the Salesians, who managed to create a legal framework which allowed them, in very different situations, to stick to the initial drive of their founder, St. John Bosco (1815-1888), to be devoted to the education and formation of youth especially the poor and marginalized.

## V

### Conclusions

The fact that within the hierarchical Catholic Church there is a large number of competing religious Orders with great independence, different goals and rules is remarkable. As our discussion suggests their organization comes quite close to a modern version of federalism, which we have analyzed as *Functional, Overlapping, and Competing Jurisdictions*. This efficient form of organization and allocation of scarce resources may be a reason why these Orders have survived over centuries, despite the totally different political, economic and social environments they have had



to cope with. This flexible form of organization allowed Orders to grow quickly, but also to shrink in size or even to disappear. In order to survive in the modern world the characteristics enshrined in their specific missions should be emphasized rather than obscured. Each Order should focus on its function and specific charism and should not be eaten up by other tasks (such as providing substitutes to cope with the shortage of diocesan priests); the Orders should keep their liberty to go beyond the borders of local territorial organizations such as monasteries and dioceses in line with their functions; the clearer the spiritual and the organizational profile of an Order is maintained the better its chances of attracting new members who feel thrilled to share the same charism. The competition between Orders and the emphasis on their specific charism should be regarded as a strength and not as something to be suppressed for the sake of collaboration with others. In today's overall ecumenical climate, such competition actually enhances the effectiveness of different Orders, enabling them to focus on the goals written down in their constitutions.

Religious orders have never been conceived as a species of "monads", i.e., self-sufficient entities preoccupied with their own internal affairs. There was always an, at least implicit, attempt to have an impact on current problems in society. As present societies struggle to come to terms with demands, among other things, for better environmental protection, we may hope that the religious Orders with their frugal use of limited resources may serve as models of successful adaptation, providing indications as well of its likely challenges.

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