Economics in religions: What do original sources say?

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I. Introduction

Until about 30 years ago, most economists agreed about active influences of religion on a country's economic success: Jewish and Christian religions would be in concord with individuals' aspirations to act for themselves and to control their environment. Buddhist and Hindu religions would, on the contrary, favour more fatalistic attitudes; individuals would less try to manage their own fate.

According to this general assessment by economists, Adelman and Morris distinguished three types of countries, A, B, and C:

- A-countries have Christian and/or Jewish population which stands for a high potential of economic growth.
- B-countries have Islamic population which indicates a rather moderate growth potential.
- C-countries have Buddhist or Hindu population which means a very poor growth potential.

At last century's beginning, the unforgotten German sociologist Max Weber had given famous explanations for Christian positive and Buddhist negative incentives in economic behaviour:

In "Die protestantische Ethik und der Geist des Kapitalismus" he concentrated on Calvin's variant of Christian Protestantism. Calvinism starts from the idea of predestination. This means that every individual has been predestined by God either for permanent life or for going to death. A Calvinist cannot know to which one of the two classes he belongs to; but he thinks his personal economic success is an indicator for his chance to belong to the predestined class of permanent life. To promote success, he will go into “innerweltliche Askese”; that means he will work hardly without rest, his consumption will be low, and his rate of personal capital accumulation will be high. In Max Weber’s opinion, it is this by strong religious belief initiated economic behaviour which is at the root of capitalism. In the early economic development of European countries, the striking success of the Netherlands in the 16^{th} century certainly was promoted by its Calvinistic population.

In “Die Religion Indiens”, Max Weber expressed his opinion that Buddhism cannot be the mental foundation of a society looking for economic success. In Buddhism, individuals would be concentrated completely on themselves during their long way to nirvana. This self-concentration will, according to Weber, prevent most of the social interactions necessary for economic activity. Buddhism, therefore, would not produce incentives for social and economic development.

At the present time, the facts indicate tendencies different from those expected by last centuries economists and by Max Weber. Economic growth rates in traditionally Christian European and North American countries tend to become smaller. Asiatic countries with Buddhist or Hindu traditions experience strong take-offs into economic development with high growth rates. The facts seem to suggest that a certain religion is not by itself a reliable indicator of a country’s development and growth potential.

Calvinistic accumulation stimulation is no longer preponderant; Buddhist or Hindu mental barriers no longer restrict economic activity. In Western countries, it is more scientific enlightenment than religious motivation which determines the population's behavioural pattern. In Asiatic countries, Western styles of living and thinking have substituted traditional behaviour. There are important arguments for the thesis that religions no longer matter.

On the other hand, Samuel Huntington's concept of a clash of civilizations hints to religious conflicts of the past extending into the presence. This context suggests that religions continue to matter. Clash conflicts are, however, not caused by economic behaviour of individuals but rather by socio-economic aspirations of religious and political groups.

The tensions of the present time have greatly revived the public's and the scientists' interest in the content and in the role of religions. Better research in and understanding of religions may prepare the ground for future conflict resolution. This paper's goal of localizing principles of economics in Jewish, Christian, Islamic and Buddhist religion will be not approached by study of the voluminous and detailed literature on theological exegesis. The paper rather concentrates on inspection of fundamental original sources and relates to some of the already existing literature on religious economic patterns.

II. Economics in the Thora

The five books of Moses (Genesis, Exodus, Leviticus, Numeri, Deuteronomium) constitute the Thora, which is the written religious law of the Jews.

The book Exodus reports that during the Jews' 40 years migration through the desert, their god Jahwe provided the people with manna from heaven. Everybody was free to collect manna, but he should do so only in a limited quantity equal per capita (Ex 16). Not abundance for few and shortage for many, but the same for everybody was the rule of distribution. By following this rule, there were sufficient resources to satisfy the basic needs of all.

In normal times of the population's settlement, individual engagement in trade and accumulation of wealth were principally accepted. Much depended, however, one the way a person used accumulated wealth. The twin brethren Jacob and Esau both had acquired considerable wealth. When, after a long time of misunderstanding and quarrel, they finally met and talked together, Jacob was humble and offered a gift to his brother. Esau refused to take the gift and boasted with his affluence (Gen 33). The rule following from this requests responsible handling of wealth which is seen on Jacob's, not on Esau's side.

The Thora is very peculiar with respect to rules of giving loans and of taking interest. Every loan remaining at the beginning of a sabbatical seventh year was to be cancelled. Taking interest was condemned as usury. Cancellation of loans and prohibition of interest were regulations which applied, however, only toward fellow members of Israel's people. Toward non-israelic partners, loans without the seven years limit and interest taking explicitly received approval by the Thora (Dtn 15; 23). This non-application of the restrictive financial regulations was responsible for the fact that Jews living in the diaspora of foreign countries became indispensable financiers of economic activity. Remember, for example, Shakespeare's "Merchant of Venice", where the Christian merchant Antonio has to take loans from and to pay interest to his Jewish financier Shylock.

A regulation similar to the egalitarian distribution of manna in the desert was the distribution of land. God Jahwe had promised that, after the hard time of migration through the desert, every family would receive its own land. Moses was told to do the job of distributing land according to the number of people

(Num 26, 33). When a family later wished to sell land, the sale was possible only for the limited time period until Israel’s next “50-years jubilee”. At the beginning of that year, all the sales of land during the past 50 years were to be reversed. The regulation was thought to preserve the original distribution of land.

All in all, the Jewish Thora offers economic principles which are not hostile to individual wealth – provided wealth is used with responsibility toward next people. What concerns the basic needs fed by manna and the long-run participation in ownership of land, the Thora advocates justice in the sense of egalitarian distribution.

Since the Jewish state ceased to exist in the second century after Christ, the economic principles and rules of the Thora did not survive. The state of Israel founded in 1948 has modern secular law and jurisdiction instead of rules given by religious tradition.

III. Economics in the New Testament

All of the four gospels report on Christ’s creation of food for 5000 people (Speisung der 5000). One may interprete this as a message similar to that of manna in the desert: There are resources sufficient for all.

What concerns individual wealth, the texts of the gospels of Matthew, of Markus, and of Lucas seem to indicate a very critical position of Christ:

In his famous sermon on a mountain (Bergpredigt), Christ admonished his listeners: “You cannot serve both, God and the mammon” (mammon is the symbol of money) (Mt 6, 24).

To a wealthy young man who had asked him what he could do to attain eternal life, Christ answered: “Sell all you have and give the receipts to the poor; then you will have a treasure in heaven”. When the young man hesitated to sell everything, Christ stated: “It is easier for a camel to pass the hole of a needle than for a rich man to enter the kingdom of God” (Mk 10).

On close inspection one may notice, however, that Christ did not condemn a man for his wealth; he rather accused wealth of having the power to distract him from deciding himself completely and without compromising for a life in God’s sense. Wealth does not a priori disqualify, but it will most frequently disturb a man’s preparation for true Christian belief.

When looking for economic principles, two of the famous parables in the gospels are remarkable. The first parable demonstrates that deliberate economic action is necessary to ensure productivity of resources. The second is on arbitrariness and injustice in wage payments and in income distribution.

The first parable reports on servants to whom their wealthy master has entrusted monetary resources. A first servant had received five talents of silver-money; a second servant had received two talents; a third servant had received one talent. All were told to find good ways of using the money during the time their master was on a long journey. The first and the second servant succeeded in duplicating the sums they had received; they got their master’s thanks and reward. The third servant did just keep the money. He got his master’s disapproval, and he was even punished by being told to pass the money to the first servant.

The master asked the inactive third servant why he had not, at least, deposited the money in a bank and had received interest on it (Mt 25, Lk 19). This hint to interest taking in the gospels is a surprise, because Jewish interest prohibition still seemed to be valid in the time of the New Testament.

The second parable is that of the labourers in the vineyard. The owner of a vineyard in the morning hires workers for one day's work at the usual wage of one denar. At noon and in the afternoon, he hires more workers, and in the evening he pays to them the same amount of one denar. To an angry worker who had been working since the morning, he says: "My friend, I did not cheat you. I bought your labour of one day for one denar. Are you jealous because I am kind to others by giving to them one denar for shorter work?" The parable continues: "The last will be the first, and the first will be the last" (Mt 20). The gospel reports this in a non-critical tone. The workers' wage is at a minimum of one denar, but it also depends on the good will and on the arbitrariness of the vineyard-entrepreneur. Because there is different pay to different workers for the same type of labour, those who get less are suffering from unjust remuneration.

The first parable shows that the New Testament cares for economic productivity of resources. The second parable indicates that there is no care for clear-cut and non-arbitrary wages and for a corresponding distribution of income and wealth. The feudal world of rich people and poor people, of owners and non-owners, of masters and servants was taken as given, was not questioned in the New Testament.

IV. Economics in the Koran and the "New Islamic economics"

Islam's prophet Muhammad was not a rich man, but he was open to trade and wealth. He is told to have been a buyer and an auctioneer during the period he spent at Medina. A positive position towards economic behaviour is reflected in the Koran: "Allah has permitted the business of selling" (2, 275) and "It is not a sin to ask Allah for support in profitable business” (2, 198). The Koran prohibits, however, monopolistic pricing and profits from speculative business.

Apart from its positive position towards competitive business and profit, the Koran seriously charges social justice on Muslims. One instrument to realize this is redistribution from the wealthy to the poor people by a tax named “zakat”.

Since about 50 years, there is the school of “New Islamic economics”, which tries to discuss and to formulate Koran-corresponding economic principles. According to this school, a Muslim should not act as a “homo oeconomicus” solely for his own wealth. He should rather act as a “homo islamicus” for the welfare of the whole Muslim community; i.e., he should refrain from own advantage if this promotes the welfare of other Muslims. If every Muslim could be supposed to act in this way for the community of all, no regulations would be required for economic and social behaviour.

There are, however, regulations of economic behaviour. Apart from consumption restrictions, for example prohibition of alcohol and of the meat of pigs, there is a very strong prohibition of interest or “riba” in the Koran. In the German edition of the Koran, interest is always translated into “Wucher”, which in English is “usury”. One of the numerous Koran-texts on “riba”, is, in my own free translation from German: “He who swallows the fruit of usury will be like one who has been touched by satan. .. Those who repeatedly act in this way, will be put into satanic fire and will stay there forever” (2.275).

Please, remember: The Jewish prohibition of interest was meant only for loans given to Jews, not towards non-Jews. The Christian prohibition of interest was not explicit in the New Testament, but gradually gained acceptance and entered medieval canonical and non-canonical law; it was moderated by the Scholastic school and finally was superseded by the development of economic theory in Christian countries.

The Koran’s prohibition of interest remained – in contrast to this – an essential regulation, and was not revised in the present time of “New Islamic economics”.

There are, nevertheless, elements similar to interest in contemporary Islamic economic acting:

When financing durable consumer goods, a bank will order supply of the good to a customer and pay for it to the supplier. After a prefixed time, the bank will collect the price and an interest-similar mark-up from the customer. In financing a private house, a bank will pay for the house, and then will lease it for a number of years to the customer.

In the financing of business, Islamic banks will, because of interest prohibition, not give loans to firms at a predetermined interest rate. They will, rather, participate in the firm’s business as a joint-venture-investment partner receiving a share of the uncertain profit. This means, Islamic economics do not allow firms to finance their business with external capital at fixed interest rates. They, rather, insist in cooperation of firms and banks as joint-venture partners who finance business activity internally. Firms cannot decide for a mixture of external and internal financing, which – viewed from the modern theory of corporate finance – would, on the rule, be implied in cost optimal financing.

Meanwhile, the global financial world has started to construct Islam-conforming financial business for the large volume of capital from Islamic countries. (This volume was estimated by the journal “Euromoney” in the year 2003 at 200

Billion $ per year). This capital meets demand in Islamic as well as in non-Islamic countries.

A striking example is the German Federal Republic's state Sachsen-Anhalt. Its government planned to turn over state property to an especially founded company which would issue bonds to be sold to Islamic capital suppliers. The state's leasing rates for its former property were to serve as an interest-similar remuneration of capital suppliers (FAZ of November 6th, 2003).

A further example are Islam-conforming insurance contracts offered by the Allianz Insurance Company and some other suppliers to Muslim demanders. To prevent being accused of violating Islamic interest prohibition by interest-similar accumulation of insurance capital, a Sharia-Board of Muslim specialists was founded in order to inspect and to accept the insurance contracts (FAZ of January 1st, 2007).

The artistry of circumventing Islamic interest prohibition demonstrates that it is difficult to carry a disfunctional economic regulation into the modern, globalised world of business.

V. Economics in Buddhism

Buddhism is, properly speaking, not a religion but a collection of philosophical and ethical schools recurring to the teaching of Buddha Gautama who was born about 560 a.C. in North-India. The oldest Buddhist school is that of Theravada which offers "The small vehicle to salvation" (Kleines Fahrzeug zum Heil"). According to Buddha and this school, all of the phenomena of life are without essence, are limited in time, and carry pain. There is nothing which has permanent substance, there is no immortal soul. But there is an intertemporal revival of human existence. Good or bad human actions in an earlier existence are repaid in a later existence. One cannot escape consequences of good or bad actions in former existences. But in present life, everybody is free to decide himself for good or for bad action (Glasenapp). Only if a person succeeds in interrupting the “causal nexus” between the different existences, the pain of life ceases and the person enters the empty room of nirvana.

According to the old Theravada texts and, similarly, according to a “New Buddhist economic theory” (Piboolsvarut), economic actions are to be included into the bundle of good actions. There is an old Sutra on a man named Vimalakirti who liked to eat and to drink excellently, and who dressed himself in precious clothes. He was ready to serve the public; in times of need he took care for thick and for poor people. Following the norms given by his behaviour, a Buddhist person should not live in passive and self-related contemplation. Be he a monk or a layman, a Buddhist should be active in performing good actions. A businessman doing trade should be prudent and know what a commodity costs to him, what the turnover and what the profit will be. He should convince rich people to trust him and to finance his business. It would be in compliance with Buddha’s teaching to apply diligence and honesty in order to acquire property and wealth which are finally destined to perform good actions. Individuals’ and society’s wealth promote the country’s capacity to give help to the monks and to the poor. Wealth assists individuals on their long way to nirvana.

This picture of Buddhism is very different from that given by Max Weber who focused on passive, self-related contemplation. He thereby missed old and new Buddhist openness for social and economic interaction.

VI. Conclusions

Religions are not hostile to economic principles. They reject wealth only if used without responsibility toward others. There is a bias to egalitarian distribution in times of collective hardship. Traditional feudal layers of wealthy and of poor people are not questioned in the sources of religions. Responsible handling of wealth implies support of monks and help for the poor.