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Productive Capital and Christian Moral Teaching

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Abstract: *This article explores the notion of productive capital from ancient to modern times. Capital productivity was not well understood and applied until well into the Mercantilist era of the 17th and 18th centuries. Accordingly, in the ancient world sustained economic growth and increases in average living standards were not expected nor experienced over time. Wealth was understood as high consumption or hoarding for future consumption and that influenced the ethical teaching of the times. The implication of this argument is that biblical teaching on wealth relates to consumption rather than productive wealth. The real challenge for Christians today is to use productive wealth wisely and to adopt modest living standards as a response to biblical passages that warn of dangers associated with wealth. JEL Codes: A13, B15, Z12*

Some of the most difficult passages in scripture for Western affluent Christians are the passages that relate to wealth and its misuse. Jesus admonished his hearers to not store up treasure on earth (Matt. 6: 25–34) and to give what they have to the poor (Matt. 19:16–22). He taught that riches compete with the values of the kingdom of God (Luke 16:19–31 and Mark 10:25) and that money can be a distraction that captures our minds and hearts (Matt. 6:21 and Luke 12:16–21). In the early church (Acts 4:32–34) the wealthy believers sold property to share with the needy in their group and Paul charges the rich to do good and distribute wealth. James has harsh words for his rich readers (James 5:1–6) and John calls the rich folks in the church of Laodicea wretched, pitiable, poor and blind (Revelation 3:15–18). Certainly the context of each of these cases should be examined in order to discern the full scope of the teaching, but it is hard to find in the New Testament a generous attitude toward wealth accumulation.

In the Old Testament on occasion the prophets proclaimed mightily against the misuse of wealth (Amos 6:4–7) but there are also many cases where God praises prosperity and where Israel views material gain as God's blessing. What is of interest in the Old Testament is that God relates

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to the nation as His special people and his collective blessing is applauded. Wealth is distributed to all the people and not hoarded by a few. Like the manna in the wilderness, God's blessings were for all to share and for none to hoard (Exodus 16:13–27). The social structure and the law of the Hebrews included many social welfare mechanisms that required those with means to care for those suffering hard times. When this failed the prophets were quick to condemn. With the coming of Jesus, God's plan expands beyond the Hebrew nation and the notion of national prosperity from God is not part of the New Testament teaching. But the concerns about individual wealth accumulation are still plentiful as seen in the passages above.

However, authors like Henry Remple (2003, ch. 3) and M. Douglas Meeks (1989, ch. 7) claim that the Bible is not calling believers to a life of poverty or bare subsistence, but rather to a life of responsible stewardship, sharing, and a bounded notion of need. The wisdom literature in the Old Testament has many truisms indicating that generosity and sharing lead to prosperity (Proverbs 11: 24–25). Certainly if we are to help the poor out of poverty it is unlikely that we would be called to a life of poverty. Brian Griffiths (1984) points to themes in the Bible that emphasize stewardship and wealth creation rather than anti-wealth directives. John Schneider points out that Jesus grew up in a middle class Galilean home and suggests that Christians would do well to delight in consumption opportunities afforded them by productive markets (2002).[1]

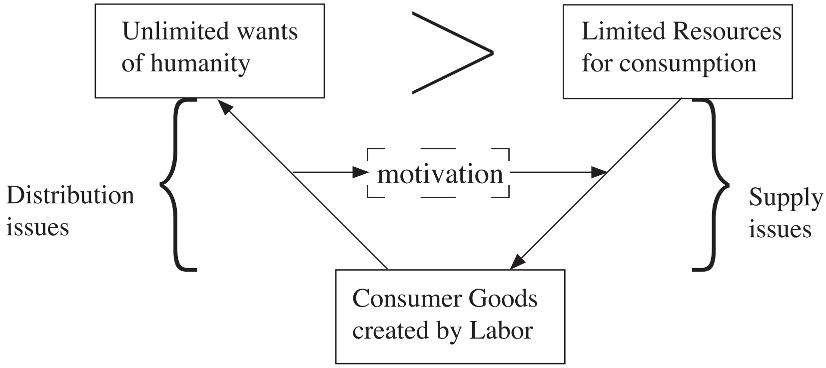
In short, there is no simple approach to biblical literature on wealth topics since the teaching in the Bible covers several thousand years and involves social structures as diverse as a theocracy under God on one hand and a group of oppressed believers in an alien Roman empire on the other hand. It is not surprising that those seeking to apply that teaching to a 21st century capitalist social order arrive at differing interpretations. However, it is a thesis of this article that more integrated interpretations are possible if productive capital and wealth creation are separated from consumption issues. In the history of economic thought the concepts of productive capital and per capita economic growth were not fleshed out until well into the 18th century. The biblical writers assumed that the best one could expect in the long run was an output level that would provide only enough daily bread for adequate nutrition and only enough clothing and shelter to sustain a healthy productive life (Matthew 6:25–34). This subsistence lifestyle was the goal of both Jews and Gentiles (Matthew 6:32) and it represented what could be expected for a meaningful lifesyle. Only royalty lived lavishly and they did so at the expense of serfs and slaves. A hierarchical class society was assumed to be necessary for the social order to be maintained.

In this kind of world it is not surprising that justice would forbid wealth accumulation since that accumulation would not increase productivity and when dissipated in lavish living could create starvation for others. The purpose of this paper is to show how long it took to separate the concepts of capital wealth and consumption wealth and to suggest that, when this is done, the weight of the biblical teaching on wealth will rest on our consumption behavior rather than on the accumulated wealth of one's balance sheet. Because Christian economists today face a world of increasing capital intensity and economic growth it is important that we come to scripture with a clear understanding, not only of our own economic environment, but also of how ethical teaching in the ancient world was impacted by its understanding of economic concepts.

Tools of some sort have always been used, but the notion that they can provide an escape from grinding poverty and social immobility was not part of the ancient and Medieval understanding. That notion could only take hold when production began to accelerate as it did from the 15th century onward. The social organization of the Greek and Roman worlds centered on a privileged manager-ruler class and slave labor. At times the social order of that day had a slave class as high as 80% of the population (Hunt 2003). Tools were primitive by design lest the slaves use them as weapons in an uprising, and people accepted a very stratified social order as necessary for subsistence.

By the fourth century B.C., Plato had articulated a theory about how the economic cycle might work. First he describes how specialization of labor enhances output. In his dialogue with Adeimantus and Glaucon he argues that "…we must infer that all things are produced more plentifully and easily and of a better quality when one man does one thing which is natural to him and does it at the right time, and leaves other things" (1961, p. 61). However, for Plato the end result is not an escape from subsistence, but rather a cycle where specialization leads to trade, increased consumption and a desire for more. This process results in wars for expansion as increased production gives rise to increased demand. For Plato, specialization of labor is not coupled with capital investment and a better life. Instead he refers to the specialization process as leading to increases in demand that are the cause of almost all evil in society. "Then, without determining as yet whether war does good or harm, this much we may affirm, that now we have discovered war to be derived from causes which are also the causes of almost all the evils in States, private as well as public" (1961, p. 66). For Plato, the problem of wants outstripping supply is not an economic problem of production, but rather a problem of excessive desire on the part of consumers. We will see that from Plato on through the New Testament and into the middle ages with Thomas Aquinas this theme of demand-side sin is at the forefront of economic thinking.

The triangle below describes the economic problem of wants exceeding supply.



To solve this problem the production process can be enhanced to increase output or the wants side of the equation can be reduced. A third alternative is to deal with the problem by seeking a distribution system that allocates the supply as fairly as possible so that the hardship of not enough is shared by all. Following Plato's lead, Aristotle focused on the demand side of the equation. As Gordon (1963) writes,

> For Aristotle, economics is chiefly concerned with the ordering of human purpose and function within the two dominant economic units of the day—the household and the state…. On this view, it is pointless to examine the means of increasing one's possessions quite independently of the analysis of the appropriate attitudes which enable the individual to direct those possessions to the maintenance of his own happiness. The scarcity problem may be solved as readily by a shift in attitudes and ends, as by a reallocation or multiplication of available means (pp. 6, 7).

Accordingly, specialization of labor would keep supply adequate and demand would be moderated by a proper understanding of the meaning and ends of life. Motivation to produce came from internalized moral teaching about one's duty to the social order or to God. The idea that people will produce more if they can keep much of the results of their efforts seemed like a less virtuous motivation for production. The box in dashes in the sketch above indicates the point that ancient and medieval thinkers did not connect the type of distribution system with the motivation to produce more output. As we shall see, it was not until the late middle ages that some thinkers began to focus on the possibility of sustainable growth of output based on risk taking that led to a widening and deepening of capital. However, before that could take place a distribution system that provided incentives for production would need to be envisioned.

Further evidence that the Greeks overlooked the production side of economic thinking can be seen in their attitude toward interest. Aristotle goes to great lengths to distinguish between natural and unnatural use of things. The natural use of things is when people exchange equal value to serve differing needs. He is very critical of anyone who makes a profit from money itself since money's natural use is simply to facilitate exchange. He does not see added value being generated beyond that received from use of the goods. The value money generates is not attributed to money itself but only to the goods that are consumed. "For money was intended to be used in exchange, but not to increase at interest. And this term usury, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of making money this is the most unnatural"(Aristotle, 1954, p. 11).

While Aristotle knows about capital goods such as olive presses, he does not connect the need for savings to make a roundabout production process possible. Forgone consumption today for future gain is not a virtue to be rewarded. Rather the desire for more tomorrow is thought to be a weakness. Robert Lekachman wonders how someone who saw most functions of money as clearly as Aristotle saw them could not see its role in capital formation. "If Aristotle saw so much, why did he not see still more? Especially, why did he not see that interest was a payment for the productive use of resources made available by one man to another?"(Lekachman, 1959, p. 12). In answering his own question Lekachman refers to the social structure and the goals of life which were seen in non-material terms. Economic growth was simply not part of the consciousness of the ancient worldview. In general, the Greek philosophers were much more concerned with having people find happiness in a virtuous life than in some hope of economic growth and increasing standards of living. In fact the two were clearly seen as competing rather than complementary.

The teaching that nature provides enough goods and services if they are distributed properly and if human goals are virtuous was common in Greek thought, in the natural law worldview of the Stoics, and in the Scholastic teaching of the Middle Ages. The biblical concerns regarding accumulation of property and the desire of many to gain happiness through material means is a consistent part of this mainstream line of thought. The early church reinforced this theme by connecting the creation state of plenty with a system that kept all things in common (Acts 2:45). Productivity and economic growth seemed useless to the Christians in Acts who believed that the coming of the Son of Man was imminent.

By the fourth century, when the imminence of Christ's return had faded, the teaching of the Greeks, Jesus and the early church continued to be reinforced by monastics and schoolmen like Thomas Aquinas. Private wealth accumulation was suspect because of the evil bent in human nature. Private property was recognized as necessary, but it was considered dangerous to the life of true virtue. According to Martin Hengel "This thesis that private property came into being as a result of the Fall had great influence in the history of the church. We find it later among the Franciscan theologians and then again in Zwingli and Melanchthon"(1974, p. 3). Despite the suspect nature of private property, it was generally accepted, at least in limited form, throughout the ancient world. If productive capital had been understood as a driver of economic well-being one would expect it to have a serious hearing in the ancient literature as well. Yet no serious commentary on productive capital is undertaken. Is this omission due to the fact that capital accumulation is so damaging to the soul that any commentary promoting capital would have been discarded as foolishness, or could other reasons exist? The answer most likely can be found in the social structure of the ancient and medieval world. As a land and labor based economy, land as private property could not be avoided as an issue, but the system was also slave- and serf-based so that labor was low cost and not technologically oriented. Furthermore, gains from technological change and productive capital would not have been easy to capture by the laborers so there would be little incentive for them to apply capital enhancements and technology. Cameron and Neal (2003) point out that

> Roman engineering ingenuity manifested itself in roads, aqueducts, and domed buildings, but not in labor-saving machinery. Clearly it was not lack of intelligence that prevented the ancients from contributing more to the progress of technology. The explanation appears to lie in the socioeconomic structure and the nature of the attitudes and incentives that it generated. Most productive work was done either by slaves or by servile peasants whose status differed little from that of slaves. Even if they had had an opportunity to improve technology, they would have reaped few if any benefits, either in terms of higher incomes or reduced labor (p. 42).

When the enlightenment ideas of freedom and self determination came along, the groundwork was laid for social change that supported capital improvements and technological change, but those ideas were many centuries removed from the ancient world.

The teaching on interest is consistent with the thesis that capital goods were not part of economic thinking before the late Middle Ages. The teaching against usury persisted well into the 18th century because it was considered a charge for money which in itself produced nothing or because many loans were made for consumption purposes to those in need. This does raise the question of why an interest return on money was practiced at all and why, even in the Bible, there seems to be recognition that it had some legitimacy even though its practice was so routinely abused. Could one argue that Jesus recognized the productivity of capital in the parable of the talents recorded in Matthew 25:14–30? Even though the parable is not related to economic concerns, the use of interest-bearing savings accounts was apparently common knowledge for the listeners. Is it not possible that they recognized the productivity of capital as the source of the interest return? The problem with this argument is that an interest return derives from at least three sources. One is the productivity of capital. If one sets aside $100 to develop a tool that returns $120 a year later, the money (capital) has been productive. The second component of interest is the inflation premium and the third is the time preference of individuals. Even if there was no productive capital and no inflation, a positive interest rate would exist because the future is uncertain so money now is usually preferred to money later. The more uncertain the future, the higher the interest rate will be as savers turn to consumption now and borrowers seek to transfer future uncertain income for present consumption. Thus, the notion of interest itself does not imply an understanding of productive capital so the parable of the talents and other references to interest returns in scripture do not contradict the claim that productive capital was not part of the biblical writers' perspectives.

More than a millennium later Thomas Aquinas sought to explain why charging rent for a house is different than charging rent for money. In an extended section of *Summa Theologica* called "Whether It is a Sin to Take Usury for Money Lent?" Aquinas separates the use of a thing from the thing itself. If a person gives wine to another and the wine is then gone it is perfectly right to charge a fair price for the wine. If a person lets another live in his house Aquinas thinks it appropriate to charge rent even though the house is not used up in the process. He recognizes that the house owner has an opportunity cost when he gives up his house for rent. This is because the house generates a service for another who should then pay a fair price for what he received. However, the rent payment is for consumption services, not to activate a roundabout production process. The next paragraph in Aquinas' (1954) house rental story begins

> Now money according to the philosopher…was invented chiefly for the purpose of exchange: and consequently the proper and principal use of money is its consumption or alienation whereby it is sunk in exchange. Hence it is by its very nature unlawful to take payment for the use of money lent, which payment is known as usury: and just as a man is bound to restore other ill-gotten goods, so is he bound to restore the money which he has taken in usury (p. 20).

Later Aquinas absolves a borrower from sin if his loan is meant to help the poor, although the lender still is at fault for charging the interest. He seems unable to see any of the sources of interest as legitimate. Aquinas' views seem to dominate most writings through the Middle Ages and so there is no indication that money can be used to develop tools which will multiply output value beyond the value of the inputs.

Finally in 1515 Pope Leo X gave tentative approval to interest on loans at the Fifth Lateran Council. Commenting on this historic event Diana Wood (2002) suggests that

> One of the most significant aspects of medieval economic thought was the emergence of the concept of interest on loans and its divorce from usurious and therefore sinful, profit. Ultimately this meant that money came to be regarded not just as a convenient medium of exchange, but as capital. And capital, given the right treatment, could and did grow…. It is nicely ironic that it was the Pope himself who finally 'justified' the taking of interest, in the sense of compensation and separated it from its sinful cousin usury (p. 207).

However, from this beginning, it took another two centuries before productive capital was to become recognized as the most significant driver of economic growth.

The Mercantilists of the 17th and 18th centuries continued the earlier tradition of seeing economic gains coming primarily from specialization of labor and trade. Concurrent with the growth of the nation state, Mercantilism was concerned with aggrandizing the national treasury by tightly regulating commercial transactions so as to create a favorable balance of trade. This surplus was realized as an influx of bullion which then enriched the national treasury. Two things are of interest in the

Mercantilist writings. First, the balance of trade surplus was not looked upon as a store of savings for capital investment and increased production. Rather, it was often dissipated in wars and royal luxury causing inflation since the money supply growth exceeded the growth in real output. Second, the vehicle for increasing manufactured goods was thought to be increasing the population rather than the capital base. Increasing the capital-to-labor ratio did not seem to be a concern of writers like Thomas Mun and Philipp Von Hornick.

Von Hornick (1954) gives nine specific rules that a country should follow in order to be wealthy. The first is to have agriculture cultivate all the acreage possible in the country. The second is to manufacture goods from the raw materials because manufactures bring a higher price. The third principle is revealing. "Third, for carrying out the above two rules, there will be need of people, both for producing and cultivating the raw materials and for working them up. Therefore, attention should be given to the population that it may be as large as the country can support, this being a well ordered state's most important concern, but, unfortunately, one that is often neglected" (Von Hornick, 1954, p. 39). In other words it is more labor that will enhance manufacturing. Nowhere in the nine principles listed does capital formation become a concern. Productivity and growth are labor driven and the national policy is a beggar-thy-neighbor strategy where one country gains and another loses.

It was not until the last half of the 18th century that the classical economists began to put together a vision of how capital and technology could increase total output. The ongoing story of the productivity of capital is for another time, but the important point here is that the writers of the Bible lived many centuries before capital was viewed as a means of enhancing human welfare beyond subsistence. Had they spoken of wealth as we now understand it they would have been unable to communicate with their contemporaries.

The task for Christians today is to discern what it means for believers to live in an era when productive capital is the main driver of improved material wellbeing. Increases in living standards are assumed not only to be possible but to be the norm, and poverty is not viewed as inevitable. This reality changes the way we view the wealth passages for both the producer and consumer. First, wealth that is not consumed is channeled through the financial markets into other activity. If that activity is investment into a production process that increases productivity and output in a socially desirable and ethical way, then that wealth has a positive effect on social wellbeing. However, to say that productive capital wealth is not spoken of in scripture is not to say that it is morally neutral in our decision-making. Everyone with money to invest must face the question of whether those dollars could be better used funding a church or other charity program today. When the choice is to invest, an investor must discern what productive capital to buy and how to keep the wealth at arms length so it does not become an idol that does damage to the soul. The freedom to be wealthy does not make the Christian life easy for the rich but that freedom need not be burdensome or a cause for guilt.

If the passages relating to riches are really speaking to resource consumption as this article claims, then Christians must take lifestyle and standard of living issues very seriously. Any dollar spent for consumption is a dollar less for someone else in need and the scripture is clear about our responsibility to the poor (Matthew 25: 34–36). Claiming that spending on one's self creates a job for someone else is not a sound argument because someone in need could have put a person to work with the same money. The argument here is that the scripture passages like those cited at the beginning of this article focus on wealth as consumption rather than wealth as productive capital so it is our lifestyle, not our balance sheet, that is the most important issue.

The argument by Schneider (2002, ch. 6) that Christians should delight in material wellbeing is appealing on one level, but it has a hollow ring on another level. A material yardstick for what brings satisfaction and delight in life runs counter to the two greatest commandments of loving God and neighbor. The joy of service and a witness to sufficiency and simplicity can be a meaningful counter-witness to the frustrating consumption race of the world. If this witness is the grateful response of a community of faith to God's provision, then both the material and spiritual longings of life are met (Matt. 6:33). What greater joy and delight could there be for a believer? The biblical passages that appear most negative toward riches are attempting to free Christians from material bondage rather than create guilt and discouragement.

This does not mean that sufficiency and simplicity are easy to define. The space between extravagance and delighting in enough is often vague and should not become reduced to a legalistic exercise. Unfortunately, churches have avoided discussions of what these concepts mean for a given time and place. Consumers and business people get little help as they search for appropriate tradeoffs between consumption, charity and productive investment and so the individualistic and materialistic ethos of our time has often set the standard of economic life for the believer. Consequently, the real joy and freedom of Christian living is lost. An authentic community of faith is essential for a genuine economic witness in a complex world with endless choices.

It should be clear that the wealth passages in the Bible are directed to the people of God in the Old Testament and the believers in the New Testament. In both cases their witness enriched the quality of their fellowship and served as salt and light to their secular surroundings. In the modern world the secular and the sacred have been separated since the Middle Ages gave way to the Enlightenment world of science and system thinking.

Consequently Christians try to influence the system for good, but it is difficult to imagine a modern social system being transformed into a new form of Christendom. To argue that biblical texts do speak directly to the consumption choices of the Christian is not to argue that market capitalism is not the best system for the secular social order. To make the claim that productive wealth was not part of the biblical writer's perspective on wealth is to encourage such investment in markets where it is appropriate.

And so, we live in two worlds which have different visions and loyalties. Sometimes the values of the two worlds complement each other. Sometimes the values of the two worlds are incompatible, but in all cases we must try to be faithful to the biblical message. I have tried to show why in the area of personal consumption the biblical texts may be saying more to us than we are hearing, but in the area of productive wealth these texts may be saying less than it appears.

For the thesis of this paper to be credible it is important that it does not contain a fallacy of composition. If everyone lived a simple life and invested large amounts, then output would grow substantially. Ultimately consumption would have to grow also and the average standard of living would rise substantially. Poverty may even be eliminated. If these benefits are fairly distributed, it is possible that this situation would enhance spiritual life rather than endanger it.

For this to happen, two things would need to occur. First, the call to modest living and high saving must become the norm for large portions of the social order. Both Christians and non-Christians would need to see the value of a change. Second, the choices that these savers make between productive investment and charity would have to be heavily tilted toward investment. This article does not claim that productive investment is preferred to charity. In fact, charity as an alternative to investment is likely to consume much of the excess savings that modest living might generate, particularly when the global picture is considered.

However, if the fallacy of composition argument were to be realized, another interesting challenge would face Christians. Since the problem of production would be solved, the key questions then would turn toward distribution and the spiritual challenges of living in a world with an elevated average standard of living and no poverty. While this hypothetical scenario is very unlikely, it would create a new challenge for those working with the biblical material on wealth. Additional hermeneutical work will then need to be done to understand what the Bible is saying to Christians living in that new set of circumstances.

Endnote

1 A helpful symposium on Schneider's book is printed in the Fall 2002 issue of *Faith & Economics*. In this issue the tone of biblical material on wealth and consumption is discussed with both the negative and positive side portrayed. However, neither Schneider nor his critics sort out the difference between productive capital and consumption as components of wealth except as productive capital is applauded as a driving force toward market affluence.

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