
PROBLEMS

An Economic Interpretation of the Medieval Crusades

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So they are seen to be a strange and bewildering breed, meeker than lambs, fiercer than lions. I do not know whether to call them monks or knights because though both names are correct one lacks a monk's gentleness the other a knight's pugnacity (Bernard of Clairvaux, 1128).

[Crusading] was an opportunity for indulging in warlike adventure under an ascetic aim, with the possibility of worldly advantage in a new land and a certainty of spiritual benefits... The fanatic, the adventurer, the enterprising merchant, the debtor, the serf, and the outlaw, all found in the crusade a welcomed occasion for possible betterment (Newhall 1963, p. 42).

I. Introduction

With increasing frequency the institutionalized medieval church has been subjected to modern economic theories of industrial organization and behaviour. Specifically, the theories of monopoly, rent seeking, property rights and public choice have been used to explain how strategies and policies that have traditionally been regarded as purely religious in motivation may be usefully analyzed as the utility-profit-maximizing responses of individuals and institutions to relevant constraints (e.g., Pautler 1977; Hull 1989a, 1989b; Iannaccone 1988; Iannaccone and Hull 1990). The doctrine of usury, for

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example, has been characterized as a policy to extract rents from consumers within the context of a monopoly model of the medieval Roman Catholic Church (Ekelund, Hebert and Tollison 1989). (Anderson 1989) argues that the activities of the ecclesiastical court system provided a significant supplement to government property rights enforcement in the middle ages and simultaneously generated large revenues to the church. Further, the doctrinal invention of purgatory, when viewed from the context of economic analysis, may be characterized as a means by which the medieval church practised price discrimination and product differentiation in order to enhance membership and rent flows (Ekelund, Hebert and Tollison, forthcoming 1992).

The present paper extends the application of contemporary economic theory to the medieval conflicts between East and West (and between Western Europe and Eastern Europe) known as the Crusades (essentially from 1095 to 1274). We argue that certain church behaviour between the eleventh and fourteenth centuries is explained by the attempt to consolidate and expand the monopoly power of *Roman* catholicism. Specifically we argue that the Crusades were (a) a supply-side response to the attempts of Moslems and Turks to raise a rival's (the Latin church's) cost in maintaining the credibility of its product and (b) a demand-side attempt by the medieval church to maintain and maximize the value of its wealth by expansion of market area and monopoly control. As with all monopolies, the church attempted to increase its demand and to make it more inelastic. In order to establish the plausibility of these propositions we offer (1) evidence of direct and indirect economic benefits from crusading to the church and its satellite interest groups and (2) support for the view that individual and group economic rationality was the primary underpinning for the "holy" wars. The impact of the crusades on the economic development of Europe and on the intertemporal prospects of the church and its viability as a monopoly with significant market power is an additional feature of our account.

Competing Hypotheses: Religion vs. Economics

Wars or social movements claimed to be primarily motivated by ideological or theological fervour are commonly referred to as "crusades". By definition, a crusade is a selfless quest in search of some intangible (often, religious) goal. The Crusades of the Middle Ages, although they were initially in the nature of an "armed pilgrimage", were viewed as such.¹ The First Crusade,

¹ The word crusader derives from the verb "to mark with a cross," but the terms crusade and crusader did not come into common usage until the second century of crusading after 1200. The initial crusades were simply extensions of the "pilgrimage" which Christians had been taking for centuries. The term "armed pilgrimage" seems apt for the First Crusade, although we will not attempt to make the distinction. Some historians (e.g., Urban 1975, p. xi) expand the term to include a spirit that lasted

declared by Pope Urban II in 1095, was called for the express purpose of securing the Holy Sepulchre in Jerusalem from the clutches of the Moslem "infidels". This crusade and those that followed have long served as the very paradigm of Holy War.

Historians have at times recognized that some crusade participants appear to have been motivated by more worldly concerns (i.e., personal profit). Generally, however, the crusades have been depicted as religious quests from the perspective of both the church and individual interests. Indeed, a strong conventional wisdom holds that the crusaders were "obviously" not motivated by profit. For example, many crusaders had to finance their participation by the sale of family land (patrimony) for cash. Doing so required the agreement of *all* family members and substantial personal sacrifice on the part of all concerned, especially given the depressed state of agriculture and low land prices in Western Europe on the eve of the First Crusade. Historian Riley-Smith, noting such supposedly irrational economic acts, found it difficult "to believe that most crusaders, or at least most crusading knights, were motivated by crude materialism" and that "It makes more sense to suppose that they, and especially their families, were moved by idealism" (Riley-Smith, pp. 13-14). What is overlooked in this view is the possibility that the rush to raise cash was motivated by a competition to claim economic rents in the Holy Land before they were entirely dissipated (e.g., akin to the California gold rush). Our view specifically rejects the notion that crusaders (Roman church members) were economically irrational in motivation and that religious zeal was everywhere and always the driving force for the medieval church from the pope to the lowliest prelate.

Public choice theory offers an alternative explanation for such institutional activity. Specifically, the purported philosophical or ideological motivations of proponents of specific public policies (such as the Holy Crusades) can be demonstrated to be compatible with the capture of rents by those groups. For example, recent studies (Marvel 1978; Anderson, Ekelund, and Tollison 1989) have analyzed the Factory Acts of nineteenth-century England from this perspective and concluded that self-interested factory owners and male factory operatives — not women and children — benefited from their passage.²

through many centuries, including the Spanish conquest of the New World. Surely the Inquisition(s) are candidates for inclusion as crusades. Over the centuries, the term has been and is being used to connote an irrational fixation on some idealistic goal as in the Prohibition Movement of the 1920s.

² In a similar vein, regulation may be sponsored by certain firms in an industry if such regulation might have untoward effects on other firms. Occupational Health and Safety (OSHA) and Environmental (through EPA) regulations may provide an example: see Bartel and Lacy (1987).

Such studies do not *prove* that particular public policies are actually motivated by expected and tangible economic benefits rather than ideological beliefs. In these cases, "proof" is inherently impossible since mental states cannot be directly observed. But the application of modern economic theory, including public choice analysis, is capable of showing that supposedly "non-economic" behaviour may be explained in economic terms, thereby rendering special assumptions concerning motivations underlying institutions and behaviours superfluous. This does *not* mean that ideas "do not matter" in explaining motivation, only that there are often simpler explanations consistent with the way individuals normally behave.

It is in this spirit that we extend economic analysis to the crusades and to the behaviour of the crusaders, a topic hitherto neglected by economists. The medieval church, in an economic view, was analogous to a monopolist selling a pure credence good — a system of belief leading to eternal salvation that cannot be externally verified. Credibility was central for such a product, and part of the establishment of credibility was free access to the holy shrines of the near East, shrines that included the birthplace of the church's founder. With Jerusalem in the hands of a rival Moslem producer who held claims to a competing credence product (Islam), costs of maintaining credibility to the church and to its "tourist-members" increased dramatically. The crusades to the Holy Lands of the Near East (Palestine and Syria) were a necessary form of vertical integration in response to an attempt by the Moslems to raise a rival's cost. The church had to respond at arms in order to keep credibility costs in check and to maintain the quality of its product.

All of the crusades, including those to the Holy Lands and to the Baltics and Russia, may also be modeled as an essential part of generalized wealth-maximizing strategy and as a form of "public policy" on the part of the organizational Latin church and its members. The church *was*, in the main, the "public sector" or a kind of multinational government in western Europe. It levied its own taxes, maintained its own court system and provided most of the medieval "welfare transfers", among many other functions. The church was also the largest single property owner in Europe faced with the problem of finding a means of maintaining the value of its capital stock (ensuring wealth preservation), expanding market area and maximizing the value of assets. While the crusades engendered some wealth destruction in the short run, the policy was aimed at long-run economic efficiency and at increasing the value of church investments. Along with this change was a probable increase in economic growth rates in western Europe (accompanying a reduction in "feudal tensions in the region") and a significant expansion of *Christian* civilization in eastern Europe.³

³ The ultimate failure of the Latin church to maintain control over access to the Holy Land (Acre fell in 1291) might have created a lack of confidence in the credibility of its commitments. This growing lack of confidence, along with rising secular

The crusades were a series of complex events, and noneconomic religious motives clearly played an important role in their development. The fervour and intensity of participants would be difficult to explain fully without the solid foundation of religious motivation (belief in eternal reward and punishment). Nevertheless we attempt to show that a simple wealth-maximizing model of the crusades — one that assumes that they were motivated by pure profit-seeking on the part of individuals within and outside the church — has impressive explanatory power.

II. The Crusades and Church Monopoly

Although our analysis applies to the medieval crusades in general, our principal focus is on the First Crusade because it is the most extensively studied of the eight crusades and the one which historians have pronounced most obviously “religious” in motivation. The First Crusade was based on an astonishing and radical premise: that it was legitimate for the church to pursue its aims through military means. At various times in the later crusades, nation states became involved in directing and sponsoring the crusading armies, but at the outset crusading armies were almost wholly raised, supported, and directed by the church itself. Despite frequent appeals to religious fervour by the church, the numerous military expeditions that comprised the crusades generated substantial economic costs *and* benefits of a direct and indirect nature.

Timing of the First Crusade: A Supply-Side Response

Certain significant events transpired before the First Crusade which may have influenced the timing of Urban II's decision. These events, which carried a number of specific economic implications, combined to make a major military campaign palatable to Western Europeans. After capturing Palestine and Anatolia from Byzantium in the late eleventh century, the Seljuk Turks began to harass and heavily tax pilgrims to the Holy Land, around 1085. Christian pilgrims had intermittently experienced difficulties in their travels to the Holy Land, and periodically could expect to pay substantial tolls to various local rulers for the “privilege” of passage. But the taxes and general harassment imposed by the Seljuk states after 1085 were apparently unprecedented in their severity, and in some cases may have been motivated by the desire on the part of certain Seljuk rulers to discourage Christian pilgrimage (rather than the more traditional motivation of raising revenue through tolls).

Besides pilgrims, European traders experienced high levels of interference in their day-to-day operations. In particular, Italian city-states (Venice, Ge-

values, may have been one factor that led to the breakdown of the Church's monopoly (i.e., the Reformation).

noa, Pisa, etc.) faced prohibitive tariffs and tolls, along with general hostility to their trading activities from the Seljuks. As a group, Italian merchants wanted freedom from interference and taxes which had recently greatly increased. Italian cities fought the Saracens long before 1095 over commercial rights and theft of Italian property. For 400 years before 1095, "they suffered from seemingly endless raids and plunderings" (Krueger 1969, p. 40). The Seljuks simply increased this long-standing pressure, and caused an old source of annoyance to escalate into a major grievance on the part of Italian traders. Perhaps more importantly, the church had a strong incentive to protect its primary capital asset — its claim to being the sole institution representing God on earth. All of the spiritual services the church offered to its "consumers" (including aid in securing salvation, prayers, the interpretation of Scripture, etc.) were ultimately based on the credibility of this one central claim. In fact, these services were essentially pure credence goods; the quality and reliability of the church's output could not be determined even after "purchase", but presumably only after death. (Even the purported ability of the church to intervene in the temporal world to help believers was based on the premise that the church was God's representative on earth.⁴ The claim that the church had successfully influenced God to somehow benefit a faithful Christian was inherently unstable). Consequently, any threat to the credibility of the church's relationship to God was potentially a huge capital loss. New entrants in the "market for religion" who could inspire greater credibility on the part of consumers would rapidly compete with the Catholic Church and drive it out of existence.

The events leading up to the First Crusade constituted just such a threat. The church would have faced a significant risk to its market share had it ignored the challenge posed to its credibility by the hostile Seljuk rulers. If the church was powerless to protect the pilgrimage rights so vital to its faithful, those believers would eventually begin to question the Church's claim to represent God on earth. The church's enormous wealth holdings, vast political influence, and dominant share in the "market for religion" were all vulnerable to anything that threatened access to the city of Jerusalem.

⁴ One function of prayer was as a kind of "technology" for manipulating the physical environment. Official Church doctrine included the belief that Divine intervention in the temporal world was always potentially available through the prayers of the faithful, and was facilitated by members of the clergy. See Thomas (1971, pp. 25-50) for an excellent account of the "magic" of the medieval Church. He notes that the essential difference between the prayers of a churchman and the spells of a magician was that only the latter were claimed to work "automatically"; a prayer would only work if God so willed. The Church taught that "prayers might bring practical results, but they could not be guaranteed to do so" (p. 41). Despite this inherent uncertainty, prayer (guided by the clergy) was popularly regarded as a powerful tool in everyday life.

Although the First Crusade was unprecedented in many respects, it was not the first occasion the church relied on military means to protect its "credibility capital". In 853, Pope Leo IV appealed to the Franks for military assistance in the defence of Rome against Saracen marauders; in 878 Pope John VIII secured the service of soldiers used to protect Papal property by promising them "heavenly reward" (Brundage 1982, p. 18). Later in the middle ages, national governments often enforced laws against heresy, another use of coercion to protect the credibility of the church's spiritual claims. Like these other episodes, the First Crusade was partly an investment in the preservation of the "spiritual capital stock" which represented the foundation of the church considered as a firm. Supply-side vertical integration was essential in this case since product credence was vital to the present and future stream of revenues to the church.

Doctrinal Hegemony and Market Entry: Demand-Side Expansion

In the late eleventh century the market position of the Latin church faced two stern threats from the East, one from without, and one from within. The external threat was Moslem expansionism. The internal threat was the growing separatism in the Eastern Orthodoxy. The First Crusade gave the Roman church an opportunity to gain supremacy in the Near East. The conquest of Turkey and Palestine by the Crusaders would allow the church to enter a lucrative new market for religious services. Both Islamic and Byzantine governments had forcibly prevented Latin church missionaries from attempting to convert the local inhabitants and to operate churches. These policies prevented the collection of church revenues in the form of tithes and other payments.

Inhabitants of the Near East represented potential customers for the Catholic Church and, in addition, the crusading states represented a kind of "buffer zone" to protect the church's market in Europe from competitive entry by Islam. Urban II was clearly concerned about the rapid spread of the Moslem religion in the East after the death of Mohammed and about its competitive threat to the church in the West as well. In calling the First Crusade at the Council of Clermont on 27 November 1095, Urban emphasized the importance of maintaining doctrinal (and political) hegemony against the Moslems:

All Christendom is disgraced by the triumphs and supremacy of the Muslims in the East. The Holy Land... is profaned and enslaved by infidel rulers. Those who lose their lives in such an enterprise [crusading] will gain paradise and remission of their sins (Tanner et al 1926, vol. 5, p. 265).

Interestingly, the steady spread of Arab tribes (Moors) through Syria, North Africa, and Spain on the European mainland during the seventh and eighth centuries did *not* prompt a holy war. However the loss of Antioch to

the Turks in 1085 and the Moslem revival occurring in Spain and Africa in 1086 did. Why? Certainly the church wanted to maintain its credibility as being able to ensure access to the holy places in Palestine. But a large part of the motivation behind the First Crusade was the attempt to establish doctrinal monopoly over these regions and especially those dominated by the Eastern (Greek) branch of the Christian church — a demand-side stimulation.

The Latin and Greek churches formally renounced one another in 1054 after several centuries of doctrinal discord. A great schism followed when the Pope (Leo IX) and the Patriarch of Constantinople mutually excommunicated each other (Newhall 1927, p. 20). This schism was a clear signal that the Eastern church was not a partner, or a "sister", but a competitor to the Church of Rome. Urban II had resumed negotiations for reconciliation with the Greek church which was losing ground to Moslem competitors. Alexius, the Byzantine Emperor, who had attempted to resist the Moslems and Turks, was facing a new Norman enemy allied with the Roman church. In March of 1095 Alexius sent messengers to Urban's council at Piacenze to obtain mercenaries in return for negotiations on church unity (Mayer 1972, pp. 7-8). The messengers appear to have exaggerated the dangers, but the Latin church clearly saw an opportunity to seize control of a world market. According to one account "in papal circles men came to hold the opinion that only drastic measures could save Byzantium — and at the same time the Christian church in the East — measures which might then lead to a reunion of the churches under the primacy of Rome" (Tanner et al vol. 5, p. 88).

A successful war of "holy" aggression into the Near East would enlarge and/or recapture market areas in which the Roman church's product (salvation) could be sold, and monopoly revenues earned. It was important that the Latin church have a monopoly on the *definition* and means of obtaining that product in order to prevent market entry by non-Christians and by fellow believers in Christ (the Greek or Eastern Orthodox Church). The retaking of Antioch and the (temporary) rescue of Palestine in the name of Christ was a major event of economic history. It not only consolidated the monopoly power of the Latin church at the time; it also demonstrated that the Roman church was capable of sanctioning its Orthodox competitor for any "misbehaviour" (for example, attempts to convert adherents of the Church of Rome) by military means, if necessary.

Further, the veneer of "religious motivation" was more easily placed on the First Crusade than on later crusades. Between 1095 and 1274 crusades were launched against the Moors in Spain, pagans in Northeastern Europe (the Baltic Crusades), heretics in Southern France and Germany, schismatics in Greece as well as against the Moslems in the Holy Land, Egypt, and North Africa "till at last", according to Runciman, "the crusade came to mean any war against the enemies of papal policy" (1954, vol. III, p. 472). Indeed, in later crusades, the Byzantine Empire itself was dismembered and its capitol, Constantinople, sacked by soldiers of the Latin church.

III. The "Business" of Crusading: Revenues and Costs

The church, in its economic calculation of whether to launch specific crusades, weighed the full (and expected) costs and benefits of the activity. Costs to the church, at this point in time, are difficult to assess although there were clear short-run costs (e.g., out-fitting and capital investment costs). Longer-term costs, including the risks of alienating huge segments of rival populations from Christianity, were probably more significant. These costs varied with the direction of the crusade, with high costs (because of ultimate failure to control Palestine) applying to the Near Eastern crusades and low costs to the crusades in Eastern Europe where conversions to Latin Christianity yield benefits up to the present day. But while a conclusion concerning "ultimate" profitability is near-impossible, the short-term and long-term revenue prospects have been little understood and vastly understated.

Direct Rent Collections

Cloaked in the rhetoric of religious zeal, the crusades offered prospects of substantial indirect benefits to the Latin church: doctrinal hegemony, market expansion, and lower "enforcement costs" in the long run. In addition there were other and more direct benefits. Enormous revenues were made available to the Latin church as a result of crusading itself, and from the ultimate control of the Holy land.

Revenues from Tourism and Relics. The church had much to gain from control of the Holy Land. From the fourth through the eleventh centuries, pilgrimages to the holy places became increasingly popular. A pilgrimage to the Holy Land was believed to confer special spiritual advantages to the traveller, ranging from the cure of ills to the absolution of sins and increased likelihood of the attainment of heaven. In addition to the religious aspects of these visits, many pilgrims were basically tourists enthralled by the adventure and excitement of the visit.

Pilgrimages were potentially a rich source of revenue available to the church. Pilgrims made donations to abbeys and churches en route as well as at destination. Monasteries or churches controlling access to various holy shrines received substantial contributions. For example, the church of the Holy Sepulchre in Jerusalem was the recipient of a steady flow of contributions. Income from this source was considerable regardless of whether the donation was religious in motivation or simply the price of a ticket to see a holy tourist attraction. The church stood to gain revenue by controlling access to the Holy Land and to the major religious attractions located there.

The successful conquest of the Holy Land by the Latin church would allow it to monopolize the supply of holy relics. Relics such as the bones of the Apostles and Saints, pieces of the True Cross, the Holy Grail, and so on, were much in demand for their miraculous properties and were actively

traded throughout Europe during the Middle Ages. Possession of relics was a major source of income to local churches, acting as drawing cards for pilgrim-tourists, who were expected to make financial contributions at the holy sites. A vigorous demand for relics therefore persisted despite the widespread problem of counterfeiting and the difficulties of authentication.

The demand for relics was especially intense in Europe at the time since the crusades coincided with the great period of cathedral building. The creation of the architecturally new and unspeakably beautiful Gothic structures was an astonishing method of refining the church's product. Poor and uneducated peasants marvelled at the suggested glories of heaven and trembled at the fearsome threat of hell suggested by gargoyles decorating the cathedral's exterior. High-quality relic collections were a key not only to contributions to the ongoing construction of specific projects but to the economic development of entire towns as well. An active trade in actual and forged relics, including periods of "body-snatching" and ghoulish separations of heads from the corpses of holy martyrs, had gone on since at least the fourth century.⁵ But the crusades renewed the frenzy within Europe to acquire such items. Churches and monasteries eagerly sought "authentic" holy relics because possession of such artifacts enhanced their sanctity and attracted both pilgrims and contributions. The alleged mortal remains of saints and apostles were especially prized. The Holy Land and adjacent areas had been the scene of many spiritual events important in church history. These places "became a mine for the pious and a boon for the enterprising" (Praver 1972, p. 183). Further, access to the "relic mines" was a significant factor motivating some orders within the church, as well as many lay supporters of the crusades:

Relics from the East, such as the Holy rood of Bromholm, could transform the material fortunes of a local church or religious house. From an early

⁵ THURSTON (1913, p. 737) reports that competition got out of hand as early as the Vth century when monks "seized upon certain martyrs' bodies by force of arms, defying the authority of the bishops." It is reported that St. Augustine denounced impostors who wandered about "in the habit of monks" making profit by the sale of spurious relics. The quest for authenticity occasionally led to bizarre behaviour. Egbert, the Bishop of Trier, in 979 doubted the authenticity of what purported to be the body of St. Celsus: "lest any suspicion of the sanctity of the holy relics should arise, during Mass, after the offertory had been sung, [Egbert] threw a joint of the finger of St. Celsus wrapped in a cloth into a thurible full of burning coals, which remained unhurt and untouched by the fire the whole time of the Canon" (quoted in Thurston 1913, p. 737). As a practical matter, however, policing remained impossible. According to Charles MacKay, "a grove of a hundred oaks" could not have furnished all of the wood chips purported to be of the "True Cross," and the supposed "Tears of Mary" would, if collected together, have "filled a cistern" (1852/1980, p. 356).

date interest in the crusading ideal prompted patronage not only of the military orders but also of other religious orders associated with the Holy Land, such as the Augustinian canons of the Temple of the Lord in the twelfth century, or the Carmelite friars in the thirteenth (Tyerman 1988, p. 205).

An economic competition between cities for the highest quality relics both as objects for sale and as status and "draw" for city churches and for the city's growth prospects developed (akin to intercity competition for the Olympic games or for political conventions).

Ancient inventories of the great relic collections, such as those at Rome, Aachen, Cologne, Naples, Salzburg, Antwerp, Constantinople, and Sainte Chapelle at Paris, were "advertised" in order to increase demand. However, the "extravagance and utter improbability of many of the entries cannot escape the most uncritical" (Thurston 1913, p. 738). Nevertheless, the crusades gave vent to rank expropriation of relics from the Holy Land. The Venetians were particularly adroit at expropriating relics:

They [the Venetians] took also a portion of the sacred relics. Belief in the saving virtue of such relics was a powerful part of crusading enthusiasm and a part which the Venetians fully shared. On their very first crusading expedition, they made acquiring the body of Saint Nicholas almost the first order of business (second only to disposing of Pisan commercial rivals). From the capture of Tyre they brought back the block of stone from which, according to tradition, the Lord had preached... many added to the glory of the Church of San Marco at Venice, including a fragment of the True Cross and part of the head of Saint John the Baptist (Lane, 1973, pp. 41-2).

Forgeries continued to proliferate and the church did little to prevent them or to attempt authentication, which was next to impossible. The Pontiff had final approval in authentication disputes (from the Council of Lyons in 1287), but there was little that the church could (or *wanted*) to do in suppressing such money makers. The demand for these totems was so great that practice came to and continues to include belief in the sanctity of items that "touch" or "have been near" relics. (The trade in Vatican replicas or in vials of water from Lourdes are evidence of the modern economic interest in relics). While veneration of unauthenticated relics was periodically and officially condemned by the church, one observer has argued that there was (and presumably remains) justification for the church's practice of allowing the cult of doubtful ancient relics to continue. That justification is that "devotions of ancient date deeply rooted in the heart of the peasantry cannot be swept away without some measure of scandal and popular disturbance" (Thurston 1913, p. 738). Another reason consistent with the medieval and modern activity is that possession and veneration of relics are profit and wealth maximizing practices in the arsenal of monopoly weapons of the church.

Taxation and Church Interest Earning.

Another economic aspect of the crusades is that they provided a powerful fiscal rationalization for new taxes. According to one observer:

The papacy... sanctioned special taxes to pay for the expenses of the war, e.g. a tax of one-twentieth for three years on all ecclesiastical revenues (Lateran IV) or one tenth for six years (Lyons II). This was the first income tax imposed on the clergy, and it set a precedent in both ecclesiastical and secular administrations. Also fines for blasphemy, contributions by penitents, bequests in wills, special levies by secular rulers were imposed (Gilchrist 1969, p. 38).

Many historians believe that most of the revenues collected by the church from such taxes actually financed various aspects of crusades. However, detailed financial data for these revenue flows is virtually nonexistent, leaving at least the possibility that the church received large net profits (i.e., crusade tax revenues minus crusade expenses) as a result. Finucane (1983, p. 48) notes that by "the end of the thirteenth century, the call to crusade seemed to many, both clerical and lay, to be no more than a thinly-disguised way to raise money for both kings and popes for a variety of purposes unconnected with the Near East". The church raised forty-three new levies (Lunt 1939, pp. 607-08) over the crusading period (between 1188 and 1326).

Possibly the most neglected and least understood rent-seeking device used by the church during the crusades was its creative use of the usury doctrine — a profitable employment of its vast wealth. *The church itself* made enormous profits on loans made to crusaders who required cash to finance their holy endeavors. As one observer notes, "[crusaders] needed cash, and the commonest source of cash in the twelfth century was religious houses" (Tyerman 1988, p. 28; also see p. 204). It is conceivable (although we are too far removed from actual circumstance to know for sure) that the church was from time to time awash in cash.

Consider the following set of stylized facts. The medieval Roman Catholic Church was the nearest thing to a central government in the Middle Ages. It faced heavy fixed costs connected with the maintenance of its large and far-flung bureaucracy, but it also enjoyed an immense cash flow from taxes upon its members, from contributions of the faithful, and from earnings of its monastic estates. A large part of this cash flow may have been diverted to the provision of expensive public goods, such as churches and cathedrals, but it is also likely that as its cash flow grew over time, the church came under increased pressure to find profitable outlets for its excess liquidity. Insofar as capital markets were not well established in the Middle Ages, the church would have had an incentive to promote institutional arrangements whereby it could loan its excess cash at attractive rates of interest. The official doctrine of usury was a potential impediment to such activity, but we have shown elsewhere that the church was innovative and selective in its application of this doctrine (Ekelund, Hebert, and Tollison 1989).

A prominent example of how the church behaved as a sophisticated monopolist seeking to achieve multiple objectives is presented by the conjunction of its efforts to recruit crusaders and its ability to innovate at the doctrinal level. A Papal Bull relating to the Second Crusade pronounced that crusaders were to be exempted from paying usury — that is, they were not required to commit the sin of paying usury in order to fulfill their crusading vows. Unfortunately, lenders were under no legal obligation to supply loans at zero interest (such a law would have been completely unenforceable). The effect of the law was to destroy crusaders' credit and to give "them little recourse but to borrow from the church itself" (Tyerman 1988, pp. 196-97).

Although canon law technically applied the usury prohibition to the church and its agents, evasion of the law by clerics and monks was easy. The most common device employed was the disguise of a loan as an intertemporal "exchange".⁶ Another common ploy was the exchange of "mutual gifts" — a tract of land offered to a church or monastery, for example, later reciprocated by the clerical institution in the form of cash or supplies. Furthermore, these disguised loans were often made in return for extremely high ("usurious") interest rates:

Despite the legal niceties, such 'gifts' often concealed the taking of large profits. While Philip Basset gave the abbey of St. Benet Holme his marsh and a flock of three hundred sheep the monks promised to give Philip fifteen marks immediately and to pay an annual rent of five marks, of which seven years were to be remitted from the departure of the crusade... On the lowest calculation of the remitted rent... the abbey was making a profit over its investment of one hundred thirty-three percent spread over seven years — not a bad return for an age and an institution which frowned upon usury and for a deal with a man supposedly immune from it (Tyerman 1988, p. 197).

The church also was able to obtain other indirect benefits from selective application of the usury doctrine over the crusading period. In a papal directive to his clergy in 1199, Pope Innocent III (1198-1216) directed secular authorities to coerce Jews to remit usuries to crusader-creditors. Innocent's enforcement was excommunication of any Christian who traded or otherwise communicated with Jewish merchant-bankers who failed to forgive interest on debts and to remit any interest paid by crusaders (Lunt 1934, II, p. 86). Judaism represented clear doctrinal competition to Latin Christianity. The pope's directive thus helped maintain Christian hegemony in the West while

⁶ TYERMAN (1988) explains that "These decrees of 1146 and 1187-88 represent either the height of naivety or, in view of the church's role as the main source of ready cash, the depth of disingenuousness, an attempt to consolidate a near monopoly... in the later thirteenth century, in order to facilitate borrowing, some crusaders were prepared to renounce this privilege. Most, however, with the connivance of the creditor, resorted to the simple legal fiction of mutual gifts."

simultaneously creating entry barriers against Jews and other secular lenders. In sum, by greatly increasing the demand for loanable funds from crusaders, elements of the church (e.g., monasteries) generated profits for itself as a consequence of the crusading spirit.

“Buy-Backs” of Crusading Vows. A direct source of revenue from the crusades was the “buy-back” of crusading vows from those who subsequently regretted their pledges. Excommunication was the usual penalty for revocation, but the church offered an alternative — redemption could be purchased. As one observer put it, “Papal agents drummed up cash, not crusaders” (Runciman 1954). Although the redemption of crusading vows by payment of money to the church was not available on a regular basis until 1220, such redemption was occasionally permitted earlier. Payments were ordinarily earmarked to a special fund for the Holy Land, and became a “big business”. Officially, the amount of redemption demanded of a *crucesignatus* in cash was equivalent to the expected cost of his journey to the Holy Land, following a principle established by Pope Innocent III at the Fourth Lateran Council. But in reality, redemptions were granted at much lower prices than a trip to the Holy Land would have cost the redeemed (Tyerman 1988, pp. 193-194). Revocation revenues of this sort were supposedly earmarked for expenditure on crusades (Tyerman 1988, pp. 194-195), but it is unclear how effective such regulations were in practice. Further, “expenditures on crusades” could encompass many forms of spending which arguably were not directly related to crusading (e.g., travelling expenses for church officials).

Indirect Benefits from the Crusades

In addition to the expansion of market and doctrinal hegemony in the Near East, the monopoly church and its secular agents had more indirect aims in supporting the armed conflicts in lands beyond Europe. Economic growth in Europe obviously increased church revenues both by increasing the capital value of church assets — for example, its enormous landholdings — and by increasing its percentage “take” in the form of tithes and bequests. In addition, the crusades were a means for the church to direct warring feudal jurisdictions to a common enemy and to assert the authority of spiritual over secular powers.

Peace, Order, and Authority. Urban II inherited the so-called “investiture controversy” when he assumed the Papal throne. This controversy, which had important economic implications, was a dispute over who had final authority over policies relating to church property and to “local” ecclesiastical appointments. Over the eleventh century, imperial and secular authorities had increasingly laid claim to such authority and appointments. Pope Urban II wanted the church to be free of secular power and “dependent on that power only to the extent of needed material force to carry out its [the church’s] spiritual judgment” (Tanner et al vol. 5, 1926, p. 321). Warring feudal factions in

Europe — internecine struggles that characterized the eleventh century — were a practical limit to the assertion and maintenance of Papal supremacy. At a practical level, “the Church and peasantry suffered more than anyone else in these petty feudal wrangles” (Finucane 1983, p. 16).

According to Runciman “One of Pope Urban’s expressed aims in preaching the crusades was to find some useful work for the turbulent and bellicose barons who otherwise spent their energy on civil wars at home” (1954, p. 471). The crusades promoted peace and order in Christian Europe by redirecting the military resources of the feudal political factions away from destructive domestic military competition. The church stood to gain in several ways. Dead parishioners did not pay tithes. Church property and agents were vulnerable to damage during domestic conflict. Warfare in Western Europe was detrimental to the growth and development of trade, moreover, and thus tended to reduce future church revenues. According to Duncalf (1969, p. 242), Urban “intended that the crusade should benefit the people of the west by substituting foreign war for private warfare at home”. But the uniting of the feudal orders of Western Europe against a common enemy under the rubric of a *spiritual goal* had another big advantage to the Papacy: it reaffirmed the *political primacy* of spiritual over temporal authority, thereby strengthening the monopoly of the church over “official” codes of behavior and rent seeking by downstream “firms”.

Commerce and Trade. A public choice interpretation of the crusades also contributes to an understanding of the ambiguous stand that the church took on trade and trading “rights” with the infidel countries. Officially, and prior to the crusades, trade by the Christian city states with Moslems was declared anathema and the rectors of cities and districts were directed to enjoin Christians against it (Peters 1971, p. 45). The ban continued throughout the crusading era but as Lane notes, “Trade with Egypt had resumed soon after the fall of Acre, in spite of the papal ban against it... The pope persisted in forbidding all trade with Egypt not only trade in contraband, but all commerce” (1973, p. 130). Certainly, the church’s interests were not in supplying the enemy with provisions from the city states, but other motives may well have been at play. A desire of the church to market East-West trading rights once the Near East lands were secured may have supported the ban. Whatever church ambitions, the ban was openly violated from the beginning due to the interests of Italian merchants — specifically, the Venetians. The Venetians were allied with the Byzantine Empire *prior* to the first crusade:

When in 1082 the Byzantine Empire was under threat from invasion by the Normans, it allied itself with the Venetians. The price for the Venetian alliance was control of a quarter in Constantinople with commercial rights vastly superior to those of any other Italian city (Newhall 1963, p. 33).

It was the First Crusade, however, that permitted the expansion of trade with the East. As Atiya puts it, “the resumption of the Eastern trade came as

a natural consequence to the [First] Crusade, since merchants from Europe accompanied the various expeditions or followed in their steps and opened up fresh markets in every newly conquered seaport" (1962, p. 170). The Venetians were at the cusp of this development and put the real object of the First Crusade into proper perspective:

Their [the Venetians] interest in crusading was free from inhibiting religious sentiment... In general, the naval republics... gained, in addition to their share of the money, special quarters in captured [Eastern] coastal cities — usually one third of the area — which would be directly under the jurisdiction of the Italian city-state. More significant still were the rights of importing and selling goods in the crusader states without paying taxes. With the advantages, Italian commercial colonies grew up in the Latin Kingdom not subject to the royal government. They monopolized trade and absorbed the revenue of the ports... (Newhall 1963, p. 51).

Italian merchants were so overwhelmingly in support of maintaining open trade in Moslem ports and with the establishment of new trade routes that they openly discouraged proposed crusades that would interfere with commerce (Finucane 1983, p. 162). The *nouveau riche* merchants enhanced the wealth of the church not only through establishing an increased tithe-tax base, but also with direct and large contributions (Atiya 1962, p. 196). While church interests were unable to develop a marketing or trading rights monopoly between East and West, benefits in the form of a greatly enhanced capitalized value of Western European assets flowed to the Latin church and the papacy.

Particular Merchant Interests. For hundreds of years the Italians fought the Saracens over commercial rights and Arab theft of Italian property. Increased pressure and "seemingly endless raids and plunderings" (Krueger 1969, p. 40) were, as we have suggested, an important inducement for the Italian merchants to support the calling of the First Crusade. But particular interests also form a basis for merchant support. Outfitters, suppliers, shipbuilders, and transport merchants of all kinds had interests in supporting and even expanding crusading efforts. In both Syria and Palestine, Genoese and Pisan merchants actively assisted the crusaders' military efforts for several years before the Venetians became involved, and consequently acquired a more extensive collection of rights and trading privileges than their Venetian competitors achieved. (The Venetian colonies in the crusader states were relatively small compared to that state's colonies in the Byzantine area). The crusader states were consistently dependent on the Italian merchant nations for the provision of both seapower and to maintain their lines of communication with Western Europe (see Robbert 1985, p. 389).

Genoa and Pisa, on several occasions during the First Crusade, assisted the crusaders in sea battles, but Venice was less eager in a military sense and

became involved in supplying crusaders more gradually. However, Venice ultimately dominated the outfitting and supplying of crusaders, with special trading privileges granted to them over trade with the Holy Land (Robbert 1985, pp. 390-391). Predictably, outfitting and crusade preparations of all sorts greatly stimulated economic development — industry and commerce — in the city states. According to Hitti, “The shipbuilding industry especially benefited by such undertakings as that of Venice, which in 1201 contracted to supply a large fleet” (1969, pp. 37-38). Such increased demand and economic and technological development was surely in the long-term interests of the monopoly church.

IV. Individual rationality and the crusades

An important question is whether crusading was economically rational for *individual* crusaders. Religious fervour may have motivated some crusaders, but many (perhaps most) were stirred by the rational pursuit of economic gain. First, the church offered payments in a wholly tangible, temporal sense. Crusaders received a variety of special privileges, courtesy of the church. The most important of these were immunity from secular prosecution, and a variety of tax privileges (the most important being general amnesty from secular taxation for the duration of their crusading service). Duncalf (1969, pp. 245-246) explains that:

[the] pope offered temporal as well as religious privileges in his drive to win recruits to his enterprise. Inasmuch as the crusaders were soldiers of Christ engaged in a war sponsored by the Church, not only were they taken under ecclesiastical protection, but the church also undertook to protect both their families and property so that they would not leave wives, children, or holdings to the uncertainties of feudal society. In a sense this was the Truce of God which had been approved by the Council of Clermont, but the pope seems to have made it especially applicable to crusaders for three years, or as long as they were absent... What the pope was asserting was that the possessions of crusaders, *milites Christi*, were to be temporarily as exempt from secular control as the property of the church. Obviously, this was a very considerable extension of ecclesiastical jurisdiction. Temporal rulers were to be deprived of the services and payments of vassals who enlisted in the papal armies for an indefinite period of service overseas. Once William the Conqueror had punished a vassal, than whom he knew of no better warrior, by taking away his fief because he went off to fight Moslems in Spain without permission. But so popular was this holy war that neither kings nor feudal lords seem to have made protest against the invasion of their feudal rights.

Salvation. The church did not offer exclusively temporal rewards, however. The church was the monopoly provider of a unique and inelastically demanded service in the eleventh century: salvation from eternal torment. That is the church claimed to offer assistance to individuals in achieving entry into

Heaven for their immortal souls after death, and avoiding less pleasant eternal destinations.

Christians were required to perform the sacrament of penance in order to achieve absolution from their sins. Penance — usually a period of sacrifice and sometimes public humiliation imposed by a priest — was literally a “sin tax.” Crusaders were absolved from penance in a kind of “tax holiday.” This absolution was called the crusading indulgence and it was one of the canons adopted by the Council of Clermont. The pope’s apparent intention was to grant an indulgence only to those crusaders who actively participated in the attempt to “liberate” Jerusalem, and to those whose motives were purely based on religious devotion. The indulgence was not intended as an offer of the “remission of sins” — which, according to official church doctrine, the pope had no power to offer — but merely for the remission of the *penance* the church imposed for sins. In theory, the forgiveness of sins was entirely up to God (Duncalf 1969, pp. 245-246).

Gradually the awarding of indulgences was “commercialized.” They were originally granted only to individuals who actually took part in the crusades, but by the early twelfth century, indulgences began to be openly sold on a large scale to the “truly confessed and truly penitent” who agreed to pay a specified sum for the ostensible support of the crusades. Indulgences were even granted by the church to encourage taxpaying to secular authorities in cases where the revenues of the tax were to be sent to Rome. In 1166, for example, the church granted an indulgence to those contributing to a tax imposed by Henry II of France in his dominions in response to a papal appeal for aid on behalf of the Holy Land (Lunt 1968, vol. I, p. 115).⁷

At first, indulgences for the purpose of raising money were administered by local prelates, who delivered some of the proceeds to crusaders in their districts or to various Orders (such as the Templars and Hospitallers) who transmitted the funds to the Holy Land. But the papacy began to receive some of these pecuniary returns early in the thirteenth century with papal administrators gradually taking control of the flow of funds. Lunt reports that as early as 1200 there were suspicions that the substitution of a papal envoy for the Orders to transmit funds meant that some of the money would never go beyond Rome. Furthermore, after 1261:

the regular collectors of papal revenues usually treated the money derived from crusading indulgences as they did any other which came into their

⁷ The sale of indulgences was such an efficient revenue-raising device that the grant of “crusading indulgences” continued even after the fall of Acre (the last Christian stronghold in the Holy Land) in 1291. Lunt (1968, vol. I, p. 118) notes that to “the close of the middle ages the issue of papal indulgences for a crusade was a frequent occurrence.” Since “crusading” activity, however broadly defined, was minimal over this period, most of these revenues had to have been directed to other purposes.

hands by reason of their office and assigned it to the papal camera... Money derived from crusading indulgences thus flowed into the papal coffers from the thirteenth century to the time of the protestant reformation. The volume of receipts appears to have increased notably in the fifteenth century (Lunt 1968, vol. I, p. 120).

In theory, the sale of indulgences only reduced the purchaser's burden of penance and had no effect on his or her guilt due to sin. But local agents of the papacy often fostered the opposite belief — that the indulgence actually wiped away the sin — with the tacit approval of Rome. "The consequence," according to Lunt, "was a ready sale and a large revenue for the papacy" (1968, vol. I, p. 125).

Pillage, Plunder and the Role of Warrior Monks. In addition to both temporal and spiritual "tax holidays," the church offered important material economic gains to crusaders in terms of actual payments. The rights to pillage and plunder at will without fear of secular or religious sanction figured prominently in a number of crusades. Officially, such rights were legitimate so long as the victims of such looting were infidels (followers of Mohammed and others), but in a number of thirteenth-century crusades, such activities were directed at fellow Christians as well (the Fourth Crusade ended in the sacking of Constantinople). With respect to the First Crusade, Lunt notes that:

The pope did not neglect to hold out the promise of material gains which would be derived from holy war against the Moslems, stronger incentives to his feudal contemporaries than any altruistic suggestions of fighting and dying for the eastern 'brethren.' In Baldric's version, Urban held out the prospects of loot, which had made the reconquest in Spain so attractive to French warriors. The possessions of the enemy will be yours, too, since you will make spoil of his treasures'... To plunder, according to Robert, was added the hope of conquest: 'wrest that land (*terra sancta*) from the wicked race, and subject it to yourselves, that land which, as the scripture says, 'floweth with milk and honey'...' (Lunt, 1968, vol. I, p. 244).

Furthermore, the pope argued that allowing knights to rape and pillage infidels in the Holy Land would produce the side-benefit of reducing rape and pillage against fellow Christians in Europe:

Urban seemed to believe that the French needed *Lebensraum* for colonization [note that a similar argument was a central tenet of Hilter's reasoning for invading Eastern Europe]. Their land, Robert quotes him as saying, 'is too narrow for your large population; nor does it abound in wealth; and it furnishes scarcely enough food for its cultivators. Hence it is that you murder and devour one another.' And, of course, migration, especially of landless troublemakers, would relieve pressure and promote peace in the west (Lunt, vol. 1, p. 245).

The church had long relied on mercenaries to achieve crusading and other ends, but the ever-increasing need for trained warriors and the inability to control the excesses of paid armies led to a peculiar theological development in the first half of the twelfth century. The campaigns against the Moslems in Palestine had been assisted by holy orders such as the Hospitallers and the Knight Templars. These were orders of men and women (monks, priests, nuns, and lay persons) dedicated to the spiritual and military aims of the church in the Holy Land. By 1200 the Templars, Hospitallers and Spanish Orders were famous and effective, enriched by donations from Kings and answerable only to the pope.

Monastic knighthood clearly had pagan origins. In pagan lore, the warrior-killer is a hero, but he is a hero that stinks of death. Just as the pagan hero had to be expiated of guilt through dedication to a god (or through other means), the church had to find a method of santifying belicose behaviour and murder. In an example of what has been referred to as the "syncretic genius of Catholicism" (Seward 1972, p. 4), St. Bernard of Clairvaux justified the warrior monk crusaders on the basis that the activity conquered two Satans. Vows of humility, chastity, and poverty conquered the Satan within, encouraging discipline and taboo. The crusades waged by the holy monks conquered the other Satan — the Moslems who were following Satan's foreign policy in attacking Christians (Christiansen 1980, pp. 72-73 et passim). As with so many other doctrines of the medieval church, practical theology was moulded on the basis of economic necessity as trained killers were transformed into holy warriors.⁸

Crusaders who banded together in the Holy Orders (e.g., the Knights Templars, the Hospitallers, and the Teutonic Knights) were particularly motivated by taking rewards in conquered territories. Expansion of the church's dominion and membership through *sanctified armed aggression* was no more obvious than in the crusades against eastern Europeans — the Baltic crusades. Here the German (Teutonic) Knights, whose motto was "he who fights us fights Jesus Christ," were the central players in massive land grabs against eastern Europeans and Russians *already converted to Christianity* but of the orthodox variety. (*The Chronicle of Novgorod, 1016-1471* (Michell and Forbes 1970) provides an interesting account of the Russian city's dealings with the Teutonic Order). Originating in Palestine and joined by the "Swordbrothers," a brutal band of private mercenaries (Urban 1975, pp. 91-

⁸ The policy of blending pagan and Christian theology and practice includes the Church's transformation of "gods" into saints, temples into churches, pagan observances into feastdays, and totems into relics. Neither purgatory (Ekelund, Hebert, and Tollison 1992) nor the justification of the "holy warrior" had overt biblical foundations. Usury (which *does* have biblical precedent) was apparently used to further the monopoly policies of the church, *i.e.*, it was selectively enforced (Ekelund, Hebert, and Tollison 1989).

92), the Teutonic Knights made political and spiritual inroads into eastern Europe which last until this day. Stark violence accompanied the Knights from the first Northern Crusade in 1147 to the conquest of western Prussia by 1240.

Within the context of brutal power struggles, the lands of Livonia (modern day Estonia and Latvia), Prussia, and large parts of Christian Russia were conquered for *Latin* Christianity. While the ostensible goals of the Knights was the conversion of pagan tribes such as the Balts, Livs, and Letts, these land-hungry Teutons labelled all who fought against them (the "brethren") as heretics and apostates. The Knights' suppression of a Prussian rebellion in 1263 is illustrative:

The Order began a systematic policy of bloody extermination, slaughtering the population wholesale, destroying villages and burning crops. Tribes disappeared without trace, Prussian leaders being hunted down like animals. Brethren copied Prussian tactics, sending raiding parties guided by loyal tribesmen deep into the forests. No quarter was given. (Seward 1972, p. 101).

At times the Russians joined "pagans" against the Order and in 1308, the Archbishop of Riga (in Livonia) begged Pope Clement V to suppress the Knights' persecution of Christians. (A similar land grab of the city of Danzig by the Knights elicited a plea for mercy from Polish kings). A typically ambivalent response from the Papacy was the result. Territorial ambitions of the Knights ended in the establishment of Ordensland (the settlement of Prussia) in the fourteenth century. The Knights ran the *Ordensstaat* as a monopoly, with exclusive rights to trade franchised from the pope (Jews were eliminated from the state). By the beginning of the fifteenth century the Order had created the first modern state consisting of 55 towns, 48 fortresses, unified laws and administration, coordinated foreign policy, trade and industry. While conversion of heretics and pagans might have been the stated goal of the Baltic crusades, the result was a lasting expansion of territories under the spiritual-economic control of the Latin church. Theological inventiveness gave legitimacy to murder and to property grabs — a doctrinal twist which was clearly wealth-maximizing from the church's perspective. In the end the murderous incursions of the holy fighting orders did much to further the demand-side market-expansion policies of the medieval Latin church monopoly in the Baltic region.

V. Conclusion: Crusades and the Wealth-Maximization Hypothesis

We have argued that the church received substantial revenue and rent flows as well as tangible and valuable advantages from the crusades. Church monopoly was expanded on both supply and demand sides of the market. While the church did not permanently hold on to all of the conquered terri-

tories (Acre fell back to the Moslems in 1291), two centuries of expansion in the Holy Land had enormous advantages to the church in eliminating rivals and securing monopoly returns and wealth-enhancing economic development in Europe and in the expanded church.

The sphere of the Latin Church's influence — in terms of expanded monopoly rights over spiritual doctrine leading to salvation — was greatly widened, especially in the Baltic region. The Greek Church was dealt a severe blow, as was the Byzantine Empire to the East. In the conquered territories, the Roman Church acquired rights to supply the "essential" dogma and procedures necessary for salvation. In this the crusades had the intended impact of edging out much of the Orthodox Christian church's market incursions of the eleventh century.

Many individual crusaders made fortunes in the conquered territories in the process of church-market expansion. Riley-Smith (1988, pp. 27-28) reports that "Godfrey of Bouillon was given the castle and estates of Tilbesar and his comparative wealth was very apparent in the later states of the crusade... and may have contributed to his election as ruler of Jerusalem." Individual wealth accumulations, both in the conquered territories and in the city states themselves, provided a much-expanded economic base from which the church could extract wealth, protection and benefits. Hitti (1985, p. 38) states bluntly that "Trade — at least in the case of Genoese, Venetians, and Pisans, the shrewdest money-makers of the age — was a primary motivation of the venture [crusading]." These returns to the Italian states (principally Venice, Genoa, Pisa, but including Rome) came from several major sources: expansion of trade in the Holy Land due to the relaxation of trade barriers erected by Moslem rulers, the grant of monopoly-trading privileges by secular and religious authorities, and from direct supply of the crusaders.

Venice, as suggested earlier, came to dominate efforts to supply crusades and to dominate trade with Palestine. The city eventually acquired a large and extensive array of special trading privileges and exemptions in the Holy Land (Robbert 1985, p. 389). To illustrate the extent and value of Venetian holdings in the Holy Land in the thirteenth century, Hitti notes that from one major warehouse alone (located in Beirut), Venetians lost in one day pepper worth 10,000 dinars, "a figure which gives an idea of the enormous riches accumulated in the agencies of factories of the Levant" (1985, p. 38). With respect to the gains made by the Italian trading city-states as a result of the crusades, Gilchrist writes:

The crusades led to profits all round, not, as many think, derived largely from war booty, but from the grant of commercial privileges that followed the setting up of Christian kingdoms in the East. The towns of Venice and Amalfi, and later Genoa and Pisa, grew rich on these profits (1969, pp. 37-38).

The crusades also directly contributed to the development of a new and wealthy social class in Europe - the merchant class. These merchants, "having

made large fortunes in foreign trade, one after another promptly reinvested a good portion of their profits in town houses, farms, and often also in manors and noble estates" (Bautier 1977, p. 107). Eastern European merchants, especially those of the Christian state established by conquering Teutonic Knights, likewise became rich, supportive members of the Latin church (Seward 1972, p. 105).

Finally, the church's wealth-enhancement and its increase of monopoly power from the crusades may have had unintended consequences. Material and spiritual gains to the monopoly over two centuries of crusading may have inadvertently stimulated secular "economic" society within the primary realm of church influence (i.e., in Europe). The entrepreneurial spirit fostered and expanded by the crusades created political and economic forces that could not be stopped when the crusades were over. Merchants became town leaders as areas of Europe were freed of the feudal system. Coins were minted and tax levies supported *local* (city) expenditures as commerce, manufacturing and trade became the interrelated economic activities of the city states. "From now on," according to Bautier, "there were constant clashes with the emperor, who upheld the old order and was committed to the defence of imperial rights. There were also collisions with the pope; all too often the popes were concerned with protecting their own temporal interests, and those of the bishops, which were adversely affected by urban emancipation" (Bautier 1977, p. 106).

The fortunes of the church changed in other directions as well due to the effects of the crusades on economic and religious developments in Europe and elsewhere. The Latin church made clear gains in the Eastern European crusades. Huge parts of the Baltic region were converted to (Roman) Christianity generating rent flows that persist to the present day. The ultimate failure of the Latin church to convert the heathen in the Near East and the enmity created by the attempt (that also lasts today) may have made crusading expeditions to the Near East costly and ultimately counter-productive. The church failed to maintain its credibility by controlling the holy places, a fact that may have led to a decline the value of the credence good it sold.

The creation of secular values also created long-run costs for the church. While it cannot be said that economic development (nascent capitalism) was entirely absent from Europe prior to the First Crusade, crusading over the twelfth and thirteenth centuries undoubtedly was a boost to the capitalist spirit and to the ultimate economic development of Europe. As such, the church unintentionally fostered secular competition for its monopoly over temporal affairs and its doctrinal monopoly over the conditions for salvation. The crusades were a concerted attempt to strengthen the church's monopoly within an environment of competing interests, including embryonic capitalism.

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