

von Hagen, Jürgen

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## Benjamin M. Friedman: *Religion and the rise of capitalism*

Vintage Books, 2022

Jürgen von Hagen<sup>1</sup>

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John Maynard Keynes once famously said that “practical men who believe themselves to be quite exempt from any intellectual influence are usually the slaves of some defunct economist.” Having read *Religion and the Rise of Capitalism* one might say that modern economists who believe themselves to be quite exempt from any religious thinking are usually the intellectual heirs of some defunct theologian. This is the key message of Friedman’s book: Modern economic thinking is deeply rooted in the religious thinking that developed in the Protestant world from the mid-seventeenth to the mid-twentieth century. Not that economic ideas were directly derived from theological arguments; rather, Friedman argues, the development of economics—as is the development of any scientific discipline—was strongly influenced by the basic world views of those who contributed to it, and these views were framed by Protestant religious thinking, mainly of the Scottish and English versions. For example, notions like the “laws” of demand, of production, and of wealth which we find in the writings of early economists were grounded in the conception of a world (both material and social) ordered by a benevolent and wise God. Similarly, the concept of an “invisible hand” steering individual human behavior to produce good outcomes was a commonly used metaphor for divine providence at the time. Theological developments of the nineteenth and twentieth century found their reflections in the development of economics as an academic discipline. At the same time, the development of economics impacted the development of theological thinking, at least in the U.S. Today, Friedman argues, the discipline of economics is sufficiently mature to have shed the impact of theology. Nevertheless, understanding the theological background helps understand the development of economic

thought. Moreover, public debates about economic issues are still heavily connected with twentieth century religious ideas in the U.S.; witness the close link between evangelicalism in the U.S. and conservative economic thinking.

To build his argument, Friedman takes the reader on an intellectual *tour d’horizon* through three hundred years of the history of economic ideas and Protestant thinking, brilliantly written, fascinating to read. The book is extremely rich in references to and quotations of original religious and economic writing. Despite the wealth of information presented, Friedman manages to tell a coherent and convincing story. A must-read for anyone interested in the intellectual history of modern economics and in understanding the world views behind much of today’s economic policy debates.

The book is structured in 15 chapters. Following the introductory chapter 1, chapters 2 to 4 discuss Adam Smith’s *Wealth of Nations* within the background of the English Enlightenment—Hobbes, Locke, Shaftsbury, and others. They point out the connection with Smith’s other great book, the *Theory of Moral Sentiments*, which he wrote before the *Wealth of Nations*. As Friedman explains, the theological background to Smith’s works was *deism*, the idea that the world was created and ordered by a supreme being who, having created it, stands apart from the world and does not intervene in its course. In the economic realm, for example, the unequal distribution of resources across individuals and nations was regarded as divinely arranged with the purpose of making humans and nations trade with each other; trade and commerce being viewed as leading to national and international peace. One of the great questions debated at the time and, indeed, in Smith’s *Wealth of Nations*, was how it is possible that selfish human beings serve the common good of society while—or by—independently pursuing their own economic interests. This is, of course, still one of the great questions of our times. In Smith’s view, individual and social interests are aligned by the forces of competition operating

✉ Jürgen von Hagen  
vonhagen@uni-bonn.de

<sup>1</sup> Department of Economics, University of Bonn, Bonn, Germany



on markets. Competitive markets are, in this view, a divinely instituted mechanism promoting social peace and welfare.

Chapters 5 to 7 turn to Calvinism (named for the French theologian, John Calvin) and its impact on the development of capitalism in the U.S. This is a classical topic ever since the German sociologist and historian Max Weber (2021) conjectured that Calvinism promoted Puritan asceticism, which in turn promoted saving and investment, and thus formed the basis of capitalism. Friedman begins with a discussion of predestination (the idea that God sovereignly elects some humans for eternal life) and human depravity (the idea that human nature is morally corrupt) as foundational tenets of Calvinism, and, more specifically, Puritanism. Next, he describes the gradual replacement, over the course of the seventeenth and eighteenth centuries, of Calvinism by Arminian theologies, which hold that humans can attain eternal salvation by their own choice and efforts and with the help of proper moral education. The Calvinist idea that humans exist for the glory of God gave way to the notion that God created humans to enjoy happiness and endowed them with reason and a sense of morality. This, then, prepared the ground for the general acceptance of the view that humans are individually responsible for their moral behavior, that they are naturally able to make good moral choices, and that they can and should strive for improving their economic and social conditions. By giving individuals both the justification and the motivation for working at and investing in better economic lives, this new worldview fostered the development of capitalism. Friedman thus agrees with Max Weber on the importance of religion for the rise of capitalism. But while Weber argues that the Puritans' religiously motivated *behavior* was the key driving force of their economic behavior, Friedman points to the impact of religious *thinking* on thinking about economic issues, thus turning "Weber upside down" (p. xiii). Economics emerged from this foundation as "a science of man" (p. 167), showing how such improvement is possible in ways that benefit society at large under the conditions of competitive markets.

Reading these and subsequent chapters, it is important to keep in mind that Friedman does not intend to discuss the merits of the theological concepts he mentions; if that were the purpose, his arguments would be too shallow at times. For example, Calvin did not teach, as Friedman seems to think, that human depravity means that individuals are naturally unable to make good moral choices. Nor does predestination imply fatalism when it comes to economic and social conditions, witness the fact that Calvin himself worked hard to improve the economic lives of his fellow Genevans (e.g., Graham 1978; Biéler 1964). Certainly, the proposition that humans exist for the glory of God is no contradiction, in Calvin's teaching, to the proposition that God created humans to

enjoy happiness.<sup>1</sup> Instead, Friedman focuses on the reception of religious ideas and their development in the public discourse in England and the U.S. to show how these ideas and developments shaped the world view of intellectuals during the time leading up to Adam Smith and beyond.

Chapters 9 to 13 turn to the dynamic aspects of economics, development, growth, and depression. Much of the discussion here focuses on the distinction between two different Christian perspectives on the end of time. Premillennialism holds that Christ will return before the beginning of the *millennium* (1000 years during which all evil will be banned from the world). Some but not all versions of it predict that the world as we know it will come to an end at the return of Christ. Postmillennialism, in contrast, holds that the world as we know it will gradually evolve into the millennium, after which Christ will return and the world will come to an end. Furthermore, the postmillennialism that was current in the U.S. during the nineteenth and early twentieth century taught that the arrival of the millennium could be advanced by human efforts to improve the social and economic conditions and the moral education of mankind and to establish general justice. Economic growth and technological advancement thus gained an eschatological dimension. As U.S. economic development took off at great speed during the nineteenth century, American clergymen, theologians, economists, and business leaders were joined in the idea that the U.S. had a leading role to play in the advancement of the millennium. This great optimism was shattered only by the Great Depression, which also led to the demise of postmillennialism in the US.

The close link between religion and economics in the U.S. during the nineteenth century is illustrated by the fact that many economists had strong religious commitments and some were members of the clergy by training and became academic economists later in their lives. John McVickar, a priest in the Episcopal Church, who, like Adam Smith, taught moral philosophy before he became the first professor of political economy at Columbia University in 1826. Francis Wayland, a Baptist minister who served as president of Brown University published his "Elements of Political Economy" in 1837, the most successful economics textbook in the U.S. before the Civil War. Richard T. Ely, the first secretary of the American Economic Association, also had a strong background in Protestant theology, as did most of the founding members. These economists approached their field from a religious perspective, regarding the "laws" of economics as expressions of divine order and benevolence.

During most of the nineteenth century clergymen and economists agreed on the central tenet of the "Gospel of

<sup>1</sup> See, e.g., Calvin's comment on Psalm 1 verses 1–2. <https://ccel.org/ccel/calvin/calcom08/calcom08.vii.i.html>.



Wealth,” that every man in the U.S. had the potential of accumulating riches, that doing so was good for society, and that failing to do so was a consequence of personal sin. It was only after the Civil War, and the deep recession of the 1880s, that both clergymen and economists became aware and concerned about the problems of urban poverty and destitution—the dark side of U.S. economic progress. The mainline churches’ response was the social gospel movement, while economists began to address market failures and social injustice by proposing appropriate government policies. Once again, religious leaders and leading economists were carried by a postmillennial spirit assigning a leading role to the U.S. for advancing the golden age and united in their efforts for social improvement through government regulation and intervention.

The Great Depression put an end to that general optimism, and after World War II, the fight against the threat of global Communism moved to the forefront of political debates. The result, discussed in chapters 14 and 15, was a coalition of the evangelical movement in the U.S. and conservative economists in defense of strongly market-oriented economic policies and against the Communist ideology. Government regulation, programs to combat poverty, and taxation came under attack from both sides. This coalition has survived the demise of the Soviet Union, once the greatest common enemy, to our days. Many evangelical leaders still favor conservative economics and politics. Professional economists no longer rub shoulders with evangelicals, at least not in public. But, Friedman argues, there is still in the public debate in the U.S. a strong association of conservative economic positions with the evangelical movement. One aspect of this that Friedman points out is that a large part of the poor in the U.S. votes Republican despite the fact that Republican economic policies do not favor them, a puzzle that may be explained by the joint commitment of Republican leaders and the poor to Evangelicalism.

Thus, the connection between economics and religion remains strong in the U.S. Friedman’s fascinating account

shows that the ideological content and the religious commitments behind this connection have undergone several changes over time. If so, there is no reason to believe that evangelicals will support conservative economics forever, nor that conservative economics will be identified with evangelicals forever. Breaking that coalition may open new, promising avenues for both, as may a new alignment of other religious groups with economists.

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