CHAPTER 8
Weber Revisited: Critical Perspectives from Calvinism on Capitalism in Economic Crisis

Johan J. Graafland

Introduction

Capitalism itself has once again become a target since the credit crisis that started in the summer of 2007. Many feel that they are victims of the capitalist system, since it is they, the taxpayers, that have had to bear the costs of trying to prevent its further deterioration. The crisis highlighted several vices of the market: the provision of unrealistic and risky mortgage loans to poor residents,1 opaque packaging and selling of such loans,2 unreliable ratings by specialists,3 risky investment policies of banks4 driven by an exorbitant bonus culture of top management.5 When the bubble burst, the governments had to step in, and in the end it is the taxpayers that have to bear the costs.

Some economists and politicians therefore described the credit crisis as the bankruptcy of Anglo-Saxon capitalism.6 The Anglo-Saxon model (so called because it is ostensibly peculiar to English-speaking countries such as the UK and the US) is best characterized as a free market economy with low levels of regulation, taxes and government expenditures. The main role of government is to secure private property rights. Government intervention or regulation is kept at a minimum, because it is believed to be more harmful than beneficial to the economy. Equity markets are the primary source of funding for companies in

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Anglo-Saxon countries. Access to finance depends on publicly available information. Therefore, the share-price is of major importance to management. In order to stimulate directors of companies to act in the interests of shareholders, companies apply reward systems that are intended to link the directors’ income to shareholder’s interests.7

In this article we are particularly interested in the connection between Calvinism and capitalism. According to Koslowski,8 the focus on the shareholder model has roots in Protestant social thought. Calvinist churches believe in the sinner’s inability to act justly. People’s souls are so debased by original sin that they cannot deliberately aim at the common good as such. The common good can only be realized inadvertently, through the operation of an ‘invisible hand’ that diverts the individuals’ selfish intentions into what conduces to the common good. This interpretation provides support for the shareholder model, according to which maximum efficiency and the common good of society are achieved when individual economic agents (shareholders and managers alike) concentrate on maximizing their own profit. By contrast, according to the Catholic understanding of original sin, humans are able to do good intentionally, even under the conditions of original sin. This implies that the individual is able to make the common good of the community the deliberate intention of his or her actions. Shareholder value should be merely the side-effect of a good product and a good firm in this view.

The link between capitalism and Calvinism was of course a central theme in Max Weber’s famous thesis. In his classic study of the protestant ethic and capitalism,9 he argued that the origin of the spirit of capitalism, which he identified narrowly as the ‘rational’ pursuit of economic gain, is to be found in the religious ideas of the Reformation. Because of Calvin’s doctrine of double predestination, people were desperate for signs that they belonged to the elect, and worldly success became one such sign. This motivated them to follow a secular vocation to accumulate money. Weber refers to Baxter who famously stated: “If God show you a way in which you may lawfully get more than in another way...if you refuse this and choose the less gainful way, you cross one