



DOES MONASTIC ECONOMY MATTER? RELIGIOUS PATTERNS OF ECONOMIC BEHAVIOR

Conceptual Frame

The monastic economy has been matter of lasting interest from the part of economists and historians. The impressive amount of descriptive literature accumulated during almost a couple of centuries sheds light on the mechanics of the economic activities carried out in those entities. The contributions in the field have had, however, a much wider impact by helping to test a variety of theoretical hypotheses concerning fundamental aspects of economic behavior in the *longue durée*. The discussion of Max Weber's conjecture about the role of Protestantism in the gestation of capitalism is probably the best-known example. Recent research has shown the incidence of the subject on often unexpected contemporary economic problems.

The economics of medieval monasticism in the West is centered on the abbeys organized according to the Benedictine and the Cistercian rules. The time frame of this "classical" period is closed by the Protestant Reformation. Eastern Christian monasticism, in turn, has survived within rigid rules and avoiding substantial doctrinal reforms. The geopolitical setting in both parts of Europe has also been quite dissimilar. If the abbeys in the West have existed in different temporal realms pertaining to the Christian world, this was not the case for the Orthodox monasteries. Until the 15-16th centuries they were located in Christian empires/kingdoms (Byzantium, Russia, Bulgaria, Serbia, the Danubian Principalities) but since the Ottoman conquest till late 19th – early 20th centuries those in South-Eastern Europe (SEE) were immersed in an area where the state religion was Islam.

The economics of Western and Orthodox monasticism are usually treated separately and are rarely (if at all) subject to systematic comparative studies. The three years project (2107-2019) joins the efforts of the Centre for Advanced Study Sofia (CAS) and the *Center for Governance and Culture in Europe (GCE) at the School of Humanities and Social Sciences in the University of St. Gallen* have decided to join their efforts with the aim to identify elements of the economic culture proper to those regions which are related to their monastic tradition. In broad terms SEE is historically characterized by a less pronounced economic rationality, lower influence of methodological (economic) individualism, greater presence of the state in economic affairs, and economic backwardness. To what extent and in what ways those peculiarities and other important features could be ascribed to legacies stemming from monastic life? Are some of those traits still important in today's economic cultures? When addressing these questions we assume that the accumulated evidence has demonstrated the impact of monastic practices on behavioral patterns in the Western society while such causality is less explicit but worth testing in SEE.

The project draws from the rich historical knowledge about the most important monasteries in SEE. The reference is the monastic republic of Mount Athos – one of the most revered places in the Orthodox world. Many institutions there and in different countries have been extensively researched and they are home of archival treasures which gradually become more accessible.

We suggest exploring several paths.

Economic Rationality

Since M. Weber's seminal works the role of the Protestant ethic in the dissemination of rational capitalist values and practices has been continuously on the focus. As a matter of fact, behind the walls of the medieval monastery some of them even preceded the Reformation. (Becker, Pfaff & Rubin, 2016) Weber himself observed that a major contribution of the Reformation was the infiltration of ascetic work principles in the society after the closing of the monastic houses. They had attained higher organizational, managerial, productive and technological standards than the leading segments in the pre-Reformist secular world. (Kieser, 1987)

Different factors have delayed the development of rational patterns in Orthodox monasteries and hence of the capitalist ethic at large. The phenomenon matured since the early 19th century, i.e. centuries after the Benedictine/Cistercian apogee in the West. Some doctrinal peculiarities were of importance as, for instance, the Eastern Christian Church salvation was believed to be easier, needing not more than sincere penance or a single good deed even at life-end. Neither hard work, nor active involvement in secular affairs was necessary (Kalkandjieva, 2010). Another important force was the blending of Orthodoxy with nationalism and in the context of the Ottoman Empire's confessional and ethnic politics. The Orthodox Church (and consequently monasteries) was deeply involved in the formation of the Greek and Bulgarian national consciousness: a process which occurred in a violently conflictive mood after Greece and Bulgaria acceded to statehood (respectively in 1830 and 1878). The institutional actors in this "ecclesiastical nationalism" were the Greek-dominated Patriarchate of Constantinople, the local priests/bishops in the ethnic Bulgarian parishes and their lay people's representatives. Those struggles contaminated the routine functions of the monasteries with political and national debates diverting from strict economic rationality. Finally, until the early 19th century Orthodox monasteries relied for their sustainability to a great extent on pilgrims' and other donations. This cultivated the rules of a "gift economy" (Mausse, 2007), not those of market behavior. It was only when incomes from this volatile source declined that monetary revenues from market-oriented economic activities started to play a growing role with the concomitant need for more rational asset and financial management. (Radkova, 1974 (1); Radkova, 1974 (2); Kalkandjieva, 2016)

The State

The Western medieval religious entities (monasteries) operated in a spiritually coherent domain under the authority of the Papacy. Although Reformation fragmented this space in theological and organizational terms, Christianity remained the exclusive religion in this part of Europe. The Church and the State were rivals essentially in temporal matters. Eventually, the Enlightenment triggered the trend of secularization which was closely associated with long-term economic growth and modernization.

Since the early 15th century a growing part of the Orthodox world was inserted in the Ottoman Empire where the Eastern Christian Church and its monasteries were more than ecclesiastical institutions. They evolved into mediators between the temporal power of the Sultan and his unfaithful subjects in the *millet* system based on a relatively tolerant coexistence of different ethnical communities and denominations. This position cultivated a specific culture of relations with the State, resting on mutual favors and exerting subtle influence on different aspects of the economic behavior. The project intends to check the hypothesis that the sequels of this economic culture have long-lasting effects felt until these days. Two telling examples illustrate the point.

The Orthodox Church of Cyprus is a salient case as its history includes nearly a century of British rule of the island (1878-1960). This period was a true cultural clash confronting the extensive economic privileges of the Church (inherited from the Ottoman

period) with the aggressive modernizing rationality of the British administration. (Roudometov & Michael, 2009; Roudometov & Michael, 2010) The core problems in the strained relations between them related to property rights on the Church's assets and to tax privileges. The protracted conflict had a strong impact on the Cypriot society by transforming the local Orthodox Church into an *ethnarchy*, i.e. in the leader of national(istic) aspiration of the population.

The second case is the current economic crisis in Greece which also reveals projections of economic behavior molded by the Church (namely in the monasteries) in the past. The loose fiscal discipline in Greece (and in SEE at large) is, at least partly, linked to the long tradition of tax loopholes granted to those religious institutions. Recently the problem acquired macroeconomic significance and tax exemptions of the Church (one of the largest asset owners) had to be reconsidered (in a climate of tense confrontation between the ecclesiastical hierarchy and the government) in the context of the bail-out of the country. Another facet of this culture is the pervasive complicity with the state bureaucracy. One particularly resonant case has been the controversial exchange of real estates between government institutions and the monastery of Vatopediou in Mount Athos. The deal which during a decade had complicated judicial ramifications highlighted the profound involvement of the monastery in secular matters and occult ties with politicians. (Paganopoulos, 2009) Nowadays, in Cyprus and Greece the Church and the monasteries continue to be active players in the real estate and financial markets, they are key landowner in Bulgaria and have considerable economic weight in other Orthodox countries. The consequences of this situation are ambiguous. From one side the ecclesiastical institutions benefit from (contribute to) the market environment. From another, they introduce behavioral standards that are more or less distant from the market constraints.

The project explores in a comparative perspective the sources of the monastic economy's close contacts with the State.

During the Ottoman era, the Orthodox ecclesiastical authorities were entrusted by the central power to fulfill public, administrative and political tasks among their local confessional communities. This position supposed a platform for mutual loyalty which is best exemplified in the Orthodox clergy's functions of tax collector. The sophisticated system implied combining political opportunism with the design of tax-avoiding schemes (in a distant way, prototypes of the current off-shore instruments). The history of the Orthodox monastic economy in the Ottoman Empire constitutes a rewarding field for the study of fiscal exemptions.

Property rights were at the core of the relations between the monasteries and the State. After the Ottoman conquest, the Orthodox ecclesiastical assets were gradually integrated in the legal and administrative framework of the Muslim religious charitable endowments (*wakfs*) with the corresponding protection and privileged tax reliefs. This legal symbiosis between the status of Islam and Orthodox religious entities provided the latter with solid guaranties for inalienable land ownership. (Hristemova, 2003; Roudometov & Michael, 2010) At the same time, acquisitions through donations often served as camouflaged forms of renting (allowing the owner to reduce its tax burden) or of purchases.

The interactions of the monasteries with the temporal power, however, have not been cloudless. They passed through troubled periods after the birth of new Kingdoms in parts of the European territories formerly controlled by the Ottomans. Due to ideological, political or financial circumstances, governments have proceeded to nationalizations or other forms of expropriations of monastic assets. Secularization policies have been carried out in Romania (1863), Greece (after 1923), communist Bulgaria (in 1944-1953) and elsewhere. Pre-revolutionary decisions and the post-1917 overwhelming confiscations in Russia severely

affected the dependencies of Athonite monasteries located there. Those acts have had a devastating effect on the monastic economy and forced its eventual restructuring. Inversely, the restitution process after the fall of the communist regimes in SEE put to the fore the deficient and opaque management of monastic estates, as well as the new role of the Orthodox Church in society and the economy.

Monasteries in the West have been subject to similar assaults. The dissolution of the monasteries after the Reformation or by Henry VIII in England (1536-1540); the secularization of their assets during the French Revolution and with the 1905 Law on the separation of the Church from the State in France; the successive waves of expulsions of the Jesuits since the end of the 16th century are among the most spectacular examples.

The comparative study of those cases in the West and in SEE can contribute to the understanding of legal and financial aspects of nationalizations. The phenomenon has been widespread during the 20th century and (in transformed versions) the issue reemerged during the recent global financial crisis. From a mirror point of view, the post-communist experience added flesh to the economics of restitution.

The Markets

With a lag of several centuries after the abbeys in the West, throughout the 19th century Orthodox monasteries turned into centers of burgeoning economic activities and became a driving force of the temporal markets. They had a strong impact as land owners and managers of increasingly capitalistic estates. The wealthiest monasteries were innovators in land tenancy, the labor market, organizational models, agricultural practices or in technologies. Finally, they were important players in the developing financial markets as lenders, borrowers and depositors. Like in the medieval Catholic houses (Ekelund, Herbert & Tollison, 1989), a side-effect of the rent-seeking through usury seems to have influenced positively the financial transactions in the economy. Monasteries designed novel procedures to avoid bankruptcy by placing those in difficulties under the protection of lay dignitaries or by transforming them into *metohi* of a more prosperous one (Kalkandjieva, 2016). Those multifaceted economic undertakings, on the other hand, generated competition with the local bourgeoisie which tried to introduce a secular control on the pool of assets and resources governed by the clergy. In SEE, during the second half of the 19th century this rivalry was tainted with strong inter-ethnic tensions between Bulgarians and Greeks, while both parties tried to assure the political patronage of the Ottoman authorities.

The comparative approach to Western and Orthodox monasteries will contribute to the explanation of the asynchronous maturing and of the differing depth of market behavioral patterns in those two European regions.

Agency

Catholic orders and medieval monasteries in the West were incrustated in the extremely complex political, organizational and ecclesiastical structure of the Papacy. They were also operating as multinational bureaucracies and economic actors. This raised, among others, agency problems which have been solved in original ways and whose study has produced important insights. (Rost, Inauen, Osterloh & Frey, B. S. 2008) Medieval monasteries have been presented as local-level, profit-maximizing downstream franchises of the Church (Davidson, 1995). In this perspective they are considered to profiteer from their intermediate position of successive monopoly and to adopt profit-maximizing behavior. This vision is based on a broader understanding of the medieval Church's economic model as a vertically integrated rent-seeking monopoly (Ekelund, Herbert & Tollison, 1989). The intents to mitigate, at different layers, the opportunities to accumulate and to transfer excessive wealth have been scrutinized through changes in the Church's doctrines and structure. (Allen, 1995)

Success and failure of churches (monasteries) is presented as the result from correct or incorrect matching of theology and structure. According to this view the Reformation and Counter-Reformation are the largest church failure and subsequent recovery by means of changes in theology.

A major issue, subject to interpretation, is why the Orthodox Church did not face a reformist movement even if the venality of its priests and the wealth transfers were as widespread and commented as for the Catholic clergymen. Why the Church/monastic authority has not been successfully challenged by doctrinal competitors and was only, less effectively and lately, displaced by temporal actors? How were addressed the inherent agency problems embedded in the functioning of an intricate structure operating across a vast territory? Considered in comparative perspective, those questions relate in one or another way to the pervasive economic underdevelopment of the region.

The agency problem appeared, for instance, in numerous occasions. It was connected to the Ottoman fiscal system where state taxation was partly conceded to the local bishop and ultimately to the Patriarchate in Constantinople. Those different levels shaped vested interests of the dignitaries. On the other hand, monasteries traditionally invested in real estates which were a pillar of their economic sustainability. Their dependencies were located in different areas of the Empire or in other Orthodox states. The dense network of monastic *metohi* (annexes) constituted a realm comparable in some respects to that of today's global corporations. Its management required new skills and financial techniques. Among the most prominent figures in this system were the monks-*taxidiots* who confessed the faithful and collected funds and donations for the monasteries, thus building a social web and organizing the financial flows with the dependencies and the estates of the donors. (Merdzimekis, 2003) The activities of the *taxidiots* and of the managers of the *metohi* necessitated constant control which fostered the implementation of more rational principles in the handling of the monastic economy.

Governance

A promising comparative study between Catholic and Orthodox monasteries could be devised, in particular, in the frame of a research on the contributions of monastic rules for organizational learning, on the paradigmatic change through monasteries, and on the macro-institutional forces surrounding monasteries.

The missing sources for SEE in this respect are longitudinal historical data, coherent with the collected database on the Catholic orders. The project can envisage an effort to start building such a pool of data that, in the future, would serve for more elaborated quantitative hypotheses-testing. In the meantime, case studies appear to be the more reasonable comparators. The question can be also addressed (even without a complete data set) on the basis of a reduced sample concerning the survival rate of the Orthodox monasteries. The estimated ratios among the Benedictine abbeys (Rost, Inauen, Osterloh & Frey, B. S. 2008) indicate that one quarter of the closures were due to agency problems (13 % - to mismanagement) while the great majority were related to external institutional factors.

An alternative goal can be the estimate of *monastic business cycles*, i.e. of recurrent periods of growth and decline identified either by fluctuating mortality rates of the whole set or by distinct phases in the history of a particular institution. The well preserved Annals (*kondiki*) of the monasteries with records of their revenues and expenditures are a precious source in this respect. Those cycles could be associated to supposed *monastic reform cycles* of loosening and hardening of the rules in parallel with spiritual and material decay/renewal of monastic life. (Smith, 2009)

A specific feature of the Orthodox monasteries is the existence of two forms of organization of the monastic life. The *idiorrhythmic* (preserving private property of the

monks) and the *cenobitic* (allowing only collective property) models had specific governance rules, propensity to innovate and capacity to irradiate economic impulses outside their respective communities. The two types were exposed to different extent to the market environment and ultimately produced different profiles of economic behavior. They have existed simultaneously in different regions or alternatively in the lifespan of one institution (currently all the monasteries in Mount Athos are communal with no possibility for reversal). A comparative study of their economic performances could assess the appeal, the strength and influence of collectivistic management ideas, values and principles.

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Organizational Setting

The submitted project is structured as a *NETWORK* of researchers from SEE and Western Europe (WE). We intend to build a scholarly community interested in the history of the monastic economy. Our aim is to enhance the contacts, to assist mobility and hence to foster the intellectual debate in the field. To this effect we intend to use some of the tools that CAS has successfully handled for years: small, properly targeted and calibrated workshops; organization of guest lectures for a well prepared and competent audience; research support to scholars by facilitating their work in an environment and location which are appropriate to their (and the project's) agenda.

The main organizational features of our proposal are as follows:

- The main fora for discussion will be the annual workshopsto be held in 2017 - 2019.
- Up to 3 additional guest-lectures by prominent scholars in the field will be organized annually in Sofia.
- In the third (final) year of the project, the workshop will evolve into a concluding conference bringing together all the previous participants, as well as other invitees.
- Part of the budget will be devoted to research allowances. They will include panoply of possibilities aiming at supporting research on the monastic economy: more or less prolonged research stays abroad or in the home country for work with archival documents; trips for interviews or visits in specific monasteries; meetings with colleagues... The expenses will be subject to strict accountability. The common denominator of all forms of support will be their contribution to scholarly mobility, to the comparative perspective of the project, and to the communication within the *NETWORK*.
- CAS will secure the coordination of the project.
- At the end of the three-year period the *NETWORK* will present its research output as a guest edited issue of a journal or a collection of papers included in a coherent edited volume.

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