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Religious Foundations of Economic Progress

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ONE of the most challenging—and tantalizing—propositions of what may be called the “larger economics” is that the success of economic institutions depends to a large extent on the nature of the whole culture in which they are embedded, and not on the nature of these institutions in themselves. This proposition is of particular importance in two current fields of economic inquiry: (a) the study of the complex forces which underlie economic development and (b) the study of the stability and survival power of the characteristic institutions of capitalism.

Indeed, it is only a slight exaggeration to say that the wealth of a nation is a by-product of certain elements in its culture, cumulated through the years. Over a broad range of human societies within the extremes of the Eskimo and the desert nomad, if one area is rich and another poor, it is not because of anything inherent in the natural resources or in the genetic make-up of the people, but because of the cumulative effect of certain familial, educational, and religious practices. Thus the forbidding soil and climate of New England provided a comfortable—if not opulent—homeland for the Puritan, while

under the Turk, in his unspeakable days, the ancient cradles of civilization became barren and starveling deserts.

Of all the elements of culture which shape economic institutions, religious practices particularly play a key role—a doubly important one because many other elements of the pattern of life, such as sex, child rearing, work habits, agricultural and industrial practices, are themselves profoundly affected by the prevailing religious beliefs. That religion plays such an important role is not, however, sufficiently recognized by most people, and it is my purpose here to throw more light on it. More specifically, I shall attempt to survey certain aspects of our own society in the light of the contribution which religious ideas, practices, and institutions have made to its economic development and to its power of survival.

Process of Economic Development

TO appraise the role of religion in economic development, we must understand the process by which economic change takes place. All change may not be for the better, but it is clear that there can be no betterment without some change.

Essential Features of Improvement. There are, then, three essential features of any process of economic development in a society—innovation, imitation, and displacement; and two further features which, though conceivably not indispensable, are almost certain to be present in any kind of economic improvement process of which we have knowledge—accumulation of capital and limitation of population. Let us look more closely at these five features:

(1) There must be an *innovator*, who first makes the change. He can be divided, as was done by Schumpeter, into an inventor and an entrepreneur. But the point here is that whether the function is specialized or not, or whether it is performed by a single individual or by a number, the function itself is necessary. If we are to have progress, somebody, somewhere, must do something in a way that has never been done before.

(2) If, however, there is no freedom to *imitate* a change—still more, if the innovator himself is suppressed by the

conservative institutions of his society—there can be no testing out of the innovation to see whether it in fact constitutes a “betterment” or not. It would be rash to say that all innovations which are widely imitated are in fact “betterments,” for even the mass may be wrong. But we can say that unless there is opportunity for imitation, an innovation *cannot* be tested, and nobody can ever find out whether it is in fact a “good” innovation, that is, a “better” way of doing things.

(3) Imitation cannot take place, in turn, unless there is *displacement* of the old methods. It is the resistance to displacement (that is, to “competition”) on the part of those whose interests are bound up with the old ways, and who are not flexible enough in their habits or opportunities to change, which is likely to be one of the main obstacles to change.

(4) Next, practically all economic innovation of which we have knowledge involves the *accumulation of capital*, in the broad sense of the increase in “valuable objects.” The objects so accumulated are not only material; the acquisition of skills, traits, and abilities constitutes capital accumulation just as much as does the stockpiling of materials and material equipment.

If capital is to be accumulated, production must exceed consumption—production being gross additions to the total stock of capital, and consumption being subtractions from it. Such accumulation is far from automatic. In poor societies it is difficult because the minimum needs of consumption press daily on the meagre and hard-won product; most of the activity of the society is concerned with mere maintenance and little is left for accumulation. In rich societies the threat may be from more subtle sources—from unwillingness to accumulate (i.e., to invest) leading to unemployment and from levels of production below the society’s capital.

(5) Even if there is an increase in the total capital or income of a society, however, economic progress will not necessarily result. Economic well-being must rise on a per-capita basis. Hence the accumulation of capital will not constitute “improvement” unless capital increases, in some sense, faster than population. And hence a permanent high-level economy is not possible unless there is *limitation of population*—that is, unless population is checked by methods other than starvation and poverty (according to the familiar “dismal theorem” of Malthus that if nothing

checks the growth of population but misery and starvation, then the population will grow until it is miserable and starves).

Even if a society starts on the road of economic improvement, then, there are many elements in its culture which may prevent the improvement in techniques from resulting in an actual improvement in welfare. The newly won powers may be used merely for the support of larger populations at the old level of poverty, or they may also be squandered in the luxury of a foolish ruling class or in the waste of total war. The pyramids of Egypt and the endless wars of Rome are good examples of the waste of resources liberated by technical improvement.

Influence of the Protestant Ethic

THE past three centuries have witnessed a rate of economic development in the "western world" which, measured by any standard we choose, almost certainly exceeds the achievement of any other period of equal length in human history. We are so much accustomed to this rapid progress, both in techniques and in general levels of income, that we are likely to take it for granted. Nevertheless, looking over the whole range of human history and prehistory, we can clearly see that these last 300 years represent an episode in human development which has no parallel, except perhaps in that dim period when settled agriculture was invented and gave rise to the first civilizations.

The unique nature of the achievement makes it all the more important that we should not take it for granted, but should inquire very carefully into its sources in the culture of the western world. The history of civilizations reveals that it is perfectly possible, indeed easy, to dry up the springs of progress in a society, and that virtually all past civilizations have eventually done so. Therefore, unless we are aware of the nature of those elements in our total pattern of life which are responsible for this rapid rate of development, we may run into grave danger of changing that pattern, without knowing it, in a way that destroys those peculiar elements in the culture from which development springs.

Important among the elements in our complex culture having favorable influence on the rate of economic development are certain religious ideas and practices which comprise the so-called "Protestant ethic."

The thesis of Max Weber and his school that the Protestant ethic has influenced the development of capitalism is now well accepted. Though one's estimate of the quantitative importance of this influence will depend to a great extent on the interpretation of history which one favors, the direction of the influence can hardly be in doubt.

What has not, I think, been pointed out with sufficient force is that the Protestant ethic has contributed to the *success* of capitalist institutions, particularly in regard to their fostering a high rate of economic progress. Economic sociologists like Weber, Sombart, and Tawney, who have emphasized the close connection between religious and economic ideas, have been on the whole unfriendly to capitalist institutions and have consequently tended to lay stress on their failures rather than their successes. This is perhaps because the ethical systems of these writers were conceived in fairly static terms—in terms, for instance, of the problem of justice in the distribution of a given total income, rather than in terms of the encouragement of a growing total income.

It has now become clear, however, that the consequence of even a small rate of economic progress, persistently raising average incomes, is so enormous over even a few decades that from the point of view of long-run human welfare the capacity of a system to generate economic development has come to overshadow all other criteria in judging it "good" or "bad". (Curiously enough, this has also become true of Communism; in the interest of inducing a rapid rate of economic development the rulers of Russia have thrown overboard practically every other ideal of their ethical system, and have developed degrees of inequality which even the most uncontrolled period of capitalist development could hardly rival.)

In other words, we see now that in practice the abolition of poverty can come only

from development—not from redistribution, not from taking from the rich to give to the poor, but by making everybody richer. And it is on this score that the Protestant ethic, which was born with the Reformation, has been so influential.

Innovation in Religion. Innovation, imitation, and displacement in economic life have their counterparts in religious life. Thus the Reformation marked the beginning of a series of innovations in religion. Men like Luther, Calvin, Menno Simons, George Fox, John Wesley, General Booth, and even in our own day Frank Buchman, represent a disturbance of the previously established equilibrium, with a new form of religious enterprise and new arrangements of human time and spiritual energy. They are widely imitated, and the spread of the new technique forces profound adjustments even in those older institutions which do not go over completely to the new ideas.

It generally seems to be true that these innovations in religion have preceded and in some sense paved the way for innovations in economic life. Indeed, the most important innovation in any society is the *idea* of innovation itself, for this represents the Rubicon between the traditional stationary type of society, in which each generation repeats the pattern of its elders, and the "economic," dynamic society, in which innovation becomes an accepted and profitable role. A strong case can be made out for the claim that the principal historical agency bringing about this critical change is a reformation (or revolution) in religion, that this liberates the society from its previous equilibrium and exposes it to all the terrors and delights of dynamics. Once iconoclasm has succeeded in the most traditional and "sacred" area of life, once "free enterprise" has been successful in religion, the spirit of innovation seizes upon all other areas of life.

What in our western society we call the Reformation is of course only one among many. The period of rapid innovation which followed the rise of Mohammedanism is another and spectacular example. Within Christianity itself the monastic

reformations—especially of the Benedictines and Cistercians—paved the way for the economic development of medieval Europe. Again—if only to remind us that Protestantism is not the whole story—the Counter-Reformation within the Catholic Church also represents a period of "innovation," though of a less dramatic and less iconoclastic nature.

Individual Responsibility and Perfectionism. The fact remains that the Protestant Reformation has certain specific features of its own which have increased its importance for economic development. I am not referring to the sanctification of economic activity through the extension of the concept of "vocation," as emphasized by earlier writers. The concept of vocation is not peculiar to Protestantism, nor is it so important as what I have in mind.

First of all, there is the "unmediated" character of Protestant religion, that is, the emphasis on the individual's own responsibility for his religious life and salvation without the intermediary of priest or prescribed ritualistic "works." It is this unmediated quality of Protestant religion which underlies the sociological significance of the doctrine of justification by faith. Protestantism, that is to say, represents private enterprise in religion, as opposed to the great organized collectivism of the Catholic Church.

It is not surprising that private enterprise in religion carried over into the economic field. The full effect of this is seen in the eighteenth century, where the immense economic innovations which constituted the beginnings of the technical revolution in banking, trade, and industry were to an astonishing extent the work of the British nonconformists, and especially of the Quakers, who had developed the most unmediated of all Protestant varieties of religion.

Another aspect of Protestantism which relates closely to economic development is its perfectionism. Like the earlier monastic reformations, Protestantism reflects a discontent with compromise with the "world" and a serious attempt to return to the pristine revelation of perfection

implied in the Christian vision of perfect love. Unlike the monastic reformation, however, the Protestant Reformation—because one of the things against which it was protesting was the corruption of the monastery and nunnery prevalent in the time of Luther—rejected the monastic solution and became an attempt to lead the life of Christian perfection in the workaday world rather than in cloistered separation.

Such an attempt, however, is almost doomed to fail, and the difficulty of practicing the major virtue of charity will lead to an insensible substitution of the “minor virtues” as attainable ends of the religious group. So the perfectionist subsides into the Puritan, and groups of people arise practicing, with some success, the minor virtues of thrift, hard work, sobriety, punctuality, honesty, fulfillment of promises, devotion to family, and so on. The minor virtues, however, lead almost inevitably to accumulation and increased productivity, and eventually therefore to an escape from poverty.

The Lost Economic Gospel

This all adds up to what I call the “lost economic gospel” of Protestantism. Poverty is the result of “sin,” sin being defined in terms of intemperance, loose living, prodigality, laziness, dishonesty, and so on (that is, in terms of violation of the “minor virtues”).¹ On yielding to the power of Christ and the discipline of the congregation the individual is converted, gives up his evil ways, and becomes temperate, frugal, thrifty, hard working, honest, and so on; as a result of which he begins to accumulate skill and other capital and raises his standard of life. Thus he becomes respectable, and incidentally, but only incidentally, he may become rich by hitting on a successful innovation.

In the process of the individual's becoming richer, society also becomes richer. Indeed, the improvement of society is nothing more than the sum of the improvements of individuals. In a dynamic and improving society, therefore, the increase in riches of the individual is not thought of as a redistribution of wealth (one indivi-

dual gaining at the expense of others) but rather as a creation of wealth (the gains of one individual representing net additions to the total and being taken from no man). Economic life is not a “zero sum” poker game in which a fixed volume of wealth is circulated around among the players, but a “positive sum” enterprise in which the accumulation of each person represents something which he brings to the “pot” rather than something which he takes out.

Another doctrine which Protestantism shares with other forms of Christianity has combined with the “lost gospel” to contribute to the success of capitalist institutions: the doctrine of stewardship of charity in the narrower sense of the word. Those whose virtue, energy, or plain good fortune have brought them material success are expected to regard their riches as in some sense a trust, to be used for the benefit of the less fortunate. Over the long pull, this aspect of Christian culture has proved of great importance in modifying the inequalities of capitalism. As in the middle ages the establishment of monasteries was an important agency in the redistribution of wealth and income so in the nineteenth and twentieth centuries the establishment of universities and foundations has provided a means whereby private accumulations have found their way into public uses.

The habit of mind engendered by the doctrine of stewardship has also been important in removing obstacles to legislative methods of correcting inequalities, such as progressive income and inheritance taxation. It is quite possible that this factor may have something to do with the different impact of capitalist institutions in the West and, say, in China, where the acquisitive opportunities have been less likely to be modified by the sense of responsibility for the welfare of those outside the circle of kinship.

It can hardly be doubted, then, that the “lost gospel”—the old gospel of individualism, of self-help—is in many respects a sound one. Indeed, the middle-class nature of Protestantism is a testimony to its long-run success. If Protestants are middle-class, it is largely

because their Protestantism has made them so— has developed a culture in which hard work, thrift, family limitation, productivity and frugality have been important values. There is hardly any better over-all recipe for economic development, whether for the individual or for a society.

Decline of the Old Doctrines. Nevertheless to a considerable degree the old doctrines are discredited in the churches today, especially, oddly enough, in the more prosperous ones. The old gospel of self-help flourishes among the little rising sects, the pentecostal people, and the store-front churches, it is actually the poor who seem to be least aware of the new "social gospel" and who cling to the old-time individual virtues. In the large Protestant denominations as represented by the National Council of Churches, it is not perhaps unfair to say that there is more awareness of the weakness of the individualist gospel than of its strength, and that even where the older gospel is preached, it is often the result of the momentum of tradition rather than of any continuing spiritual insight.

There are significant reasons for the decline of the gospel of self-help and the rise of the "social gospel". Part of the cause lies in sheer misunderstanding, stemming from failure to appreciate the ethical significance of economic progress, and a resultant economic ethic based on static assumptions, in which an undue stress is laid on distributing a fixed sum of wealth fairly rather than on increasing the total to be distributed.

More fundamental is a certain inevitable tension between the ethic of the New Testament and the ethic of Samuel Smiles (the old Scottish biographer of industrialists and extoller of thrift and self-reliance). There is an anti-economic strain in the teaching of almost all the prophets and poets. The careful, calculating, economizing way of life is neither prophetic or poetic. It counts the cost; it asks for reward; it has no fine frenzies; it is humdrum, commonplace, even a little sordid. The stimulus to economic progress, therefore, is not in the ethic of

the New Testament itself; rather it is in the "Puritan" substitute-ethic, the product of the impact of the ethic of love on the iron laws of the world.

The substitute-ethic, however, is itself somewhat unsuitable, because it is always subject to criticism by the pure ethic which generates it. Hybrids are vigorous but can generally only be reproduced from pure stock! Thus when the New Testament makes a fresh impact on a sensitive and vigorous mind—as it is likely to do at least once in a generation—the gospel of "be righteous and grow rich" for all its truth and practicality, looks cheap and pharisaical beside the poetic vision of "sell all thou hast and give it to the poor"; and radical forms of Christianity tend to appear. There is something in Toynbee's suggestion that Communism is a Christian heresy!

Technical Weaknesses of Capitalism. Perhaps a still more fundamental reason for the failure of capitalism to sustain the ethic which supports its most characteristic institutions is to be found in certain technical failures of these institutions themselves.

The ethic of capitalism is based firmly on the proposition that wealth is produced by saving and that saving is accomplished by producing much and consuming little. That is why the principal recipe for riches includes hard work and thrift and the other Protestant virtues. Under some circumstances, however, wealth is not produced by saving. Hard work works the worker out of a job, parsimony produces unemployment, and the fluctuations of the price system redistribute wealth without regard to any of the soberer virtues. The thrifty and hard-working find their net worth disappearing in deflation and their hard-earned interest and pensions evaporating in inflation, while the speculator and the manipulator reap what others have sown.

In conditions of general price and output instability the poker-game aspects of capitalism come to the fore. Instead of wealth being accumulated by carefully contributing to the physical stock more than one takes from it, it is accumulated

by taking advantage of the shifting structure of relative values, by buying cheap and selling dear. Every economist will recognize, of course, that there is a legitimate function of speculation, and that some flexibility of the price structure is necessary to reflect changing structures of productivity and tastes. In fact, however, the characteristic institutions of capitalism—especially the organized commodity and security markets and the real estate market—have lent themselves to fluctuations far beyond what the flexibility of the system requires, and have therefore been the instrument of redistributions of wealth which have created a gap between economic virtue (in the sense of contribution to the progress of real wealth) and reward.

The phenomenon of depression has been particularly destructive to the capitalist ethic, because the misery which it has entailed has seemed to be so meaningless: why work and save when the end result is the foreclosure of a mortgage and selling apples in the street! The whole technical weakness of an ungoverned market economy can be summed up in two concepts: (a) speculative instability in price levels due to the dynamics of self-justified expectations and (b) the limited or imperfect market resulting either from monopolistic imperfections in the market structure or from general deflation. Speculative instability leads to essentially meaningless redistributions of wealth. The limited market leads to an undue shift of emphasis away from production, to wasteful advertising and selling costs, to restrictions of output, to featherbedding, and to other familiar devices by which individuals or segments of the economy seek to protect themselves from the impact of general deflations or seek to enhance their own particular power position at the expense of others.

The all-important question is whether these defects are to be regarded as diseases of the free economy, potentially curable within the general framework of market institutions, or whether they are to be regarded as essential genetic characteristics of it, quite incurable without a radical overthrow of the whole market economy itself.

Chances of Survival

IT is in this connection that the contribution of Keynes to the survival of capitalism is so important, for it is the essence of the Keynesian view that the defects of capitalism are curable diseases rather than incurable deformities. While the actual cures may be a matter still in considerable dispute, it is the great virtue of the Keynesian analysis that it gives us a clearer picture than we have ever had before of the nature of the disease, and it has consequently engendered the hope that institutions can be devised within the general framework of a free market economy which will prevent deflation and unemployment, on the one hand, and inflation, on the other.

If such a "governor" can insure the over-all stability of the economy (and it is not the purpose of this article to say how this should be done), most of the ethical objections to a market economy fall to the ground. Given a reasonable degree of stability of the over-all price and output system, the old-fashioned virtues of hard work, thrift, honesty, and so on come into their own.

The Problem of Underdeveloped Areas. Perhaps the crucial test of the capitalist system will turn on its ability to solve what is by far the greatest single economic problem facing the world today; the development of the so-called underdeveloped areas—inhabited by about three-quarters of the world's population—to the point where at least the grim consequences of extreme poverty (malnutrition, early death, constant ill health, superstition, squalor, and misery) are mitigated.

There are, roughly speaking, two kinds of society in the world today. The "high-level" societies have low birth and death rates, an expectation of life at birth rising up toward 60 or 70 years, disease well under control, malnutrition rare, literacy universal, education widespread, a high status and much freedom for women, complex economic and political institutions, and so on. The "low-level" societies, on the other hand, have high birth and death rates, an expectation of life around

30 years, disease and malnutrition rampant, literacy and education confined to a small upper class, a low status for women among the mass of the people, burdensome and exploitative financial institutions, often a colonial status, and so on.

The crux of the problem is how to raise the three-quarters of the world that live on a low level to the high level of the other quarter, for it is precisely this wide disparity that makes our world so unstable. American-Russian relations, for instance, would not constitute the apparently insoluble problem which they now pose if the relationship were simply one of America and Russia; in that event they could perfectly well leave each other alone. The relationship is complicated almost unbeatably by the fact that each power is competing for the support of the vast fringe of underdeveloped countries, which divide them on the globe, from Poland to Korea. These countries are dissatisfied with their present state and are hovering between the two cultures, wondering which offers them the best chance of shifting from their present low-level to a high-level economy.

In this whole difficult situation it is of vital importance to appreciate the relation of economic institutions and economic development to the *whole* culture pattern, and to realize that the success of any set of economic institutions depends of the total culture setting in which they are placed. The success, even of modern technology, therefore, may depend quite as much upon the missionary as upon the engineer. One of the tasks of human inquiry is to discover exactly what the elements are in any culture which perpetuate poverty—whether in family life, in religious life, in education, in politics, or in economic and financial institutions—and then to effect a *minimum* change in the culture which is necessary to eradicate these germs of poverty.

We do not want, of course, the kind of cultural imperialism that insists on giving the Fiji Islanders Coca-Cola and Christmas trees whether these things are meaningful expressions of their present culture or not. Cultural change and

cultural impact, however, there must be. Such impact is immensely dangerous and may result in disaster to both cultures; yet with the collapse of isolation such impact is inevitable. If it is to be ultimately fruitful, it must be understood much better than we understand it now; the marriage of economics and cultural anthropology must be accomplished, even at the point of a shotgun!

Inadequacy of Social Sciences. It must not be thought, however, that all that is needed for world salvation is a stiff dose of social science, no matter how well documented empirically and no matter how well integrated analytically. The rise of social science presents man with problems of an ethical and spiritual nature of which he is still for the most part not aware. The spectacular "success" of the physical sciences in expanding the power of man, both for good and for evil, is dramatically symbolized in the atom bomb. The worst that a physicist can do for anybody, however, is to cause pain and death. The social scientist, when he knows a little more, may be able to destroy the soul, that inner core of freedom and integrity which constitutes at once the humanity and the divinity of man.

The nightmare of the "manipulative society"—the brave new world of Aldous Huxley or George Orwell—is not too far from reality. We see it foreshadowed in the crudely manipulative society of Soviet Russia, and it is this aspect of Communism which rightly fills us with disgust and fear. In its very conflict with Communism, however, the West may find itself sliding imperceptibly into a manipulative society more horrible, because more efficient, than the Soviet counterpart.

A world of unseen dictatorship is conceivable, still using the forms of democratic government, in which education has been replaced by training, in which government creates artificially the public opinion which keeps it in power, in which "loyalty" investigations corrupt the whole system of communications, in which only "safe" ideas are expressed, in which love of country is corroded by conscription

and integrity is swallowed up in expediency, and in which the springs of technical as well as of moral, progress are eventually dried up. The cleverer we are and the more we know, the more thoroughly we may damn ourselves.

Increased Significance of Religion

WHEN the final history of the human race comes to be written, therefore, the part played by religion and religious experience may be even more significant than I have suggested earlier. I have argued that religion is an important autonomous force in the development of the technical revolution. It may turn out to be even more important in the control of this revolution.

We do not yet realize, I believe, what a portentous watershed in human history we are now treading. Civilization is a product of the increase in human control over environment which resulted from the invention of settled agriculture. All past civilizations, however, have proved to be unstable; the "iron laws" of social dynamics have eventually caught up with them and destroyed them. It is by no means improbable that our own civilization will suffer the same fate.

Yet there is reason for hope. As our knowledge not only of nature but of man and society expands, we may get to the point where man comes not to be ruled by history but to rule it. He may be able to take the iron laws and fashion them into an instrument for his own purposes, to mold the unconscious dynamic which drives him to destroy his civilizations into a conscious dynamic which will empower him to perpetuate them indefinitely.

The possibility of permanent and universal civilization therefore rises before us, though the prospect is not necessarily one to be approached without fear. It might be the kingdom of heaven on earth, but it might also be an indestructible and universal tyranny, securely based on the power of both physical and social science. A world of refugees is bad enough, but a world in which there is no place of refuge would be worse.

An increase in human power, therefore, makes all the more urgent the question of the discipline of the human will. Economic development means an increase in our ability to get what we want. Religion, however, raises the question of whether we want the right things. As long as we are impotent, it does not perhaps matter so much in regard to externals whether we want the right things or the wrong things. We cannot get what we want in any case. But if we can get what we want, the question of whether we want the right things becomes acutely important.

There are those who think that as economic development comes to fruition in a humanistic heaven on earth, where war, poverty, and disease are abolished, religion will wither away. In that millennium faith will be swallowed up in knowledge, hope in fulfillment, and love in psychoanalysis and group dynamics. Such a belief seems to be naive. As power and knowledge increase, the question of the *truth* of religion—of what is the "will of God," and how it is discovered and incorporated into the human will—becomes all-important. The feather of religious experience may then tip the great scales toward either heaven or hell on earth.

¹Kenneth E. Boulding, "Our Lost Economic Gospel," *The Christian Century*, August 16, 1950, pp. 970-972.