

Review of Benjamin Friedman's *Religion and the Rise of Capitalism*. New York: Knopf, 2021, xv + 535 pp.

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The claim of this book is that religion, in this case meaning Protestant Christianity, was highly influential in the formation and acceptance of modern economics, as well as being an important influence in the acceptance of several individualist economic policies in today's USA.¹ These points are true and deserve to be more widely known and appreciated. I agree fully with the primary thesis of this book, which is of considerable importance. That being said, however, the evidence provided to support the thesis is seriously deficient—an awkward position for a reviewer. To extricate myself as best I can, I will proceed to summarize the main claims of Benjamin Friedman, leaning extensively on quotes. Thereafter, I will explore three ways in which Friedman has not done justice to his argument. Briefly, these are as follows: First, Friedman provides no structural analysis of the core features defining capitalist society. Secondly, the primary analytic argument, 'the invisible hand,' is misleadingly stated. Thirdly, the actual contributions of Christians are either glossed over or ignored. These points are raised as constructive criticisms: the importance of Friedman's book remains

Turning to Friedman's main claims, we see his introductory statement the following:

In this book I argue that the influence of religious beliefs on modern Western economics has been profound, and that it remains important today ... But the point is more than just a matter of the history of ideas. The influence of religious thinking also bears on how Americans today, along with citizens of other Western countries, think about many of the most highly contested economic policy issues of our time (x).

As Friedman points out, such a claim should have been obvious because religion was omnipresent and central, but the obvious has been submerged: "... the creators of modern economics lived at

¹ I am grateful to Larry Neal for comments.

a time when religion was both more pervasive and more central than anything we know in today's Western world. And, crucially, intellectual life was more integrated then" (xi).

Adam Smith is the central thinker for the first half of the book, but the ideas of the *Wealth of Nations* could only be persuasive because theology itself had softened the European mind.

I argue that what opened the way for the early economists' insight into the beneficial consequences of individually motivated initiative carried out in competitive markets was the expanded vision of the human character and its possibilities that the movement *away from* predestinarian Calvinism fostered (xiii).

The most consequential of Smith's ideas is that of "the invisible hand"; Friedman spends considerable time in explaining the concept and its significance.

The central insight underlying modern Western economics—the idea that we know today as the invisible hand, even though Adam Smith's use of the phrase was neither original nor so specific—is that behavior motivated merely by individuals' self-interest can, and under the right conditions *will*, lead to beneficial outcomes not merely for those individuals but for others as well (29).

Ideas are the driving force of the first part of the book; thereafter, the buildup is to US economic policy. With short accounts provided of early clerical economists in the US and of the 'American system' (i.e., protection, especially of infant industries), Friedman gives the most space to theological issues and their impact on policy. The vast size of the US, its continual expansion in the 19th century, the variety of European cultures, the decentralization permitted by the federal structure, the consequent lightness of 'felt government'—all of these features make the US situation especially difficult to summarize.² Within the confines of a book, Friedman has had to choose, and he chose well. The book is informative throughout about religion and economic policy, but especially so where the US is concerned. The presentation of premillennial and postmillennial patterns of Christian theology is both clear and extensive. Understanding the consequences of postmillennialism is easier: "Under a postmillennialist interpretation ... not only is human history a story of improvement; the improvement is human-caused" (210). Such a belief makes human improvement, especially economic activity, a part of faith. By contrast, premillennials may be socially and economically active, but nothing in their faith impels them to be so. These beliefs are then tied in persuasively with differing economic policies. Apart from

² Tocqueville seldom saw anything he did not theorize upon, hence, despite his great wisdom, it is better to rely upon visitors who simply tried to observe and report.

asking why macroeconomic variables should be definable as conveniently as assumed by economists, all of the important points are presented.

As America's modern economy took shape, and as the government grew to play a larger role in it, matters of economics and especially economic policy took on ever-greater importance for the public at large, and the influence of religious ideas on economic thinking bore increasingly on popular opinion rather than the work of professional economists. Americans, with their far greater religiosity than citizens of other countries at a comparable stage of economic development, have been particularly subject to this influence, and the public discussion of economics and economic policy in America shows it. The non-predestinarian and voluntarist orientation of American Protestantism in general and the premillennialism of evangelical Protestants in particular, today mark its most powerful substantive features (412).

Friedman would have done well to point out that, measured by the number of church-goers, the US has been growing in wealth and power even as the number of churchgoers has risen, with attendance reaching a peak in the 1960s. He repeatedly notes how American religiosity is high, but without emphasizing it to the extent that marks the US as being singular. Since I am generally in agreement with the details of the second part (that on the US and US economic policies), I will say little more than to recommend these chapters wholeheartedly.

Friedman makes limited references to the Catholics in Europe and largely in passing in the US. This may be a significant omission. Lacking familiarity with the primary sources dealing with Catholic social thought in the US, I will limit myself to Europe. Surely the *analytics* of self-interest, the workings and consequences of selfishness, were first conducted by the Jansenists in France late in the 17th century and reached a sophisticated form in Boisguilbert early in the 18th century. Two significant 18th-century figures were E. L. Carl, *Traite de la richesse*, and Noel Antoine Pluche, *Spectacle de la nature*; neither of these authors are yet to get their due, however—at least in English. Encyclopedia.com tells us that “According to the estimate of C. V. Doan, the work [of Pluche], along with its abridgments and adaptations, went through at least fifty-seven editions in France, seventeen in England, and several more in other European countries.” It is a tribute to modern scholarship that such an author manages to hide in plain sight.

Let me reverse the order of the book and begin by making some remarks about issues that distinguish America in the eyes of the world, and which Friedman, as an American by birth, may not be consciously aware of. There are two features that make US politics unique. The first is the belief that the greatest enemy of the liberty of the people is the government. The second is that while theology cannot be a part of politics, the religion that rules daily life is that based on

Christianity. Incorporating these points within Friedman's presentation, by treating the debate over Mormon polygamy when Utah became a state, would strengthen his case. Let me conclude this part with two more personal observations. Having come to the US after three years in London, I was surprised by the work ethic of the Americans. Everyone needs money, but that was not the internal force; they worked hard to do a job well because doing a good job satisfied them. Simultaneously, there was minimal envy. When a worker succeeded, his mates clapped and cheered with admiration. Of course, there are individuals all over the world who both work hard themselves and appreciate others, but neither in Europe nor the Indian sub-continent had I witnessed a culture of work and appreciation. Having raised these points with others, I know I am not alone in seeing America this way. What made the American worker different? How is it related—if at all—to the general reverence for religion in the US?

Let me now offer my comments on the impact of religion, especially in England. Friedman's overall framework faces the danger of being a 'just so' story about the European peoples and their brethren in America. Even if all that he says is true, what does it say about capitalism in Botswana, or in Cambodia? Suppose we impose a structure on Capitalism and require that five prerequisites be fulfilled

1. a legal ethic, to provide order,
2. a work ethic, to enable production,
3. a consumption ethic, to ensure demand,
4. a knowledge ethic, to stimulate science,
5. a support ethic, to provide humane support.

Whether the structure is right or wrong is beside the point (I provide reasons for this framework in the introduction to Akram and Rashid 2019). What is important is that any value-system has a role to fulfil in such a framework, that the discussion can proceed beyond a selected report of events, and that the tradeoff between different religions can be discussed without an 'all or nothing' approach. Friedman would have helped his case by providing his own framework.

Secondly, suppose we accept that Adam Smith himself was as he assumed everyone else to be—self-interested (*caveat emptor*; I am the author of Rashid 1998; 1997). What would his self-interest dictate with respect to religion? Friedman lets a biographer of Smith, Nicholas Phillipson, state the common view that Smith's entire project was "built on the foundations of the Enlightenment's quintessential assault on religion" (xii). Later, Friedman characterizes economics as remaining "at its core a child of Enlightenment thinking" (413). Friedman does not see how a contradiction lurks beneath these two statements. If Enlightenment thinking is based on a "quintessential assault on religion" and economics is a child of this light, then does it not follow that the enlightened will not light the lamp of Christianity? Enlightened thinkers of the 18th century would then hide their religious roots as soon as they found them.

How high, how strong, how deep were the religious foundations that the enlightened could stand upon? This becomes a major question when we turn to the ‘invisible hand’—a concept of central importance for the economics of Smith³. Friedman does not distinguish clearly between two radically different propositions: first, that voluntary trade is mutually beneficial for both parties (this was agreed to by all), and second, that when every individual pursues his own self-interest, he is actually pursuing that of society. It is the second proposition that needed defense, and in two ways: first, to demonstrate that a general equilibrium is reached in a market economy (in a phrase attributed to the late Frank Hahn, “there is coherence, not chaos”), and second, that the equilibrium that is reached is good. Smith had no clue about how to prove either, so he finessed the problem by waving the ‘invisible hand’ at us. Smith writes that an individual is “naturally, or rather necessarily,” led to pursue an end that was not his intention. That the market for all goods can simultaneously reach equilibrium is a remarkably hard proposition to prove; Smith should be credited for suggesting that such an overall equilibrium was necessary in order to talk fruitfully about a market economy. What is inexplicable is the reluctance of scholars to be clear about what Smith did actually achieve. Many even imply that the higgling that provides equilibrium in individual markets, often called the equilibrium of ‘demand and supply,’ is adequate to prove general equilibrium.

Consider the following problem, which is an enormous simplification of that which Adam Smith had to solve. Suppose we needed to get 6400 cars to drive in parallel. However, we only know how to get any two cars to move in parallel, while ignoring all the others. Is this partial skill, over two cars, sufficient to allow us to claim that all 6400 can move in parallel? Smith almost surely realized that something was missing, but to say so directly would land him squarely at the feet of the interventionists (Rashid 2020). Smith therefore invoked a prevailing belief, the invisible hand, to fill the gap.⁴ Furthermore, the end pursued unknowingly by self-seeking individuals, necessarily leads to an outcome that must be benevolent. What a convenient world we inhabit. Who could accept such a way of thinking unless it was a common trope? Using the already common concept of Providential guidance was an easy way to persuade readers that the problem of the existence of equilibrium was being solved in ways we need not worry ourselves about *and* that the outcomes were to our benefit. Invoking the invisible hand solves both problems at once. A hand belongs to a living being, and what living being could be relied upon in the mid-18th century? The answer is the God of Christianity. Smith was under no obligation to say it aloud, especially as his aim was to launch an assault upon religion. This elementary fact was pointed

³ There is a nice historical review of spontaneous order and the invisible hand in Barry (1982).

⁴ The importance of prevailing modes of thought upon the acceptability of ideas is most persuasively argued by Becker (1932).

out by Jacob Viner long ago, but students of Adam Smith have preferred to look under rock and sand to bypass it.⁵

What Smith himself believed is irrelevant. Given that he had no way to prove either the existence or the optimality of general equilibrium, how could he nonetheless persuade readers? The answer is by making the *sine qua non* of his system flow as an application of the widespread belief in an omnipotent God who directed society towards the good. Smith was also a professor of Rhetoric (the art of persuasion), and making such an important truth follow as the surprising consequence of a pre-existent belief was elementary for such a mind. The ‘invisible hand’ is one of the strongest testimonies to the power of religion in making economic society morally acceptable, as Friedman would have found if he followed through to 19th-century popularizers of political economy, such as Archbishop Richard Whately (Rashid 1977).

Why did Smith himself not make the connection with Christian Natural theology more explicit? Smith was a Deist and a Whig-radical, probably more radical than Whig. If we accept the premise that religion was both socially and politically powerful, then, in order to be effective, Smith would have to find ways of hiding, or even disguising, his disbelief in, and perhaps his disdain for, Christianity. Open admiration for those whose beliefs were of debatable orthodoxy would have hurt Smith in academia, in society and with the reading public. Smith was undoubtedly aware of the fact that ladies were not permitted to be in the presence of his colleague David Hume, because of his supposed atheism. Such caution might explain why Smith expressed his admiration for his professor, Francis Hutcheson, only once, and that too in a letter, as the ‘ne’er to be forgotten’ teacher of his youth. The most indicative of Smith’s actions perhaps lies in the pattern of changes to his *Theory of Moral Sentiments* (conveniently gathered recently by Matson 2020). When the *Theory* was first published, in 1759, Smith was a relatively junior professor, but one who was admired for his promise. The first edition of the *Theory* was not Christian but it contained nothing incompatible with orthodoxy. This was to change over time. In edition three Smith dilutes the force of divine justice with altered phrasing which equivocates; from “religion authorizes” to “religion, we suppose, authorises,” and by replacing two instances of “is” with “seems to be” and “is supposed to be.” That was in 1767, when Smith had achieved some acclaim and considerable financial independence. By 1790, Smith was already famous for the *Wealth of Nations*, he was friends with those in the highest echelons of society and a diligent Commissioner of Customs. Smith was rarely one to openly antagonize, but the need to mask his nonconformity was long past. In the sixth and last edition, Smith removed a long passage on the atonement, the one passage in the *Theory of Moral Sentiments* that had distinct overtones of Christian theology, replacing it with just one short sentence. If the first edition of the *Theory* had

⁵ Viner (1972), unfortunately, thought the point so obvious that he did not document it with his customary thoroughness.

the implied theology of the sixth, the respect publicly accorded to the book may well have been different.

Finally, Friedman misses the important contributions of Christians to the formation of what can be best described as ‘the confident mind.’ In science, the Puritans rejected the superiority of the ancients, the believers in the book of Daniel insisted on science in the service of mankind and inspired the creation of the Royal Society; Newtonian theodicy provided a background belief in the equilibrium of a collection of interacting agents. In view of the religiosity of Coke, Hale, and Mansfield, there are suggestive indications of Anglicanism influencing the common law, assuming the background of Aquinas and scholasticism, of course. Common law itself reads as a slowly unwinding process of free myopic choice, the ‘spontaneous order,’ so there is good reason to believe that it made market processes ‘normal’; but since the scholars who have worked the primary sources generally have other interests, these materials perhaps need a fresh look (Helmholz 1985; 2015).⁶ Christians contributed to policy by considering index numbers (Fleetwood), or initiating micro-finance (Swift), or providing effective NGOs for development (the Dublin Society); such actions are a few of the many that can be credited to Christians. On intellectual questions, they provided the first argument for the role of banks in facilitating production (Dorfman 1964, 3-6 on Rev John Woodbridge), the beneficence of International Trade (Bohun and Dobbs) (Rashid 1982), the interplay between law and economy, and the prevalence of dynamic comparative advantage in the principles of Josiah Tucker (Gordon 1982). Tucker was the chaplain of the famous philosopher-theologian Bishop Butler, whose contribution to the market friendly worldview of the Anglicans has been carefully reviewed in Matson (2021).

Ireland was a colony of England and it was from the elite of Anglo-Irish society that protests poured forth. Archbishop King provided the pithiest description of what we now call the colonial drain in describing monies given to the English: “Our payments are like the fleecing of sheep, of which they have no benefit, but must prepare a new growth out of their bodies or remain naked” (King to Addison, August 25, 1715; King Letters at Trinity College Dublin). Bishop George Berkeley wrote the most important text on underdevelopment in the *Querist* (1737 and 1743) (Rashid 1990; McPhail and Rashid 2010). Berkeley put the wants and needs of ordinary people front and center:

Whether a people can be called poor, where the common sort are well fed, clothed and lodged?

⁶ For the relationship of Anglicanism to the judges mentioned above, see Hill and Helmholz (2017). I am grateful to Adolfo Giuliani for these references.

He argued that National Debt was a great bulwark of monetary stability:

Whether the credit of the public funds be not a mine of gold to England?

And he continued by asserting that eventually, all development depended upon human capital:

Whether in every wise state, the faculties of the mind are not most considered? Whether the momentum of a State doth not imply the whole exertion of its faculties, intellectual and corporeal; and whether the latter without the former could act in concert.

The evidence for Friedman's thesis could indeed be strengthened. But the responsibility of paying attention to the primary sources was not his, but of the historians of ideas who are considered 'reliable.' His is an important and timely book. It should be widely read and discussed. Friedman has sown the seed. "Great oaks from little acorns grow."

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