

EconoFact Chats: Religion and the Creation of Economics

Benjamin Friedman, Harvard University

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Michael Klein:

I'm Michael Klein, executive editor of EconoFact, a nonpartisan web based publication of the Fletcher School at Tufts University. At EconoFact we bring key facts and incisive analysis to the national debate on economic and social policies publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

Most people do not think of a religious basis to economics. Instead, the caricature, one that is not too far off base probably, is that economists are trained to work with sophisticated mathematical models and advanced statistical techniques to analyze the behavior of humans who are viewed as nothing more than calculating machines trying to maximize material wants and needs. But in his recent book, 'Religion and the Rise of Capitalism,' Professor Benjamin Friedman of Harvard University shows how early economists, including those in the late 19th century, who founded the American Economic Association saw economics as deeply linked to religion. Furthermore, in this deeply researched scholarly book, Professor Friedman also explores how religious beliefs influence people's opinions on economic issues in the 20th century and continue to do so today.

Michael Klein:

Benjamin Friedman is a William Joseph Maier Professor of Political Economy at Harvard University. And this year celebrates his 50th year as a member of that faculty. In his long and productive career, he has authored more than 170 scholarly articles and written or edited a dozen books, including the Moral Consequences of Economic Growth. Ben, it's great to have you on EconoFact Chats. Thanks very much for joining me.

Benjamin Friedman:

Thanks Michael. I'm delighted to be with you.

Michael Klein:

Ben, you make the argument which some people will find counterintuitive that although the great figures of the 18th century in economics like Adam Smith and David Hume were not religious individuals, but nonetheless, their economic ideas were powerfully influenced by religious thinking. How did that come about, that idea that you had?

Benjamin Friedman:

Well, first of all, let me say that you're exactly right about Smith and Hume. These people were international celebrities in their own lifetimes and therefore we know a lot about them biographically. Hume, for example, was a well known opponent...of outspoken opponent of any kind of organized religion. He used to refer to Church of England bishops as 'agents of superstition.' For this reason, he was never able to get a university appointment, even though he tried several times.

Benjamin Friedman:

Smith was much more private about his personal religious commitments, but there's no evidence whatsoever of any serious commitment or belief on either of their part. And so to make an argument, as I do in the book, that these people were powerfully influenced by the religious thinking of their day requires a certain amount of apparatus. And the apparatus I choose is a device that I associate with Einstein, it's the notion of the worldview, the 'bilderwelt' in Einstein's original German. And the way Einstein put it is that the world is just too complicated for anybody to be able to address or analyze frontally. And so what each person does who tries to think hard about the world is to come up for himself or herself with some kind of image of the world, in Einstein's language. You and I, as economists would call it a model, I suppose. And it's a way of cutting through the complexity.

Benjamin Friedman:

Einstein was very clear that he wasn't just thinking about physicists. He mentioned poets and painters. He mentioned philosophers. And that's important because Smith thought of himself as a philosopher, he was a professor of moral philosophy. The word economist hadn't even been invented yet. And the argument I make in the book is that these people lived at a time when religion was more central and more important and more pervasive than anything you and I know in our modern Western society and therefore religion was all around them in multiple dimensions. And moreover, these key elements of religious thinking that I'm emphasizing in the book were hotly contended right at the time when Smith and Hume were coming into young adulthood. I argue that they were exposed to this kind of debate and thinking all the time and it couldn't have helped, but influence their worldview, again to use the Einstein phrase. And therefore at a kind of indirect level, yes, religious thinking did influence the creation of modern Western economics. Even though I certainly would not make the absurd claim that either Smith or Hume was a religiously committed individual.

Michael Klein:

So moving ahead from the end of the 18th century and into the 19th century, especially in colonial America, and then ahead from that, the development of economics in America and specifically the founding of the American Economic Association towards the end of the 19th century depended largely on two men, John Bates Clark and Richard Ely. So economists listening to this will be familiar with these names because there's a John Bates Clark Award given every other year to an economist younger than 40, and it's seen as one of the most prestigious awards in the field, maybe even more so than the Nobel. And the most prominent keynote address at the annual American Economic Association meeting is a Richard Ely lecture. How did these men view the relationship between economics and religion?

Benjamin Friedman:

Well, you're right, that they did so very differently from Smith and Hume. But let me start this piece of the story earlier on than Clark and Ely, right from the very beginning of economics in America, which was in the first half of the 19th century, the situation was very different in regard to the role of religion. The key propagators of economics in America were religious figures in a way that Smith and Hume absolutely were not.

Benjamin Friedman:

So for example, the first person to teach a college course that we know of in America was a man named John McVicker. He taught at Columbia, and in keeping with what Columbia was about and what its origins were, McVicker was an Episcopal priest and the author of the best selling economics textbook in America before the civil war was Wayland, Francis Wayland, who was also the president of Brown University. And again, in keeping with Brown's origins, Wayland was a Baptist minister.

Benjamin Friedman:

Now we come forward to the period in the latter half of the 19th century that you're mentioning the American Economic Association was founded in the 1880s by a group of people who were all very committed to religious ideas and the role of religion in society. They were part of something that was called The Social Gospel movement. Richard Ely was a very key contributor to The Social Gospel movement himself. In the year in which the American Economics Association with was founded he published not one book, but two. And one had the word economics in the title and the other had the word Christianity in the title. So he was in this all the way.

Benjamin Friedman:

And John Bates Clark is another example. Clark was an undergraduate at Amherst and had thought that he was going to go to the Yale Divinity School and study for the congregational ministry until in his senior year his professor persuaded him to go into economics instead. So, these people were very different from Smith and Hume. They were, I believe, self-consciously trying to bring their religious commitments to bear on their economics. And it shows in their writing. They wanted to advance a world in which Christian principles were brought to bear on the life of the nation, including in its economic life. They wanted the churches to play a more active role, that's what The Social Gospel was all about. But they knew that the churches weren't really up to the task and therefore they looked to the government to intervene, but somebody had to figure out what the government was supposed to do. And both Ely and Clark thought, well, that was a task for this new science of economics. So here again, but in a much more explicit open way, religious thinking was a great influence on the development of our subject.

Michael Klein:

So you mentioned The Social Gospel Ben, and another idea around the same time, I guess, was the Gospel of Wealth. Can you compare and contrast the ideas of The Social Gospel and the Gospel of Wealth? And I guess both of them arose out of some religious ideas?

Benjamin Friedman:

Well, yes. The key issue going on in the United States at this time was the contrast, which was very surprising to most people at the time, the contrast of having enormous economic growth, the period from the end of the Civil War up to the 1890s was the fastest per capita growth that our country has ever seen, more than 3% per annum in real terms. That's better than we've ever had before or since. But yet, in the midst of this, there was widespread poverty, especially in the nation's growing cities, because this was a period of great urbanization. In the late 1870s, Henry George famously published his great book called Progress and Poverty. And the point of George's title was to call attention to this great contrast puzzlement. Yes, there was all this economic progress, but yet increasingly large numbers of people were poor. Now what to do about that? The Social Gospel, as I've already mentioned, was galvanized by this contrast between the growth and the poverty, and people like Clark and Ely and also many of the great Protestant ministers of the time. People like Walter Rauschenbusch, Washington Gladden, Josiah Strong, and others wanted the churches to play a leadership role in addressing the hardships that many people were facing now that they realized that economic growth on its own was not going to do the trick.

Benjamin Friedman:

And by contrast, as you rightly mentioned, there was another group of people, less cohesively organized, which came to be known as the Gospel of Wealth. That's the title of a famous essay written by Andrew Carnegie. Here the clergyman I'm thinking of, were people like Henry Ward Beecher, probably the most eminent clergyman in the United States, at the time he was the minister at Plymouth Congregational in Brooklyn, but others as well. People like Russell Conwell at the Baptist temple in Philadelphia. These people thought that private initiative was all that was necessary. They didn't see a need for a massive

intervention in the economy. They didn't see the need for the government to do anything. Yes, they wanted the churches to be involved, but not in any organized way. Each church should have its soup kitchen, great. But they thought private initiative would do the trick. And incidentally, this is a debate that we're still having in the United States today. This ought to be absolutely familiar to everybody.

Michael Klein:

Yeah, no, as you're describing it and as I read it in the book, it echoes into the present. You also write how the main line Protestant religion could accommodate both The Social Gospel and the Gospel of Wealth at the same time.

Benjamin Friedman:

Yes. It was a very interesting development. And here I want to be careful not to pretend to be a church historian, like you I'm an economist. But in brief, the situation was that around the turn of the 20th century, both of these movements, The Social Gospel and the Gospel of Wealth, found themselves coming under attack from a quite different line of Protestant group that we would call today fundamentalists. And under the pressure of the fundamentalist attack, in short, the Gospel of Wealth crowd and The Social Gospel crowd came together under the umbrella of what was then called the Federal Council of Churches founded in 1908. The body still exists. It's now called the National Council of Churches, and it is the umbrella organization for what we think of today as the main line Protestant groups.

Michael Klein:

Let's talk a little bit about the evangelicals. I learned from your book that the name fundamentalist comes from a 12 volume series called The Fundamentals that was published between 1910 and 1915. My understanding from your book is that part of the rejection of The Social Gospel by fundamentalists' reflected their view of the second coming, what's called a pre millennialist view. I wasn't familiar with different Christian views about this and I found it interesting that these views influenced opinions about the proper role of government in ameliorating economic hardship.

Benjamin Friedman:

Yes, that's right. In brief, Christians who look forward in some literal way to the second coming of the messiah are divided between people who think this second coming will occur before the millennium, that is the thousand years of bliss we're told in the Book of Revelation, and those who think it'll come after.

Benjamin Friedman:

Now, for those who think it'll come after, there's no issue because that means they are committed to the view that the world will become better before the world ends. And indeed, because the world has to become better before the world ends, the second coming arrives, there's a religious imperative associated with making the world better. That brings the millennium closer and brings the second coming closer.

Benjamin Friedman:

But if people believe that the second coming will arrive and the world will end and no longer be inhabited by people like you and me before the thousand years of bliss occur, then efforts to make the world better seem a little bit futile. This has always been a point of tension in the evangelical community because as I hope everybody knows, the evangelical churches were very involved in major American reform movements like temperance and abolition of slavery, but yet they've always stood apart from more individually based efforts to improve the world. And even today, if you were to go, I were to go to an evangelical church and ask members, do they think the government ought to be running anti-poverty

programs, the government ought to be helping in imposing environmental restrictions to a much greater extent than among other Americans the answer would be no.

Michael Klein:

So you said people like you and me, I guess you mean a certain type of nonbeliever?

Benjamin Friedman:

No, I wasn't referring... No, no, no. I wasn't identifying anybody as a nonbeliever and certainly not myself. I was identifying that as people who are not evangelicals. And one of the interesting things I found in doing the empirical work for the latter chapters of the book is that when we examine poll data, things like Gallup Polls, Roper Polls, and so forth on the attitudes of Americans even restricting the conversation just to Protestants, the views on policy questions like should the government have anti-poverty programs, should the government have environmental restrictions, should the government have other forms of regulation of business, main line Protestants like Episcopalians and Presbyterians and Methodists and Congregationalists and so on, have very different views on those poll questions than do members of evangelical churches. And so this split, which really dates from the publication of *The Fundamentalists* 100 years ago is still with us.

Michael Klein:

Well, I want to get to that poll data that you cite a little bit later, but for the antecedent to that, for example, you quote the preacher Billy Sunday, who was involved in the '30s during the great depression. He said that anti-depression initiatives were, and I quote here from your book, 'serpentine coils of this communistic socialistic atheistic monster,' and that the blue eagle sign that some businesses displayed in the '30s when participating in the national recovery administration was viewed as a precursor to the so-called mark of the devil or mark of the beast, sorry, foretold in revelation. So, I guess you're suggesting that the strong antipathy to programs that help people during these very desperate times, there is a religious basis because of this pre-millennialism.

Benjamin Friedman:

Yes, I think that's right. But I think part of this has also been captured by conservative economic interest. This started to happen, as you indicated, during the great depression. There was an enormous effort on the behalf of the conservative business community to rope in these fundamentalist groups in opposition to Roosevelt. Lots of people thought that Roosevelt personally was the antichrist incidentally. But I argue in my book that this coming together of religious conservatism and economic conservatism really took off after World War II in response to the communist threat. In effect, both groups recognized that they were facing a common enemy. Communism was at the same time the antithesis and enemy of Western style, free market capitalism. And it was the antithesis and enemy of Western style religion. And so these two groups that might or might not have otherwise had something in common recognized that they were fighting the same battle. The person to whom I look as the exemplar of this is Billy Graham. Billy Graham, I hope people will know, was an extraordinarily popular Baptist preacher for decades. He was always at the top of the most admired list in the Gallup Poll, but early in his career, Graham was financed by and drew support from the conservative business community and championed in his early days all sorts of conservative business ideas. Things like in opposition to labor unions, you might wonder what does this have to do with religion? But Graham was opposed to labor unions and took other conservative positions as well. So I think it was really in response to the communist threat that these two groups came together.

Michael Klein:

So picking up on that, that was something in the '50s and '60s, and certainly is evident today and as you mentioned, you use this polling data at the end of your book, you have a very interesting discussion of how religious views shape opinions of economics. And importantly, you point out that people don't vote in line with their economic interests. For example, many people who would benefit from higher taxes, rich households support a regressive tax system. That is one that taxes the rich less. And you also show that the data don't support many plausible arguments for these voting patterns. But the striking result to me in the one you already mentioned is that evangelical Christians consistently favor conservative economic policies that aren't necessarily in their own economic interest. And you talk about the religious sources of this, the turn away from predestination, the strong historical tradition of Protestant volunteerism and pre millennialism. Can you just briefly explain how each of these contributes to conservative view of the role of government in the economy?

Benjamin Friedman:

Well, I'll duck on predestination because I don't think predestination has a lot to do with that. The central one to which I point is the pre-millennialism for reasons that I've indicated already. If you take the Bible seriously and literally, and those are not the same incidentally, it's very easy to take the Bible utterly seriously, but to think of many passages in the Bible as metaphorical or allegorical. But if you take the Bible, not only seriously but literally, then you believe that as foretold in Revelation 20 and 21, there will be a period of 1,000 years of earthly bliss before the great conflagration destroys the world. And there will be, in the words of the text, 'a new earth and a new heaven.'

Benjamin Friedman:

Now, if you believe that all of this is going to happen before the millennium will be preceded by the ending of the earth, there just isn't any point to trying to make the world systematically better. What matters is saving souls. And the great American figure Dwight Moody might be a familiar name to many people, Moody Publishing Company is still around...Dwight Moody used to say, what matters is saving souls that is converting individuals so that when the second coming arrives, they will be ready. I think this is the absolute heart of it.

Benjamin Friedman:

Now, you also mentioned a second element, which is Protestant volunteerism. Lots of religious traditions have volunteer elements, but especially among Protestants there's been a long history of this in which the voluntary act of giving is of utmost importance. If I support programs for the poor, through my taxes because the Internal Revenue Service sends me a bill, or because I know I'll go to jail if I don't pay them that isn't volunteerism. And there is this strong strain in many Protestant denominations of volunteerism, so that if you are being sent a bill by your church for your dues, that conflicts with volunteerism, and in the same way, if you're paying your taxes and supporting the poor only through your tax revenues, because you'll go to jail if you don't, then that too is a conflict with volunteerism.

Michael Klein:

So, Ben, I learned so much from your book and as I mentioned, I was really impressed by its breadth of scholarship. And I was also impressed by the way it shed light on current views about economic policy. So thank you for the book and thank you very much for joining me on EconoFact Chats to discuss it.

Benjamin Friedman:

Thanks Michael. I always enjoy talking to you and today was no exception.

Michael Klein:

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