

THE FREEDOMS SPECIFIC TO THE MODERN ECONOMY AND THEIR CALVINISTIC ORIGINS

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*„The past reveals to the present
what the present is capable of seeing”
(Tawney,1937)*

Abstract

The complex, diverse and dynamic world of today is the result of the historical process of economic, social, cultural and spiritual development of humanity. The factors that have determined and continue to determine the development of humanity are numerous, some with favourable action, others with adverse effects on development. Their continued local amalgamation, combined with the influence of the international environment, results in the distinct levels of gross or net product and per capita or total and / or individual incomes of the members of society, which contribute to higher or higher quality modest life of the members of society. Material well-being is only part of the development aspirations. Specifically, meeting the needs for material subsistence and the gradual increase of physical well-being have created the premises for becoming aware of a growing range of immaterial needs that are not related to daily subsistence. Their satisfaction has the effect of improving the quality of individual and social life, the progress of scientific knowledge, the development of the spiritual-cultural component of human existence.

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Introduction

Throughout the development process, the exchange of goods and ideas between individuals and between communities - as an expression of economic freedom - has always played a role as the engine of progress, as a source of inspiration for new projects and new aspirations. In the preface to his *Development as Freedom*, published in 1999, Amartya Sen highlighting the contribution of the market mechanism to economic growth and overall societal progress, concluded: "*It is hard to think that any process of substantial development can do without very extensive use of markets, but that does not preclude the role of social support, public regulation, or statecraft when they can enrich-rather than impoverish-human lives.*"(Sen, 1999)

1. Freedom from the perspective of economic thinking

The classics of economic thought placed at the center of their concerns freedom of exchange. Thus, Adam Smith (1776) spoke of the *invisible hand of the market* - a metaphor that he wanted to emphasize the ability of the market adjustment mechanism of economic and social development, and David Ricardo (1817) advocate for free trade as a means to ensure economic growth. Too few people have noticed that the origins of liberties in the economy, including freedom of exchange, lie in the thinking and actions of the Church theologian and reformer, Jean Calvin (1509-1564).

The expansion of the market economy on a global scale has two fronts: on the one hand, some regions of the world are experiencing an unprecedented opulence; on the other hand, other areas face severe deprivation, from poverty, malnutrition and endemic diseases, limited access to education, the suppression of free expression of opinion, oppression and terrorism, failure to respect women's rights and non-recognition of their role in society, etc. During the twentieth century, fundamental human rights and freedom of opinion have been recognized, at least formally, almost all over the world, but the model of political organization and democratic development is far from the ideal form of democratic governance of society.

Of course, some significant progress achieved on a planetary scale cannot be silenced. Average life expectancy is higher than ever in the history of mankind. Against the backdrop of the accelerated globalization of all aspects of economic, financial, social, cultural, scientific and political life, the interdependence between the countries of the world has reached a level of unprecedented complexity and diversity in history, and the exchange of material and immaterial goods, as well as ideas take place (almost) without arbitrary limitations. On the other hand, the continuous deterioration of the environment and global warming are just two of the worst examples that highlight the inefficiency of the development model currently applied by mankind.

Such a contradictory situation may call into question the long-term validity of the political, economic and social model followed by the countries of the world, a model based on the mechanisms of the market economy. At the same time, on the academic front, the discrepancies between the levels of economic and social development of the world countries have generated many debates about the influence of market mechanisms on development, the way to limit / diminish / recover the development level differences, usually addressed by approaching gross domestic product or total national and / or per capita income. Against this backdrop, Sen argues that although it is hard to imagine a real process of development without massive market appeals, constructive state intervention for social support for those in need is a reality both in developing societies, and in the most prosperous countries, and this is achieved through government regulations, policies and guidelines addressing health issues, equal opportunities in education, access to resources for growth and social welfare, etc.

Milton Friedman, in his work *Capitalism and Freedom*, published in 1962, is even more treacherous about the government's limited role in ensuring freedom and development: "*Our minds tell us, and history confirms that the great threat to freedom is the concentration of power. Government is necessary to preserve our freedom, it is an instrument through which we can exercise our freedom; yet by concentrating power in political hands, it is also a threat to freedom*".

In other words, the government cannot create economic freedom; through the legal system and measurements for rigorous and effective implementation of regulations. But the government can protect private property rights and freedom to conclude contracts, being fundamental components of the liberties in the modern economy.

As evidenced in the volume *Economic and Property Liberty*, coordinated by Cosmin Marinescu (2011): "*Modern economic literature has provided ... three different explanations*

for differences in national income levels and different rates of growth among countries. The most well-known explanation goes from the assumptions and production function of Robert Solow's model" (neoclassical perspective). "The second explanation, promoted by J. Sachs, analyzes the implications of geographical areas and locations for economic growth" (perspective of geo-climatic factors). "The third approach sees income differentials and growth rates as determined by institutions" (the institutionalist perspective originated in works of D. Norton and D. Landes).

The authors of the quoted volume noticed that these three alternative approaches are not excluded, but rather have the capacity to reinforce each other. For example, if geographic and institutional factors stimulate capital formation and productivity factor productivity growth, they will certainly have positive effects on national income growth (Marinescu, 2011).

At least two aspects that mark the differentiated development of the countries of the world: *the cultural affinity for wealth* (see the works of the neo-institutionalists, among which those of Paul Fudulu), and *the capacity to generate and capitalize the innovation* in the context of the progress of knowledge in the field of new technologies, especially in the field of information and communication technology. Both aspects have determined and continue to influence the institutional model and behaviour of organizations, the transformative changes over the last 2-3 decades, which have shown that they also become a source of economic growth and development.

All of the above-mentioned approaches, however, have an explicit or implicit common denominator - a binomial that Adam Smith has yet identified as follows: "*the right of private ownership and free market economy are factors that provide (together) the best results at the individual level but also socially.*" He also mentioned that "*these will lead to harmony and prosperity only if they are surrounded by other favourable institutions and laws*" (quoted by Marinescu, 2011).

This emphasis highlights Smith's ability to limit government functions, and implicitly the safeguarding of private property rights, and the fact that the freedom to make transactions is only an aspect of the freedoms that provide the grounds for the modern development of society.

It can also be noticed that in these speeches another important element of development is understood even if it is not explicitly mentioned: business ethics built on the moral values shared and defended by the whole developing society.

2. Freedoms in the modern economy

Despite the massive interest in the concept of freedom as the engine of economic and social development, it must be recognized that there is no single definition at present.

Thus, in the Concise Encyclopaedia of Economics, Robert A. Lawson, Economic Explained Economic Dictionary, mentions that "*the key ingredients of economic freedom are personal choices, freely consented exchange, freedom to compete (in the material goods and services market, including in the labour market) and protection of person and property.*"

It is also stated that public institutions and policies are consistent with economic freedom insofar as they do not distort free trade by means of taxes and duties or restrictive regulations, and may favour individual persons and their property.

Another definition is used by the *Heritage Foundation*, which has been producing together with the *Wall Street Journal* since 1995 an index of economic freedom frequently invoked in comparative analysis between countries of the world. This definition considers that, beyond the measures to protect and preserve the personal freedom of the members of society, "*economic freedom is equivalent to the absence of government coercive measures on the production, distribution and consumption of goods and services*" (Miller and Kim, 2010).

In this approach, the only danger / risk of limiting economic freedom in the modern economy is the state, which through adopted institutions, policies and regulations can obstruct the achievement of personal economic benefits and increase individual prosperity. Even in the 2014 edition of the extensive investigation into the economic freedom index in 178 countries of the world, one finds the statement that "*Any discussion of economic freedom is reduced to the relationship between individuals and the government.*"

This definition undoubtedly offers an incomplete approach to the realities of the contemporary economy, since recent history and day-to-day practice bring arguments in support of the precept that economic freedom is not restricted / obstructed / aggravated only by actions, policies and regulations established by state institutions. Any action by a third party, be it a natural person, a corporation or a private law organization that directly or indirectly distorts the freedom of action or transaction of an economic agent (a natural or legal person) is considered to limit / reduce freedom not only to the individual level of the person affected by the action, but also at the societal level. Such an action limits the economic involvement of the economic operator in the production, distribution and / or consumption process and reduces the size of the development at the level of society. There are, unfortunately, many examples of recent history that express such aggressions, whether or not the nature of the intimidation or threat, which causes distortions in the market behaviour of threatened or blackmailed economic agents.

Beyond this methodological limit whose motivation is largely due to the difficulty of quantifying such actions and attitudes in the private sector and of providing long series of data, the Heritage Foundation's economic freedom index has gained notoriety in the 20 years of uninterrupted publishing, among others, and because it is presented in an extremely easy to understand way for the general public. The ten vectors of liberties in a modern economy are grouped into four broad categories that highlight key aspects or components of the level of economic freedom in each country:

- Rule of law = property rights, freedom from corruption;
- Limited governance = government spending and fiscal freedom;
- Regulatory efficiency = business freedom, labour freedom, monetary freedom;
- Open markets = trade freedom, investment freedom and financial freedom.

Each dimension of economic freedom is assessed on a scale of 0 to 100%, and the general index is the simple arithmetic mean of the ten components. Depending on the aggregate score, each country is included in one of the five categories: free economies (score over 80%), mostly free economies (70-79.9%), moderately free economies (scores between 60 and 69, 9%), mostly unfree economies (50 to 59.9%), repressed economies (score below 50%).

It is appreciated that the Fraser Institute in Vancouver / Canada is working with a number of other think-tanks and institutions around the world to define the most complete definition of economic freedom. James Gwartney and Robert Lawson (2002), authors of the *First Report on Economic Freedom in the World*, published by the Fraser Institute in 1996, appreciate that economic freedom refers to the quality of being free of market-specific institutions and that the essence of individual economic freedom consists of two fundamental aspects: (a) the property he acquires without resorting to force, fraud or theft is protected by the physical invasion of others; (b) the individual is free to use his property, trade it or give it to another person, insofar as such actions do not violate the same rights of others. It is noted that the assurance of economic freedom requires minimal regulatory intervention on the part of the state that focuses on guaranteeing private property and observing contractual obligations, but without mentioning the types of subjects that could limit freedom, it also leaves room for other economic agents that could aggression or violation of privately acquired property. The recourse to the definition of the quality of free market specific institutions is remarkable not only for the generalizing force of expression but also because the original link between

the macroeconomic process of wealth and welfare growth and the microeconomic fundamentals of its implementation (Berggren, 2003).

Fraser Institute's Economic Freedom Index is grounded in five broad areas, which group 38 sets of data quantifying the factorial variables of liberties in the modern economy. Each of the five sub-components uses a specific weighting method (equal weights for all variables in the group) to obtain a value on the scale from zero to ten, and the general index is a simple arithmetic mean of the five components:

- The size of the government = Government size;
- Monetary stability = Sound money;
- Property rights and rule of law = Property rights and rule of law;
- International trade = International trade;
- Regulatory framework = Regulation.

And in this case, the more the value of the index is closer to the maximum, the more economic degree of economic freedom is closer to the ideal of functioning of the market economy. On the other hand, the authors of the methodology recognize that any attempt to measure economic freedom necessarily disregards some details, which may be more important for one country than another, so that the index is no more than an approximate estimate of reality, and comparisons between countries are for information only.

Why is economic freedom so important? The answer has been given in various formulations which, after all, can be simply summarized as follows: Economic freedom is a prerequisite for economic growth and natural development (uninfluenced by the will of an agent to the detriment of the freedom of other economic subjects in society).

Milton Friedman said in his lectures in 1980: "*A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both.*" The same idea of the role of freedom in assuring the premises of development is resumed in 1996 in the introduction to the Fraser Institute Report: "*I believe that free societies have arisen and persisted only because economic freedom is so much more productive economically than other methods of controlling economic activity.*"

Also Friedman, in his book *Capitalism and Freedom*, underlined (35 years ago): "*A major source of objection to a free economy is precisely that it ... gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself*".

It should be noted that economic freedom does not automatically produce economic growth and well-being for all members of society. Economic freedom is a prerequisite for a positive development.

3. Calvinistic origins of today's economic freedoms

Calvinism proved to be the most influential form of Protestantism that swept the world in the first two centuries after the Reformation, an active and radical force that was able to change the world and rebuild the Church and the State. Calvin not only assumed, but he also introduced a new economic organization and a relatively advanced social order for that era, laying the foundation for their own ethics and their own institutions.

In his paper *Die Protestantische Ethik und der Geist des Kapitalismus*, first published in 1905 and became a reference book in the analysis of the relationship between the spheres of religion and business, Weber (2001) observes: *the Protestantism offered a set of values and beliefs about labour, saving, investment and acquiring welfare that have proved to be essential for the development of modern capitalism.* This new ideology, considered by Delacroix (2001) a mental revolution, was a real rupture of the traditional worldview (quoted by Dorius and Baker, 2012). We acknowledge in this wording some of the essential freedoms necessary for the development of the modern economy: the right to private

property, the right to work, the right to accumulate and to invest, which, as will be seen below, adds the right to trade and to conduct bank transactions.

The English historian Tawney notes in his book *Religion and the Rise of Capitalism. A Historical Study*, published in 1937: "*The impetus to reform or revolution springs in every age from the realization of the contrast between the external order of society and the moral standards recognized as valid by the conscience or reason of the individual.*"

The contrast between the two above-mentioned elements become more evident and trigger transformation into periods of rapid material progress, as was the sixteenth century, the century of affirmation of Calvinism with priority in urban areas, respectively in cities such as Geneva and then Antwerp, London or Amsterdam where the need for capital for development became acute, and capital itself was rare. Also in this environment, the practice of transactions has also proven that there are other ways of accessing wealth / capital than the land of the great landlords. It only needed recognition that interest is as less incriminating as land rent if it is rationally used for the development needs of society.

In other words, Calvin changed the social perspective on wealth, the accumulation of capital, and the source of this reconsideration is not denying the fundamental values of Christendom, but recognizes the need for capital and credit for the industrial and commercial development of urban communities. His legal profession, combined with the recognition of the realities of urban economic practice and his aspiration to create the premises for social progress, to increase opportunities for honest gain, is the origin of Calvinistic social ethics. Historians agree that since Calvin and his followers focused on the environment promoted by industrialists and traders, they had to reconcile faith with the practical needs of society. They did not abandon or reject the Church's exigency to keep watch over the moral principles of society, but admitted that these moral principles must find their natural way of application in the context in which the main features of commercial culture are present in society as defining elements of everyday life. Among these are the recognition of the legitimacy of the economic interest (the right to a free enterprise and the right to work) beyond what is necessary to cover daily subsistence. Calvin himself wrote in his correspondence "What reasonable motivation can be invoked to claim that business income should not exceed land rent. Where does the trader's profit come from if not his own concern and activity? "

By promoting this belief, Calvin implicitly acknowledged the need for capital, credit and banks, large-scale trade, and all the other aspects that make up the business world. It is no less true that the same promoters of the new economic order have solemnly declared that capital accumulation should not be criminalized, but its immoral use by resorting to extortion for those already in a critical situation. As it is known, Calvin made a clear distinction between the commercial / productive loan, for which he considered to be moral to negotiate a reasonable interest rate, and the loan to the poor in difficulty, for whom loan should be made free of charge. In all the circumstances of the money economy, shyness was considered as not moral, at least morally dubious. Dual attitude towards peace must be discussed in the context of a growing assertion in society of a new category of bourgeoisie active in such business and contributing to the development of the urban community. The witticism of an English exegete asserts: *Calvin operates with shame as the poison pharmacist uses* (Tawney, 1937).

Therefore, in the Calvinist doctrine, the interest-bearing loan is not a sin provided that the interest level is reasonable. It is interesting to note that even during Calvin's life his thinking has also embraced the germs of institutionalizing his application in the Geneva society. The Consistory of Geneva - the administrative and disciplinary court at the top of the Church - has been given the task of supervising the conduct of economic agents (including during the period 1564-1605 in which Consistory was headed by Théodore de Beze). From the point of view of practice and the outcome of deliberations, it can be considered as a first instance to

defend consumer rights and fight racism. The Geneva Consistory is a worthy precursor of modern institutional arrangements, since: *the whole body of regulation, by which modern societies set limits to the free play of economic self-interest implies the acceptance, whether deliberate or unconscious, of moral standards, by reference to which certain kinds of economic conduct are pronounced illegitimate* (Tawney, 1937).

Conclusions

To conclude this essay one should make the observation that the Calvinist doctrine contains values and practices that have facilitated the market economy. According to Weber (2001), *"this new ideology emphasized work as a calling, thrift and savings as a way of life, and the investment of profits into further business development. In combination with other factors, once this "spirit of capitalism" began to pervade economic life, industrial capitalism was born and ushered in a period of economic growth never before seen in human history"* (cited in Coleman, 1990).

One cannot omit Calvin's role in demonstrating the concrete and applicable character of economic ethics, in particular the ethics of commercial and banking affairs, to which we refer today. In the work dedicated to Calvin as a reformer and promoter of ethics of the market economy, Professor Wildbolz noted that *"Calvin savait qu'il vivait au sein d'une société animée par des aspirations très contradictoires et propres à susciter les antagonismes. Genève était bien loin d'être une ville où régnaient la crainte de Dieu, la confiance et la paix. Calvin était convaincu que dans sa ville la foi chrétienne devait se manifester par la solidarité des riches et des pauvres, par des relations de confiance entre autochtones et étrangers. Pour cela, il fallait s'exercer à la foi et à la discipline de vie, à la solidarité et à l'Espérance. Tous ces éléments ont contribué à donner à Genève dans le monde de l'époque la réputation d'un lieu d'asile pour les persécutés, d'une place où le commerce et l'économie se pratiquaient dans la sécurité, d'un Etat de droit où régnait la liberté. Avec une obstination sans faille, Calvin a préparé le terrain à une Eglise de tradition réformée active dans le monde entier, ainsi qu'à une mentalité chrétienne marquée par l'ouverture, l'honnêteté et la charité, dans un esprit de confiance en Dieu et de respect d'autrui"* (Wildbolz, 2009).

Such a teaching, whatever its merits or theological flaws, was admirably conceived by Calvin *to unleash the energies of the market economy and to determine the moral regeneration of a society tailored to the skills cultivated by the world of commerce and business* (adaptation after Tawney, 1937).

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