



# Religion *and the* Rise of Capitalism

By Benjamin M. Friedman

WHERE DO OUR IDEAS about how the economy works, and our views on economic policy, come from? Most people in the Western world, and especially in America, simply take for granted that we organize one of the most essential aspects of human activity—the economic sphere—primarily around private initiative channeled through markets. But where did that presumption come from? And why do so many people, again especially Americans, often see any challenge

*The Protestant Reformers* painting, circa 1700–1750, modeled after the engraving series titled “The Candle is Lighted, We Cannot Blow Out.”

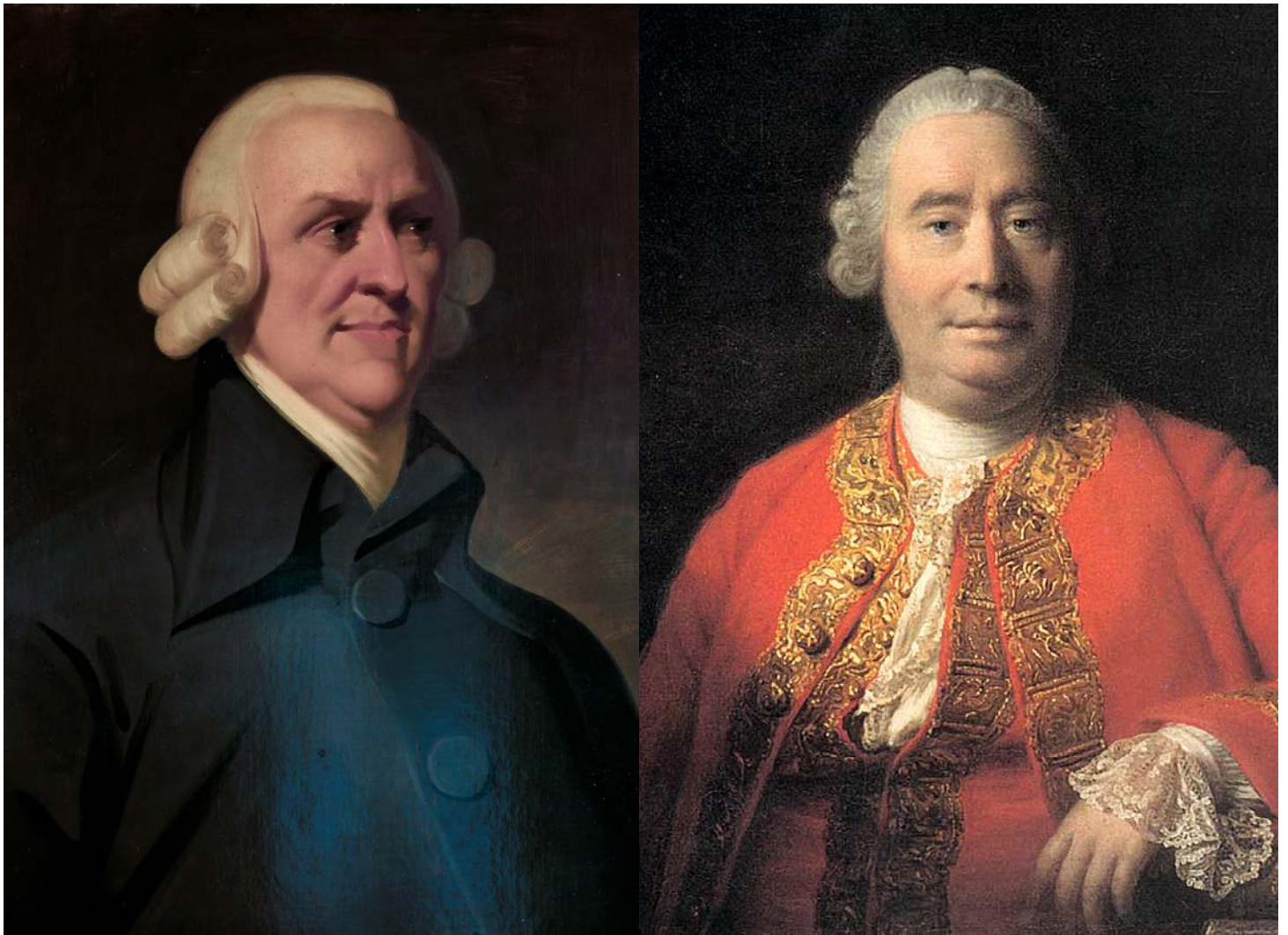
to our market-centered conduct of economic affairs as a fundamental threat to our way of life?

The economist John Maynard Keynes famously suggested that the thinking of even the most practically minded people, who believe they are exempt from any influence from the world of ideas, is nonetheless the product of what economists and other academic thinkers said some time before. This may be true, but if so it merely raises a further question: where did the economists’ ideas come from? The European historian Fritz Stern once reflected that why historians think as they do may be just as important as what they think. Why economists think as they do matters as well.

Our ideas about economics and economic policy have long-standing roots in

religious thinking. Most are unaware of how religious ideas shape our economic thinking, and when such links are occasionally suggested they are mostly misunderstood. But religion—not just the daily or annual cycle of ritual observances, but the inner belief structure that forms an essential part of people’s view of the world in which they live—has shaped human thinking since before there were written words to record it. The influence of religious beliefs on modern Western economics has been profound, and it remains important today. Critics of today’s economics sometimes complain that belief in free markets, among economists and many ordinary citizens too, is itself a form of religion. It turns out that there is something to the idea: not in the way the critics mean, but in a deeper, more historically grounded sense.





Adam Smith (left) and his good friend David Hume (right)—two of the creators of modern economics—were not religious men, but they lived at a time when religion was so pervasive that it influenced their economic thought and ideas.

But the point is more than just a matter of the history of ideas. The influence of religious thinking also bears on how Americans today, along with citizens of other Western countries, think about many of the most highly contested economic policy issues of our time. This connection between people's economic views and religious beliefs—often including religious beliefs that they do not personally hold—stems from before the creation of the American republic, and it runs to the core of how economics came to be the line of thinking we know today. It also helps explain what we often view as the puzzling behavior of many of our fellow citizens whose attitudes toward questions of economic policy seem sharply at odds with what would be to their own economic benefit.

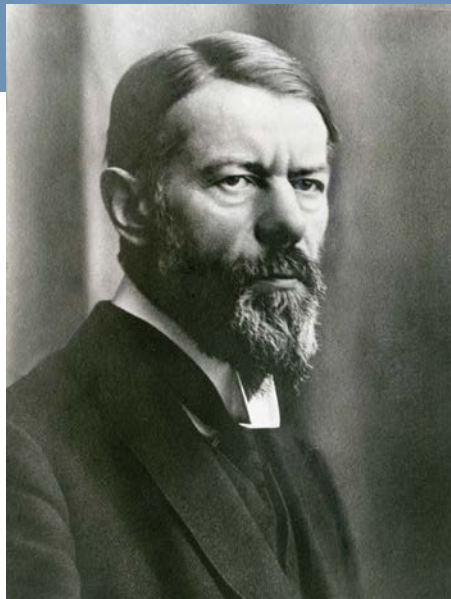
The foundational transition in thinking about what we now call economics—the transition that we rightly associate with Adam Smith and his contemporaries in the 18th century—was importantly shaped by what were then new and vigorously contended lines of religious thought within the English-speaking Protestant world. The resulting influence of religious thinking on modern economic thinking, right from its origins, established resonances that then persisted, albeit in evolving form as the economic context changed, the questions economists asked shifted and the analytical tools at their disposal expanded, right through the 20th century. Although for the most part we are not consciously aware of them—this is why their consequences seem puzzling whenever we stumble across them—especially

in America these lasting resonances with religious thinking continue to shape our current-day discussion of economic issues and our public debate over questions of economic policy.

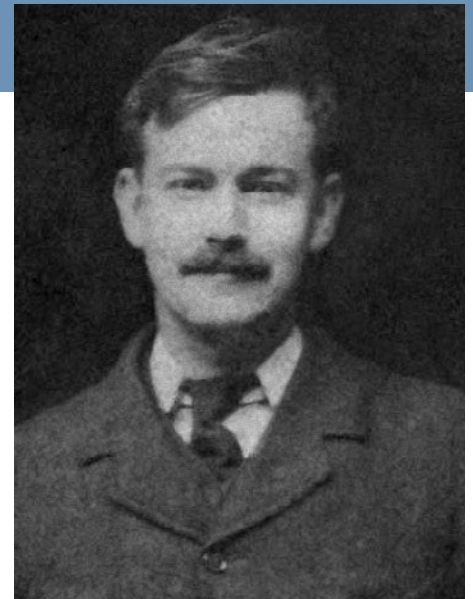
The idea of a central influence of religion on Smith's thinking, or on that of many of his contemporaries, will initially strike many knowledgeable readers as implausible on its face. Smith's great friend David Hume, who also played a key role in the creation of modern economics, was an avowed skeptic and an outspoken opponent of organized religion; Hume notoriously referred to Church of England bishops as "Retainers to Superstition." Smith, as far as we can tell, was at best a deist of the kind Americans identify with Thomas Jefferson. There is little evidence of Smith's active religious participation,



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Max Weber claimed that Calvinist religion was historically a spur to forms of personal behavior that gave rise to modern capitalism.



Historian R.H. Tawney wrote the 1926 book *Religion and the Rise of Capitalism* in response to Weber's classic work, *The Protestant Ethic and the Spirit of Capitalism*.

much less religious enthusiasm. My argument is most certainly not that these were religiously dedicated men who self-consciously brought their theological commitments to bear on their economic thinking.

Rather, the creators of modern economics lived at a time when religion was both more pervasive and more central than anything we know in today's Western world. And, crucially, intellectual life was more integrated then. Not only were the sciences and humanities (to use today's vocabulary) normally discussed in the same circles, and mostly by the same individuals, but theology too was part of the ongoing discussion. Part of what Smith taught, as a professor of moral philosophy at the University of Glasgow, was natural theology. He and his colleagues and friends were continually exposed to what were then fresh debates about new lines of theological thinking. I argue that what they heard and read and discussed influenced the economics they produced, just as the ideas of today's economists are visibly shaped by what we learn from physics, or biology or demography.

This idea importantly changes our view of the historical process by which the Western world arrived at today's economics. The conventional account is that the

line of thinking we know today as economics was a product of the Enlightenment: more specifically, that the Smithian revolution and the subsequent development of economics as an intellectual discipline were part of the process of secular modernization in the sense of a historic turn from thinking in terms of a God-centered universe toward what we now broadly call humanism. Nicholas Philipson, in his prize-winning biography of Adam Smith, referred to one statement of Smith's as a reminder that not just *The Wealth of Nations* but Smith's entire project for a modern science of man was "built on the foundations of the Enlightenment's quintessential assault on religion." Philipson was merely stating the commonly accepted view.

As a matter of what Smith and his contemporaries consciously intended, it is accurate enough. But explanations of important developments that rely simply on the conscious intentions of the actors involved are necessarily limited. As the American historian Gordon Wood put it, people are often not so much the manipulators but the victims of their ideas. Even cultural influences that seem obvious from the perspective of decades or, better yet, centuries later were often invisible to

those whose ideas they crucially shaped.

Realizing that the Smithian revolution partly grew out of new ideas in theology, and that the religious debates of that day shaped it—not because that is what Smith and the other creators of modern economics intended, but because the theological debates of their time fundamentally altered how they thought about human nature and the underpinnings of everyday human interaction—puts a different gloss on the matter. So does understanding the ways in which the evolution of economic thinking during the two-plus centuries since has continued to reflect this initial religious influence. So too does recognizing the consequences of this deep intellectual connection for our current-day policy debate.

Taking account of this from-the-bottom-up connection between economic thinking and key strands of religious thinking—the theological questions under so much dispute during Smith's time—helps explain a wide variety of puzzling phenomena, now and in the past: Why do so many Americans who have only the remotest prospect of ever making their way into the top income tax bracket nonetheless favor keeping the tax rate on top-bracket incomes low? More startling



yet, why do so many Americans who have no chance whatever of inheriting money from a taxable estate passionately advocate abolishing “death taxes”? And is it merely a coincidence that these anti-tax crusaders, along with opponents of government regulation of business, and the countless lower-income supporters of benefits for corporations for which they do not work (and whose stock they do not own), disproportionately belong to the nation’s increasingly influential evangelical churches? Nor is the present-day relevance of this historical influence of religious thinking on economic thinking limited to the United States: Why is there, today, an “Anglo-Saxon model” of how to organize an economy and run a country’s economic policy? And why do so many people, in countries otherwise very similar to ours, reject it?

Nearly 100 years ago the English historian R.H. Tawney published a book with the same title as this article (and the book from which it is excerpted). Both the setting and the argument were different. Tawney’s book was a response, in part a rebuttal, to Max Weber’s classic work, *The Protestant Ethic and the Spirit of Capitalism*. Weber had claimed that Calvinist religion—specifically, the belief that whether or not individual men and women are saved is a matter determined before they are even born, and over which they have no control—was historically a spur to forms of personal behavior that gave rise to modern capitalism. Moreover, Weber argued, this influence of belief in predestination persisted long after most people had ceased to hold it: indeed, long enough for most people to forget that such a belief had ever influenced their parents’ or grandparents’ behavior in the first place.

My argument shares some strands of that long-ago controversy—the powerful influence of religion, and the continuing force of this influence even after the driving religious beliefs have faded—but in substance it is more nearly Weber upside down. The primary focus is not on

economic behavior, but thinking about economics. Even more different, the creators of modern economics lived not during the time Weber emphasized (whether his view of the matter was right or wrong), but a century and more later when belief in predestination was in retreat among English-speaking Protestants. What opened the way for the early economists’ insight into the beneficial consequences of individually motivated initiative carried out in competitive markets was the expanded vision of the human character and its possibilities that the movement away from predestinarian Calvinism fostered. Further, this benign sense of our human potential, enabled by the historic transition in religious thinking that first preceded and then accompanied it, has continued to influence the trajectory of modern Western economic thinking ever since.

Understanding the historical connection between religious thinking and the economic thinking that is ours, and that shapes the world in which we live today, helps to explain not only how economics came to be what it is but also aspects of our current economic policy debate that are otherwise difficult to fathom, including especially questions that revolve around the efficacy and appropriate role of markets and, in parallel, the appropriate role of government in our society. We may not be aware of the religious influences that mold our economic views, but they are at work nonetheless, and our future economic trajectory depends on them. As the work of another great American historian, Bernard Bailyn, demonstrated, not only do ideas matter for events; often ideas operate over the heads of the participants, guiding both their thinking and their choices in ways they cannot foresee and that we cannot otherwise explain.

The influence on economics of certain strands of religious thinking—the affinity to some ideas, the instinctive dislike of others, at the broadest level simply our way of looking at the world of which markets and incentives and economic behavior are an essential part—turns out to be quite

understandable in historical perspective. Our confidence in the outcome of individual striving for self-improvement, played out primarily in the economic sphere; the respect we attach to economic self-improvement as an expression of political liberty; the commitment to economic development on the national and even world scale, both on material grounds and because we assume economic progress leads to moral progress as well; above all, the belief in the efficacy of the market mechanism as a way to harness our individual economic energies for our own good and that of others too—all are reflections of an influence of religious thinking that is both historical and ongoing. This influence of religious thinking pervades the way in which ordinary citizens today think about economic questions. And because over time it has become particularly American, it also affects how the rest of the world sees our country and sees us.

Economics as we know it is still a young science. The influence of religious thinking was present at its creation. 💰

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