

The Reformation and Business

Learning from Luther and Calvin

■ by David Parish



Not only Luther and Calvin, but also Moravians and Quakers, related their Christian faith to their daily business life. Many ethical issues in banking, trading and business which preoccupy Christians today were also explored in depth by the Reformers. Their solutions included not only strictures on personal behaviour but also the founding of communities which prospered through self-discipline.

If there had been television in the late 1500s, the headlines would have been worryingly familiar: allegations of fraud at major financial institutions, cartels dominating key industries, the gap between rich and poor widening, and church leaders writing strong warnings about an over-reliance on debt instead of savings.

It is part of the *hubris* of modernity to believe that the late twentieth and early twenty-first centuries have developed a unique approach to trade and commerce based on modern market capitalism. It is felt that the past has nothing to show us, except that the lifting of the ban on usury by the Reformers was perhaps the tool that launched the world on the road to an unfettered capitalist economic system.

However the evidence for such a simplistic view is weak. Max Weber, the German historian and social economist, famously explored the Reformation view of the 'Christian calling' and the expansion of capitalism. He published an article in 1904 as a response to the thinking of Marx and others, and later expanded it to become *Die Protestantische Ethik und der Geist des Kapitalismus* (The Protestant Ethic and the Spirit of Capitalism¹).

Even Weber did not make the claim that the link between Protestantism and capitalism

was direct and in the examples he quotes he fails to comment on the fact that Bruges and Antwerp were successful Catholic trade centres, equal in prosperity to the Protestant cities of Geneva, Strasbourg or Augsburg.

Calling and the Sentry Box

However, Weber considered that the concept of 'calling' was distinctive to the Reformation, and came not only from Luther in Germany (Weber's chapter 3 is on Luther's concept of the calling) but also from Calvin in Geneva. The calling to individual commitment to one's trade or profession, with a work ethic that was rational, sober, industrious and thrifty, became a driving force in the growth of capitalism.

Calvin saw the daily work of the Christian as important both as service to the community and as part of the extension of the Kingdom of Christ in every sphere of life. Writing in his *Institutes of the Christian Religion*, he says: "He [the Lord] has appointed duties for every man in his particular way of life. And no one may thoughtlessly transgress his limits. He has named these various kinds of living 'callings'. Therefore each individual has his own kind of living assigned to him by the Lord as a sort of sentry box so that he may not heedlessly wander about through life. Accordingly your life will be best directed through this goal."² ▶▶

▶▶ I like the concept of the ‘sentry box’: our daily work and role in life as that space into which God has placed us in his service. This is a corrective to our seeing work as simply a means to the secular end of gaining wealth and security, viewing it instead as the point where faith and life interact. Today it is accepted that people will be mobile in pursuit of their careers and will also move employer more frequently but career choices should be based on the understanding of the particular gifts we have. We also need to find employment which is ethical and contributes to the good of the community.



Portrait of Martin Luther (1543)
Lucas Cranach the Elder
Germanisches Nationalmuseum,
Nuremberg, Germany

Earlier Luther took up a similar theme when he wrote ‘An Open Letter to the Christian nobility of the German Nation concerning the Reform of the Christian Estate,’ perhaps not the snappiest of titles! In this he challenges the Roman Catholic view that there were two ‘estates’, the spiritual one to do with Church and its functions, and the other one the temporal, worldly jurisdiction of princes, lords, artisans and farmers.

Even today this pre-Reformation view lingers on in Britain with the bishops in the House of Lords referred to as the Lords Spiritual and the appointed or hereditary peers as the Lords Temporal. Yet clearly their function in government is exactly the same. The secular complaint that bishops should not be interfering in politics is a result of this pre-Reformation attitude that they are separate. We now call this the notorious ‘sacred-secular divide’. Is it time we re-learned the lesson of the Reformers and see God calling us to sacred secular employment?

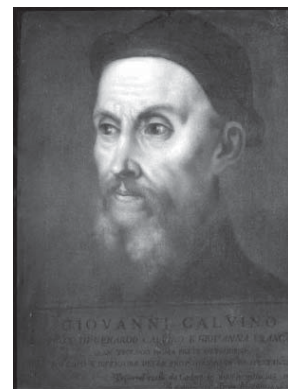
The influence of Calvin was reflected in the writings of Martin Bucer, who moved from Geneva to become Regius Professor of Divinity at Cambridge. In his major work *The*

Kingdom of Christ he describes in practical detail how a Christian civil society might function. He recognises the need for trade and commerce to provide wealth but also cautions against abuse and fraud.

The Lutheran *Augsburg Confession* also picked up this theme and in article 16 states: ‘Secular governments and vocations are considered part of God’s natural order. Christians are free to engage in the business and vocations of the world’.³

Does this give us confidence in expressing Christian values at work?

Although attitudes are changing in the churches with more teaching on ‘whole life discipleship’ some churches are still suspicious of business people and are not sure that commerce is a legitimate calling. Yet our workplaces form part of our area of mission.



Portrait of John Calvin c.1560, attributed to Titian
The Reformed Church of France, Paris

Calvin’s thinking

Calvin, perhaps reflecting his legal training, was more forensic in his detailed definition of the limits of trade. He approved of the use of credit and debt in order to expand commerce. This was crucial for Geneva as a city state, in that it needed to raise revenues from taxes and duties in order to exist as an enclave in the middle of a largely hostile Catholic Savoy. He sought to attract artisans with portable trades, such as silversmiths and printers, who could create jobs for the labouring class, many of whom had fled to Geneva as religious refugees from other countries of Europe.

At the same time he frequently badgered the *Consistoire* (the ecclesiastical court) and the *Conseil d’Etat* (the civic government) to pass laws that limited abuses of trade such as monopolies and exploitation of the workers. Geneva also had a minimum hourly wage ▶▶

▶▶ which applied to most trades employing manual labour. However, Calvin accepted that companies needed to make reasonable profits in order to invest in growth.

He also suggested that the interest rates of the lenders should reflect rates of return similar to those obtained by renting land. Later under his successor Theodore Beza interest rates were capped at around 10%.

Often goldsmiths and silversmiths would hold deposits from other merchants in their secure vaults. From these origins banking began to develop, both in scale and in levels of risk, and many of the private banks in Geneva can trace their origins back to this period.

R. H. Tawney in his book *Religion and the Rise of Capitalism* makes the following observation:

‘...the passion for regeneration and purification, which was one element in the Reformation, was directed against the corruption of society as well as the Church. Princes and nobles and businessmen conducted themselves after their kind, and fished eagerly in troubled waters. But the aim of religious leaders was to reconstruct not merely doctrine and ecclesiastical government, but government and institutions, on patterns derived from the forgotten purity of primitive Christianity.’⁴

It is interesting that in the wake of the Occupy movement and the ejection of the camp from the area of St. Paul’s Cathedral, the St. Paul’s Institute has enlisted the help of leading Christian business leaders to help explore the issues with the leaders of the Occupy movement. Justin Welby, Archbishop of Canterbury designate, who has a background in finance, is a member of the Parliamentary Commission on Banking and was recently seen on the Parliamentary TV channel grilling Andy Haldane, one of the Directors of the Bank of England, on the lack of transparency of derivatives and other instruments of finance in measuring the value of company balance sheets.

Did the Reformers change business practice?

Given this high level of theological and practical engagement with the principles of trade and commerce, how successful were the Reformers in influencing the business ethics of the day?

It is clear that their writings were read and considered. Calvin, Luther and Bucer were all writers whose works were bought by many wealthy people of the time. Luther’s works were a success for both the original printers and the re-printers. By the time the Reformation was underway there were printers in around 200 cities in Europe.

Indeed Luther issued a warning to the printers that they were infringing his copyright. He used both a theological argument against avarice and a social argument that illegal reprinting was a predatory practice. However, it has to be said his warning was not always heeded as there was no legal framework of copyright in place at the time.

Some traders like Thomas Poyntz, the English merchant based in Antwerp, were clearly supporters of the Reformation. Indeed Poyntz risked his reputation to give William Tyndale safe refuge when he was on the run from the agents of the British Crown. He was part of a close circle of English traders who lived in the English House sector of the city. Few letters and documents survive but it appears that these traders were held in good reputation, and the Antwerp city government gave them a measure of self-government and regulation. ▶▶



Parliamentary Commission on Banking Standards

Luther on Trade and Usury

It is clear from Luther's writing that a consistent Biblical ethic was not always apparent among the Reformation traders. He wrote a treatise on *Trade and Usury* (1524), roundly condemning businessmen who abused monopoly positions or sought excessive profits far above the cost of operating the business. Part of Luther's frustration perhaps came from his rural background. He found it hard to see why traders should demand profits much in excess of those achieved from farming.

Luther is not only hard-hitting but full of dry wit about the practices in trade and banking of his time. He hits out at 'monopolia' used to gain control of prices for profit and contrasts them with Joseph in Egypt using his grain monopoly for social good. He characterises the business ethic as 'I may sell all my goods as dear as I can.'⁵

However Luther did accept the need to compensate the risk that businesses took in trading and thought this risk should be factored into the price, but even then the price asked should reflect the price common in the marketplace. Today via the internet we have a global marketplace and at a click of a button we can check the range of prices of any item. In the 1500s, although trade in major commodities was increasingly global, people depended for their day-to-day purchases on local and regional markets.

Luther disliked trade cartels, particularly the English cartel in woven cloth. 'England would have less gold if Germany let her keep her cloth.'⁶ He clearly felt German merchants would increase Germany's wealth by buying local rather than English cloth.

Luther agreed with Johann Eck on a cap on interest rates at 5% and that risk-sharing should have a reward, but did not agree with him on the ethics of lending by banks for a fixed return at no risk. He

distinguished well between *rente* (land rented out for a share in the profit or loss from the venture), which he encouraged, and *zins* (close to the present meaning of interest), which he condemned. *Zins* is still the current German banking term for bank interest. The Germans have named derivatives and hedging *Spekulations-Fonds*, so Luther's thoughts still seem to have a vestige of influence. The cuddlier Anglo-American term 'hedge funds' is much less descriptive.

Currently various Christian groups are campaigning for better regulation of the 'pay day' lenders whose interest rates are often over 4000% APR and who target the vulnerable. According to the *Daily Mail* (18 Oct 2012) article on Wonga, the National Union of Students has branded the companies tactics predatory, while Justin Welby has also claimed that its charges were 'usurious' and 'deeply shocking'.

This should be an area where individual Christians and churches lobby for a cap on interest rates.

In other writings Luther saw the growing influence of the merchant and investment banks which were already producing quite sophisticated ways of investing. This also supports Richard Higginson's contention in his latest book *Faith, Hope & the Global Economy* (reviewed on pp 5-6) that capitalism was developing well before the Reformation. ►►



England's gold from the wool trade, complained about by Luther
Holy Trinity Long Melford, Suffolk, built with wool money

Examples of unscrupulous Protestant traders

Despite Luther and Calvin's exhortations, conversion of a state to Protestantism did not always imply better business ethics. One particular family of Protestant traders exhibited traits comparable with some of the worst seen recently in financial circles in the USA and Europe.

The Höchstetter family were members of the sixteenth-century mercantile patriciate of the Lutheran state of Augsburg in southern Germany. For a time, the most notorious member of this group of international mercantile bankers and venture capitalists was Ambrosius Höchstetter.

He successfully, albeit briefly, cornered local markets in ash timber, grain and certain wines. Grain hoarding is never a popular practice, and Ambrosius was accused of adulterating the spices in which he traded. The wealth of Augsburg was built upon control of metal ores - the gold, silver and other precious metals found in Bohemia and the Tyrol - and from their refining and marketing. In 1529 he tried to bring together the whole mercury metal stock in a cartel, but this failed attempt to corner the market led to his bankruptcy for 800,000 gulden. He eventually died in prison. But the house of Höchstetter itself did not go under.

Sir Richard Gresham, when detained at Nieuport in 1526, sent a letter with Joachim Höchstetter to Cardinal Wolsey, characterising Höchstetter as one of the richest and most influential merchants of Germany and a great exporter of wheat to London.⁷

Later as the Puritans took their Reformation ideals to America, particularly those modeled on Geneva, there was often outward piety but not a reform of the morality of trade.

I quote again from Richard Tawney, on the case of a trader, Robert Keane: "His offence by general consent was black. He kept a shop in Boston, in which he took '...in some above 6d in the shilling profit and in some above 8d;

and in some small things above two for one; and this, though he was an ancient professor of the gospel, wealthy and having one child, having come over for conscience' sake and for the advancement of the gospel.'"⁸ Although there was no law against profiteering, the magistrates fined him £200 for fear such practices might damage the economy of the fledgling colony.

Moravians and Quakers

The Moravians were more consistent as a church body, and in the community at Herrnhut, founded by Count Zinzendorf in 1722, there was general agreement on trade practices. Indeed, trades were chosen that did not harm the community.

The following extract is from Hutton's *History of the Moravian Church*:

'If a man desired to settle at Herrnhut, the one supreme condition was that he earned his bread by honest toil.' They also prayed to 'bless the sweat of the brow and the faithfulness in business.'⁹ The whole aim was the good of each other and the good of all. Moravians could only

lend money on interest with the consent of the Elders and trade disputes had to be settled by mutual agreement. If they went to law they were expelled from the community.

The links between the Moravians and the Quakers were close and the Quaker Rule contained restrictions on the types of trade that Quakers could follow. It was no accident that many went into producing and selling food and clothing. In the early days of chocolate manufacture it was marketed as a health drink.

It may be that the Pietistic strand of faith produced a more reflective way of life which influenced their work as much as their worship. ►►



Herrnhut, East Saxony
The Moravian Church is at the end of the street

Implications for Today

In looking at the history of the engagement of the Reformers with trade it appears the greatest impact was made where the church leaders and the lay people agreed about rules that were reasonable and for the greater good, and not merely trying to restrain the norms of commerce. From examples in the media it is clear that modern market capitalism is not functioning for the greater good. Transparency in relationships before God was one of the key themes of the Reformation.

The number of faith-based and secular organisations that are pressing for the reform of capitalism has increased. This year the London Institute for Contemporary Christianity was the joint publisher with Tomorrow’s Company and the Institute of Chartered Accountants of James Featherby’s *Of Markets and Men*¹⁰. This sets out radical structural changes needed to make finance more relational, more holistic and more purposeful. Richard Higginson’s book also addresses some of the excesses that lay behind what is now being called the Global Financial Collapse.

Recently, The Times in an editorial (15th November 2012) called for the restoration of trust as part of the essential social fabric of commerce. Allister Heath, the Editor of City AM took up a similar theme in his article (14th November): ‘In his bestselling book *Trust*, Francis Fukuyama argued that social capital is an essential prerequisite to prosperity. High-trust societies enjoy complex networks of voluntary associations, and this creates a climate conducive to commercial cooperation, entrepreneurship, the building of large



Francis Fukuyama

companies and international trade. He warned in the 1990s that trust was in decline in the US; research by YouGov suggests that this process of social disintegration is certainly accelerating in the UK.¹¹

If transparency is one of the key measures to enable business accountability then there needs to be increasing adoption of the Global Reporting Initiative by the large multinational companies. The Companies Act needs to be amended so that companies have to show positively and report annually on how they have taken account of the needs of customers, employees and ‘neighbours’. This could form part of a new Social Impact Statement and the BSI department could introduce a ‘standard mark’ for companies that excel in these areas.

It is crucial that we return to the Reformers’ view that churches support their people who work in the area of business and commerce and that their work is seen as part of the wider calling to serve the Kingdom of Christ. ■

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- 1 First published in an English edition by Allen & Unwin in 1930; republished by Routledge in 2001.
- 2 John Calvin, *Institutes of the Christian Religion*, III.x.6.
- 3 Summary of Augsburg Confession, en.wikipedia.org/wiki/Augsburg_Confession.
- 4 R.H.Tawney, *Religion and the Rise of Capitalism*, John Murray, 1936, p.85.
- 5 Luther’s Works, ‘On Trade and Usury’, Vol.45. Fortress Press, 1966, p.247.
- 6 *Op.cit.*, p.246.
- 7 From the article on the Höchstetter family in Wikipedia
- 8 *Religion and the Rise of Capitalism*, pp.128-129.
- 9 <http://zinzendorf.com/pages/index.php?id=founding-of-herrnhut>
- 10 James Featherby, *Of Markets and Men*, The Centre for Tomorrow’s Company, 2012, reviewed on page 29 of this issue.
- 11 www.cityam.com/latest-news/allister-heath/scandals-have-made-the-uk-dangerously-low-trust-society.