

CHRISTIANITY & CAPITALISM: CORRELATION OR CAUSALITY?

By Dr. Dave Arnott and Dr. Bobbie Martindale

ABSTRACT

This paper first defines the terms in the title: Christianity, capitalism, correlation and causality. The paper then supports Max Weber's finding that there is correlation and causality between Christianity and capitalism. This finding is supported by the description of five Christian tenets that provide for the effective functioning of capitalism: Justice, free choice, self-interest, competition and servant-hood.

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Introduction

A Christian is one who believes and follows the principles and doctrines established by Christ. One of the basic teachings of Christianity is the Great Commission. In Matthew 28:18, Jesus said he has all authority in heaven and on earth. Christians are to bring all people, and every area of their lives, under that authority (II Corinthians 10:5), even their economic affairs.

Christians in business often have differing views on whether the Scriptures specify any particular form of political or economic system (Gay, 1992; Surdyk, 1995). Arguments can be made for socialism, communism, and capitalism. However, any system followed by Christians must be based on Biblical truths:

How can goods be exchanged when there is no concept of value?: "How much more valuable is a man than a sheep!" (Matthew 12:12). How can an individual claim ownership and stewardship for his assets without laws to protect property?: "You shall not steal" (Exodus 20:15). How can civil governments be prevented from inflating the money supply without laws to protect against debasement of currency?: "Do not use dishonest standards when measuring length, weight or quantity. Use honest scales and honest weights, an honest ephah" (Leviticus 19:36). How can lawful trade take place if there are no laws to protect the

poor, the consumer, and the businessman, if, at will, "we may market wheat - skimping the measure, boosting the price and cheating with dishonest scales... " (Amos 8:5)? How can present-day civil governments, in the name of "social justice," be prohibited from stealing from the rich in order to supply the needs of the poor?: "Do not pervert justice; do not show partiality to the poor or favoritism to the great, but judge your neighbor fairly" (Leviticus 19:15) (DeMar, 1989, p. 145).

This paper suggests that five tenets of Christianity encourage Christians to distribute goods via capitalism: justice, free choice, self-interest, competition and servant-hood.

Nothing has succeeded like the Protestant middle class of the Western world (Campolo, 1985). The higher standards of living produced by this success are maintained almost exclusively in nations which employ a capitalistic system of market exchange. What is the relationship of Christianity and capitalism? Is it simply an ad-hoc correlation or is one caused by the other?

Definitions:

Capitalism is defined as the utilization of goods or services as a means of profit-making. Inherent in the definition is the assumption that this utilization of goods and services is not forced upon the society; i.e., trade is free-flowing and is not interrupted by governmental control. In a capitalist system, the arms-length exchanges of many unencumbered buyers and sellers determines market value. The capitalist system is often contrasted with socialism in which transactions are not at arms-length because a system designer or controller determines market value. In the socialist system, the state owns and dictates the means of production and distribution. There is no free exchange of goods and value is set by the state.

No system is totally capitalistic. The variety of capitalism practiced in the United States is constrained ever-so-slightly by monopoly restrictions like the Sherman Antitrust Act and the Clayton Act. Other socialistic controls create an economic system in the U.S., and other Christian countries, that is a modified form of capitalism. However, in comparison to socialism, which resides at the other end of the spectrum, the U.S. form of capitalism is relatively free of restrictions.

Correlation is the scientific discovery of two entities in the same place and/or time (Vogt, 1993). Just because two entities are discovered together in no way indicates that one event or entity caused the other. There is a correlation between storks and babies. As a city gets larger, the zoo expands, and adds more storks. As the city gets larger, there are more babies born. But, did the storks bring the babies? No. There is correlation, but not causality. Logic texts call this the Fallacy of False Cause (Dunes, 1962). Mere coincidence does not prove a causal connection.

Causality means one event caused another (Kerlinger, 1986). Cause and effect is the basis for scientific research because it is the way in which our minds like to interpret the world around us. When a fellow worker is late, you may hypothesize a flat tire. When your teenage son is sullen, you may guess he was spurned by a girlfriend. Why? Why does your mind insist on finding a cause for every effect? There is no satisfactory answer. It's just the way our minds work.

Philosophers say cause and effect is impossible. What they mean is, if you follow the chain back far enough, eventually you will be unable to answer the ultimate question: Where did the first cause come from (Dunes, 1962)? The "psychic prison" introduced in Plato's Republic i.e., the limitation of the human mind (Morgan, 1986) prevents us from determining first cause.

Let's distinguish cause and effect. We are talking about cause, not because. We are asking whether Christianity caused capitalism, we want to

know the cause, not the be-cause. Our goal is to be descriptive of events, not explanatory.

Historical Findings:

Max Weber, in The Protestant Ethic and the Spirit of Capitalism, chronicled a correlation between the rise of Christianity and capitalism in the 16th and 17th centuries. Religion is clearly one of the greatest definers of culture. Weber argued that Martin Luther's break from the Roman Catholic church during the Reformation empowered people.

Previous to the reformation, the Catholic church had a great hand in government; it influenced commerce and directed education. According to Weber, as people discovered they could determine their own religion - they no longer had to listen to the pontifical teachings of the church hierarchy - they also were empowered to take control of other elements of their life. Thus, the Reformation led to democratic governmental structures and capitalist economic systems.

Weber drew a clear correlation between the Reformation and the formation of capitalistic structures and specifically pinpointed the correlational development of the two in England and the Netherlands. He described how the people who remained in the Roman Catholic church fell into lower-paying, less rewarding jobs, while the new converts, emboldened by their authority to read and define scripture on their own, brought this new empowerment into the workplace and began numerous new businesses.

Before the Reformation, a person was considered to be "called" to a particular level of society. To attempt to move out of that level was considered heresy. The Reformation drastically reversed this definition of "calling." After the Reformation, everyday worldly activity was seen to have a religious significance; thus, a person's "calling" was to fulfill his duty in worldly affairs as unto God (1 Colossians 3:23-24, James 2:22). At this point, all activity was considered religious.

The Puritan concept of "calling" demanded that if God showed a Christian an opportunity for making a profit, that person must follow the call by taking advantage of it. Refusal to do so was a denial of God's calling and a refutation of stewardship (Chewning, 1990). Thus, work was elevated to a spiritual level. The Reformation brought forward the brave concept that Christians should do everything - including work - as unto God (I Colossians 3:23).

These changes are only part of the Christianity and capitalism relationship. It is necessary to examine the building blocks or basic elements of capitalism to understand its relationship to Christianity. The relationship of capitalism to five Christian tenets - justice, free choice, self-interest, competition and servant-hood - is now explored.

Five Tenets:

Justice. The Bible teaches us to treat our neighbor as ourselves, and thus contributes to the capitalistic concept of fair exchange (Deuteronomy 24:10-15, Leviticus 19:13-18, Matthew 5:43, 19:19, 22:29, Mark 12:31-33, Luke 10:27, Romans 13:9, and Galatians 5:14). The concept of reciprocity states a fair exchange is one in which equitable exchanges of value take place. Reciprocity is often considered one of the oldest mores in social history (Nelson & Quick, 1994). For example, the pair of shoes delivered to you has a certain value. From a capitalist viewpoint, you will reciprocate by giving something of equivalent value, usually money, in exchange for the shoes. The justice tenet of Christianity demands that you engage in a fair exchange (Matthew 7:12, Luke 3:12-14, and Philippians 2:4) that is not unequal (Matthew 11:17).

Jesus' sacrifice on the cross is more than a reciprocal agreement. It was our debt paid in full by the God-Man, which we, as mere humans, cannot repay. Thus, as Christians we are in continual receipt of a good for which we

can never reciprocate (Ephesians 2:409, Romans 3, 4, 9:15-16, and Galatians 5:1-5).

Free Choice. There is a distinct parallel between spiritual freedom and economic freedom (Nash, 1990). As humans, we have freedom to accept or reject God (Deuteronomy 30:19, Matthew 11:28, John 6:37-40, and I Thessalonians 2:13). In the capitalistic buyer-seller relationship, either party also has the right to accept or reject the deal.

In economic terms, all commodities are scarce. In a world of scarce resources, there must be some form of distribution. Capitalism and socialism are offered at different ends of the spectrum: capitalism, where scarce goods and services are distributed by individual choice; and socialism, where they are distributed by group force (Nash, 1990). Capitalism is a system of voluntary relationships, like Christianity. In socialism, exchanges are forced, or "made under violence" in some definitions (Chewning, 1990). When God gave us free choice to accept or reject Him, He set the principle for capitalistic exchange.

Self-Interest. While scripture condemns *selfishness*, it condones *self-interest* (Proverbs 11:26, 13:11, 14:23, 28:20, Ecclesiastes 2:10-11, Luke 12:16-21, Galatians 5:19-6:5, and Philippians 2:4). When Jesus commanded us to love our neighbor as ourselves, he approved self-interest, which should not be confused with selfishness (Matthew 22:37-40). When people are motivated by selfishness, they seek their own welfare with no regard for the welfare of others. But when people are motivated by self-interest, they pursue their welfare in ways that provide for the welfare of others.

Socialism assumes a closed economic system in which a limited supply is distributed to demanders of the product or service by some mechanism. One theory of a closed system is exemplified by a European fertilizer manufacturer who wanted to develop a market in Africa. Samples were distributed to build confidence in the product. When they were not used, the

manufacturer interviewed the prospective new customers to determine the reason. He found that the Africans believed in an "economically closed system" of endowment which stated that if they fertilized and increased their crop production, the neighbor's production would be decreased. They considered growing crops a zero-sum game: If I win, someone else must lose.

A similar type of closed system thinking was accepted in Europe when Adam Smith made a seminal contribution to economic theory in his book The Wealth of Nations. Smith did not accept that God would create a world based on zero-sum equations. His understanding of creation indicated that there should be win-win relationships. Smith suggested that when each person sought their own best interest, society as a whole would benefit. The "Divine Hand", as Smith called it, would distribute the rewards of improved products and services, not only to the seller, but also to the buyer.

Although radical for its time, Smith's contribution was accepted by the merchants of the day. They were looking for a spokesman to convince the populace that commerce was not automatically evil and was not always driven by greed.

Smith's theory is now typically called the "Invisible Hand" rather than the "Divine Hand," and is a commonly accepted economic principle, because it works. Bill Gates wrote a computer program called DOS. By buying it, we have been able to write this article more efficiently and have reaped the rewards of Bill Gates' efforts. Gates has also been rewarded with about \$15 billion. This is not a zero-sum, win-lose game; it is a win-win relationship. The lawsuit alleging Microsoft's monopoly is an example of the socialistic constraints that government must put on capitalists to maintain fair trade.

Competition. We believe that in the Garden of Eden, Adam and Eve had ample supply of everything they needed (Genesis 1:27-31, 2:8-9). Since the fall, man has lived in an economic environment of scarcity (Genesis 3:17-19). All products and services are scarce; there is more demand than supply for

everything. As mentioned earlier, in an environment of scarcity, we are forced to choose between the distribution systems of socialism and capitalism. Socialism's mechanism is central planning, in which a select few decide who gets what. In capitalism, the demands of many buyers and the supply of many producers determine who gets what via competition - the suppliers compete for customers and customers compete for products with their money.

As Christians we must be good stewards of our resources (Proverbs 31:10-31, Matthew 25:14-30, and Luke 16:1-13). That means we must do the best we can with what we are given. Doing the best we can in an environment of scarcity means we sometimes do better than others and win, and sometimes we do worse and lose. This is an important point: Competition is not winning, it is doing the best we can to be the best stewards of our resources.

John Wooden of UCLA has the greatest record of wins of any coach in the history of the NCAA basketball playoffs. He never talked about winning. In practice after practice, he exhorted his players to "Do your best," i.e., be the best stewards of their resources. This often translated into competitive wins for Wooden's teams.

Often, the "end" (winning) is confused with the "means" (doing your best.) In many cases, the "means" are totally ignored. When businesses ignore this basic rule of competition and stress profit over process, they often use short-term tunnel vision or unethical practices. Looking only at the bottom line result, they are not good stewards of their employees, their customers, or their communities.

By scriptural command, we are to do the best we can - to be good stewards - which sometimes results in winning. Thus, the capitalist system which distributes products and services via competition is in concert with the Christian principle of stewardship.

Servant-hood. We have lively debates with our students about the purpose of a business. They declare the purpose is to "Make a profit" and we argue it is to "Meet a customer's need."

Making a profit serves the owners, who in a public company are the shareholders. Meeting a customer's need serves the stakeholders. All organizations have stakeholders. Shareholders are one group of stakeholders; others are the customers, the employees, the community, all levels of government, and even the physical environment (Miller & Dess, 1996).

Firms which attempt to meet shareholder needs by a single-minded dedication to making profits will ultimately be less successful than those which serve stakeholder needs. The single minded stockholder-serving firms will suffer from unsatisfied customers, beleaguered employees, declining communities, and aggressive regulatory officials. The firms who serve only shareholders may be successful in the short term, but they will not be in the long term.

The Christian concept of servant-hood states that we should serve God in everything we do. We cannot be servants only to shareholders; we must consider all stakeholders who come in contact with the organization. Thus, business is an extension of the Kingdom Building goal of the Christian lifestyle.

Conclusion:

Evidence seems to indicate that Christianity and capitalism complement each other because generally, where they coincide, there are increased standards of living. Max Weber's discovery of a correlation between Christianity and capitalism during the Reformation seems to be causal.

As members of a society we are forced to choose an economic system for distributing scarce goods. Society has no choice about whether the goods get distributed, they will get distributed. Society's only choice is how that distribution will be achieved. Therefore, as Christians, we must seek an

answer to the question of which system, socialism or capitalism, is more in line with Christian teaching.

This paper has attempted to show that five Christian principles are more properly served by capitalism than socialism. Justice is better served through capitalism because only in arms-length transactions can true reciprocity be achieved. Free choice - the freedom Christians have to accept or reject God - is most often present in a capitalist system but denied in socialism. Self-interest co-aligns with capitalism because it encourages self-interest, while socialism breeds selfishness. Competition is capitalist in nature, because we must make the best use of our resources to fulfill the Christian concept of stewardship, while socialism discourages competition. Servant-hood demands a capitalist economic system, because in capitalism, the business person must serve all stakeholders. Socialism encourages the serving of only a small number of stakeholders, i.e., those in control of the distribution system.

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