



Economic Origins and Aims: A Role for Religious Thinking?

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**ADDRESSING AMERICA'S ECONOMIC PROBLEMS: IS THERE A ROLE FOR
RELIGIOUS THINKING?**

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The economy had been weak for several years, with business sharply depressed in key industries. Millions of Americans were losing not just their jobs but their houses too. The political climate was angry. Especially in the middle of the country, and in the West, protest was in the air. Populist groups, often with a militant anti-government agenda, and sometimes tinged by ugly racial or religious prejudices too, were active and gaining strength; there was even talk of a third-party movement. It was clear to many thoughtful citizens that the U.S. economy needed to change direction, not just to begin recovering from the unusually severe business-cycle downturn but to regain a trajectory in which average families would once again see an improvement over time in their living standards. In response, several dozen men, many of them closely affiliated with the call for economic reform coming from the nation's Protestant churches, met to organize a new group to further the study of these economic problems in the hope of laying the intellectual basis for a way forward.

The year was 1885. The place, Saratoga Springs, New York. The Protestant movement from which many of the meeting's participants drew their inspiration was the Social Gospel,

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spurred by leaders like Washington Gladden, minister of the First Congregational Church in Columbus, Ohio (earlier the religious editor of the *New York Independent*), and Moderator of the National Council of Congregational Churches; Josiah Strong, minister of the Central Congregational Church in Cincinnati, and General Secretary of the Evangelical Alliance for the United States; and Walter Rauschenbusch, soon to become minister at New York's Second German Baptist Church (and founder of the Brotherhood of the Kingdom). Their stated aim was to restore an active role for the Protestant churches in addressing the economic and social problems of the day. The leaders of the meeting at Saratoga Springs included John Bates Clark, who shortly became the new organization's president, and who had initially planned to study for the Congregational ministry at the Yale Divinity School but ended up choosing to enter the new field of economics instead, and Richard T. Ely, who served as the organization's secretary for its first seven years, during this period writing a book titled *Social Aspects of Christianity*, and in time also went on to become the organization's president. The organization they founded was the American Economic Association. The AEA remains today the flagship professional association for economists in the United States.

Today many Americans again have the sense that our economy is not well serving ordinary working citizens and their families. Now, as then, many who share this feeling are active in the country's religious life – not just in the Protestant churches but among Catholics, Jews, and other groups as well. But today the idea of an active role for the nation's religious establishment in determining new economic directions seems remote. Religion and economics mostly occupy different continents on the sphere of our political affairs, and even of our political thinking. The same is true in our intellectual life. Universities like Harvard and Yale have

outstanding economics department, and fine divinity schools too. They are far apart physically, and the intellectual interaction is, if anything, even less than what the spatial separation alone might warrant.

As the circumstances surrounding the founding of the American Economic Association suggest, this was not always so. Indeed, there is reason to think that the influence of religious thinking was essential to the creation of economics as we know it as an intellectual discipline, in the eighteenth century. Adam Smith and his contemporaries lived in a time when religion was both more pervasive and more central than anything we know in today's Western world. Just as important, intellectual life was far more integrated then. Not only were the sciences and the humanities (to use today's language) normally discussed in the same circles, and often by the same individuals, but theology too was part of the ongoing discussion.

When Smith and his fellow moral philosophers dined out (Smith's academic title was Professor of Moral Philosophy, and there was then no such word as "economics" in regular usage), their regular interlocutors included professional divines. Of the 100+ members of the Select Society, Edinburgh's elite dining and debate club to which Smith, David Hume, Adam Ferguson and most of the distinguished Scottish economic thinkers of that day belonged, fourteen were ministers, including Ferguson himself as well as William Robertson, principal of Edinburgh University and the leader of the Moderate party in the Church of Scotland. The Moderates dominated the Scottish church during the 1760s and 1770s, and Smith was very much a part of the "Moderate literati" circle. His teacher, Francis Hutcheson, had been the principal philosophical mentor of Smith's contemporaries among the Moderates. Smith's admiration, expressed in *The Wealth of Nations*, was straight forward: "There is scarce perhaps to be found

any where in Europe a more learned, decent, independent, and respectable set of men, than the greater part of the presbyterian clergy of Holland, Geneva, Switzerland and Scotland.”

Smith and his contemporaries, therefore, were continually exposed to what were then current debates, tensions and new ideas in theology, in the same way that most economists in university life today might be exposed to thinking in physics, or biology, or demography. And in the same way that economists today often draw on ideas from those other lines of inquiry – think of “gravity” models of international trade, or “penetration” models of technology transfer, or “migration” models of how industries spread – the eighteenth-century thinkers who created what became the field of economics could easily have been influenced by what they heard, and read, and saw, of religious thinking. The idea here is not that Smith, or any of the others, self-consciously sought to bring religious principles to bear on their writings in moral philosophy. Rather, the theological ideas to which they were exposed helped shape the pre-analytic vision (to use Joseph Schumpeter’s phrase for it) that they brought to their new thinking.

What was at issue in the Moderates-versus-Evangelicals debate in Scotland during much of Smith’s pre-*Wealth of Nations* lifetime, as well as in the Latitudinarian debate in England that was at its height in the half-century or so before Bernard Mandeville wrote *The Fable of the Bees*, which importantly anticipated some of Smith’s insights, was a highly significant and contentious change in thinking encompassing at least four key elements that were, at the very least, strikingly congruent with aspects of the transition in economic thinking from dismissal of the “vicious” pursuit of self-interest (which people may not have perceived correctly anyway) to the recognition that behavior motivated by self-interest could, and under the right conditions would, lead to more broadly beneficial outcomes: (1) from belief in “utter depravity” toward

belief in inherent goodness, and potential eligibility for salvation, of all individuals; (2) from belief in predestination, in particular with no role for human choice or action to affect who is saved and who is not, toward belief not only that anyone can potentially be saved but that individuals' choices and actions – human agency – play a role in this determination; (3) from belief that the sole reason man exists is the glorification of God toward belief that human happiness is also a legitimate, divinely intended end; and (4) from a deep-rooted eschatological pessimism toward the postmillennial belief, at least in some quarters, in the prospect of a future era of better existence that will be part of human history and, further, that human agency has a role in bringing this era about.

To be sure, the mapping from these four elements of the transition in religious thinking to the subsequent transition in economic thinking is far from exact. But there is a striking coherence nonetheless. The belief that men and women are born with an inherent goodness is surely more suggestive that they can understand their self interest, especially if human happiness is a divinely warranted end of man's existence, than if they are utterly depraved in the religious sense. The belief that all men and women are potentially eligible for salvation – and, importantly, that human agency is a part of what enables that salvation – is clearly more suggestive of Smith's crucial insight that individuals' acting in their correctly perceived self-interest can improve not only their lives but those of their fellow creatures too, compared to the predestinarian belief that only some are saved and human agency has no bearing on the matter. In the same vein, the belief that progress in living conditions brought about by human agency not only is possible but helps bring the millennium nearer in time is likewise far more consistent with the same idea about the favorable consequences – for themselves as well as others – of

individuals' acting in their own self interest in the economic sphere. (Indeed, as postmillennialism went on to gain strength, in the nineteenth century, salient economic and scientific advances like the laying of the first trans-Atlantic telegraph cable were greeted in many Protestant circles as having millennarian implications.)

Surely no one would suggest that any of these four elements of the transition in religious thinking that was under such widespread debate during Adam Smith's day was strictly necessary for the momentous transition in economic thinking that he initiated, nor that even all four together were sufficient. But in light of the readily apparent resonances between these new ideas and the key elements of Smith's reasoning, it is plausible that the transition in theological thinking helped create a new view of individuals' role in the world – a different pre-analytic vision – that was highly conducive to the Smithian revolution, and that the four taken together importantly helped foster its subsequent acceptance.

If the very emergence of economics as a recognizable intellectual discipline with a field of inquiry and analytical apparatus distinctly its own, out of the revolution culminating in Smith's *Wealth of Nations*, was in significant part the product of ongoing changes in religious thinking, there is certainly ample precedent for supposing that religious thinkers have standing from which to take a view on the economic issues of our day as well. For many citizens today, economic conditions in America are no less worrying than they were when Gladden and Strong and Rauschenbusch energized not only their congregants but what became the American economics profession too.

The recent financial crisis has sharply depressed many citizens' incomes. But importantly, the problem dates to well before the crisis began. Even before the onset of the latest

recession, most Americans had seen little economic improvement throughout the last decade. In 2007 the median family income (the income of families exactly in the middle of the U.S. income distribution) was \$63,700 in today's dollars. Back in 2000 the median family income, again in today's dollars, was \$63,400. The gain – not per annum, but over the entire seven years – was less than one-half of one percent. To be sure, the U.S. economy as a whole expanded solidly during these years; but the gains from increased production accrued very narrowly, mostly to people already at the top of the scale.

Then came the economic downturn triggered by the crisis. In 2008 the median family income *fell*, to \$61,500: a lower level than in any year since 1998. We do not yet have the figure for 2009, but it seems clear that last year family incomes declined again. Nor do we have any solid basis for expecting a rapid recovery of incomes now that the worst of the crisis has passed and our economy has started to turn around.

History suggests that the consequences of this kind of prolonged stagnation will spill over well beyond the realm of business and economics. In the United States past episodes of economic frustration on this scale have inflicted collateral damage on our race relations, our religious tolerance, our generosity toward the disadvantaged (as Adam Smith also observed, “before we can feel much for others, we must in some measure be at ease ourselves; if our own misery pinches us very severely, we have no leisure to attend to that of our neighbor), and the civility of our political discourse. Given the country's historical demographic make-up, the most frequently observed reaction has been a hardening of attitudes toward new and recent immigrants. The symptoms differ from one historical episode to the next, but the disease of

economic stagnation is never a pleasant one. We are already beginning to see some of these pathologies today.

Moreover, these pathologies – or, when incomes are rising, their opposite – are presumably matters of concern to our religious leaders no less than Americans active in other spheres. Our historical experience makes clear that the eras in which economic expansion has delivered ongoing material benefits to the majority of the country’s citizens have mostly corresponded to eras when opportunities and freedoms have broadened, our political institutions have become more democratic, and the treatment of our society’s unfortunates has become more generous. When incomes have stagnated or declined, reaction and retreat have been the order of the day. (A major exception was the depression of the 1930s, which instead led to a significant opening of American society and strengthening of American democracy – perhaps because the economic distress then was so severe, and so widespread, that the sense of being together in the same sinking ship overwhelmed the more competitive instincts that usually prevail when people realize they are not getting ahead.)

Nor is America the only Western democracy where a connection between rising living standards and the strengthening of democratic freedoms is evident. Other countries’ histories display similar patterns. Conversely, many of the horrifying anti-democratic phenomena that so marred Europe’s twentieth-century experience ensued in a setting of pervasive economic stagnation or decline. Hitler’s rise to power in the wake of the economic and political chaos of the Weimar Republic is a familiar story, but it is worth recalling that as late as 1928 the Nazi party drew only 2.8 percent of the vote in German national elections. What made the difference,

soon thereafter, was the onset of the Great Depression, which affected Germany more than any other European country.

The urgent need, therefore, is not merely to get our economy's production increasing and let people go back to work, although that is a necessary first step, but to set our economy on a path that will once again enable the majority of American families to earn rising incomes and enjoy improving living standards over time. Most of our citizens have exhibited impressive patience. It is best not to try that patience too far. If a key part of what matters for tolerance and fairness and opportunity, not to mention the strength of our democratic political institutions, is that the broad cross-section of the population have a confident sense of getting ahead economically, then no society – no matter how rich it is or how well-formed its institutions may be – is immune from seeing its basic democratic values at risk whenever the majority of its citizens lose their sense of economic progress.

These issues – economic issues in the first instance, but ultimately far more than that – are rightly the concern of America's religious thinkers no less than anyone else. After all, the influence of religious thinking was there at the beginning – both the intellectual beginning and the organizational beginning too.