Review

Exploring Russia’s economic development from the perspective of eastern orthodox economic ethics and western economic methodology

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Traditional economists such as Adam Smith began to pay attention to topics such as economic development and economic growth by focusing on resolving issues such as production labor, capital increase, and the breakthrough innovations of production technology. Amartya Sen also drew much attention to the study of economic development when he was awarded the Nobel Prize in 1998. Max Weber fully addressed the correlation between the ethical considerations of religions such as Lutheranism, Calvinism and Quakers and the development of capitalism. Whether it is the traditional economics study, Max Weber’s innovative approach on the correlation between religious ethics and capitalist market economics, or Amartya Sen’s further expansion on the ethical economics, they all show that the correlation between ethical reflections and economic development is a prized academic research trend. The combined effort of Max Weber’s religious ethics approach and the use of Amartya Sen’s research method in ethical economics could become another perspective in understanding Russia’s economic development.

Key words: Amartya Sen, Lutheranism, Calvinism, Eastern Orthodox Church, economic ethics, Beruf, Berufsmensch, homo economicus, constitutive freedoms, instrumental freedoms.

INTRODUCTION

A new direction in economic development theory

There are many aspects in order to understand Russia’s economic development through the study of economics. Traditional economists such as Adam Smith had already started to pay attention to topics such as economic development and economic growth. These traditional economists would focus on resolving issues like production labor, capital increase and the breakthrough innovation of production technology. With the rise of the Supply-Side School in 1980, the focus was shifted toward government’s lifting market regulations, lowering taxes and the enhancement of economic growth in the event of inflation. However, a methodology of observing economic development through ethical considerations proposed by Professor Amartya Sen, who was awarded the Nobel Prize in Economics in 1998, drew much attention of the academia and thus opened a new door for the study of economic development (Sen, 2000).

In fact, ethical considerations in economic development have been a subject of great importance and value by the academia. In the writings, “Protestant Ethic” and the “Spirit of Capitalism”, Max Weber fully addressed the
correlation between the ethical considerations of religions such as Lutheranism, Calvinism, and Quakerism with the development of capitalism (Weber, 2002). Adam Smith, Professor of moral philosophy at University of Glasgow, was known for presenting lectures in natural theology, ethics, jurisprudence and expenditure. The theory of moral sentiments was a major part of his lectures. These lectures can serve as an associated chapter relating to the issues of economic ethics in his inquiry into the nature and cause of the wealth of nations (Lin, 1979).

Therefore, whether it is the traditional economics study, Max Weber’s innovative approach on the correlation between religious ethics and capitalist market economics, or Amartya Sen’s further expansion on the ethical economics, they all show that the correlation between ethical reflections and economic development is a prized academic research trend. The combined effort of Max Weber’s religious ethics approach and the use of Amartya Sen’s research method in ethical economics could become another perspective in understanding Russia’s economic development.

Russia’s economic development and the particularity of the Russian Orthodox Church

Parallel to the close relationship between Confucianism and Chinese culture, the Orthodox culture also had a profound influence on the development of Russia. In the 19th century, when Chinese intellectuals were powerless against the impact of Western civilization, the Confucian concept of “internal tradition to external enrichment” was given a new meaning. Scholars such as Junmai Chang, Shili Xiong, Shuming Liang, Zongsan Mou, Junyi Tang, and others made an attempt guided toward the effort. Similarly, Orthodox theologians Bulgakov (С. Н. Булгаков), Lossky (Н. О. Лосский), Florovsky (Г. В. Флоровский), and others had also deeply reflected on how Russian Orthodox culture could respond to and survive under the challenge of Western civilization (Ford, 2005).

Essentially, the Russian Orthodox Church and its related christian churches such as the Roman Catholic and Protestant churches, have their own traditions and characteristics. The phrase “Ex Oriente Lux!” (Pelikan, 1971) suggests that many of the christian rituals come from the East. In fact, the Eastern region of the Roman Empire, such as Antioch of Syria, Cyprus, Asia Minor, Philippi of Macedonia in Europe, Alexandria of Egypt and others, were where the early churches were located. Therefore, the Eastern Orthodox Church proclaims itself to be the Orthodox Church which prides itself in preserving and teaching the apostolic and patristic traditions of early church practices (Lo, 1974). Theologically, the Eastern Orthodox theologians also believe that the Greek language, not Latin, is more capable of interpreting the subtle theological concepts (Pelikan, 1971; Geanakoplos, 1996; Rogosh, 1948; Baum and Dietmar, 2003). In addition, the father of the church, John of Damascus, quoted the gospel of John chapter 1:18, “No man hath seen God at any time; the only begotten son, who is in the bosom of the Father, he hath declared him”. If God can only be known by his son Jesus, then what hope does man have with limited experience and views to ever fully knowing God? Therefore, the Eastern Orthodox Church is more willing to explore the divine revelation rather than the study of Qusia, which creates the tradition of Mysticism through the theology of the ‘ineffable and unknowable’ (Fedotov, 1989).

As the successor to the Eastern Orthodox Church, the Russian Orthodox Church continues the tradition of the Eastern Church. It follows the liturgical ceremony of the Byzantine or Constantinopolitan Rite, puts great emphasis on mystical tradition, and focuses more on the spiritual prayer of hychasm – the prayer of the heart. Furthermore, in the gospel of John on chapter 14:9, Jesus answers Philip, “Believe in God, believe also in me”. Therefore, a method of conveying messages through different images is significant when interpreting icons in the bible and iconic veneration as a way of prayer (Lu, 2009).

The profound impact of the Eastern Orthodox Church on Russia prompted Leroy-Beaulieu to devote a third of his classic, “The Empire of the Tsars and the Russians”, in talking about the influence of the Eastern Orthodox Church. Also, Hecker called Russians the “apostles of God” (Bogonostzy) and “those who yearn for God” (Bogoiskately) in his religion under the Soviets. A phenomenon called “The Holy Fool” also exists in the Russian Orthodox Church, and according to a study by Ewa M. Thompson, it has its origin in the Shamanism of the Uralic and Altaic region. It is a peculiar form of Eastern Orthodox asceticism which is referred to as “foolishness for Christ” (Thompson, 1995).

In addition, its mystical tradition has prompted the Eastern Orthodox Church to focus on the extensive and profound gospel of John in the New Testament. Some critics believe that the Eastern Orthodox Church considers St. John the spiritual pope. Merezhkovsky (Д. С.Мережковский) also proposed the concept of the new Eastern Orthodox Church to converting to St. John’s Church. Since the Eastern Orthodox Church and Russian civilizations are closely related, exploring Russia’s economic development through the Eastern Orthodox ethics should provide a new perspective and understanding (Merezhkovsky, 1999).

The concept of S.N. Bulgakov’s Orthodox type of economic man

A comparison between Bulgakov’s (С. Н. Булгаков) concept of “homo economicus” in the Eastern Orthodox
Church and Max Weber's concept of “Beruf” and “Berufsmensch”. 

According to Rowan Williams’ classification, the important contemporary Orthodox theologians are Bulgakov (С. Н. Булгаков), Lossky (Н. О. Лосский), and Florovsky (Г. В. Флоровский) (Ford, 2005). It was Bulgakov who conducted profound discussion on the concept of economic ethics. Once appointed Professor of Economics at Moscow University and once he studied the economic theory of communism and Weber’s discourse, Bulgakov professed that man’s soul and economic activities are relevantly linked. Exploring such links should serve as the most interesting research in Economics. Bulgakov also talked about the christian concept of “homo economicus” which can be divided into Puritans, Lutherans, Reformists, Quakers, and other types of “Economic Man” in Reformed churches (Bulgakov, 1995). This is obviously the same context of Weber’s proposed concept and interesting approach to understanding Russia’s economic ethics in the capitalist market (Merezhkovsky, 1999).

Weber’s claim made the most impact on the development of capitalism. Weber observed that production efficiency is an important factor in the development of capitalism and that improved efficiency is closely related to religious ethics in Protestantism (Merezhkovsky, 1999; Weber, 2002).

Christians, whether they are Catholics, Orthodox christians or Protestants, are citizens of two worlds. The so-called two worlds are the one existing on earth, and the other, eternal salvation of the future. Christians are citizens of this world and hope to become citizens of the future world of eternal life. Therefore, how to obtain God's salvation and attain eternal life is the focal concern of the faithful. Lutheranism stresses that those who have faith in God and thus attain salvation are known as the righteous man, and this is called “justification” (Weber, 2002). “Justification” has mysterious intuitive features. Calvinism developed the theory of “predestination” from the concept of “effectual calling”. Effectual calling is man's salvation and the granting of eternal life is predetermined by God's will. Man must work hard to recognize himself as the chosen one and perform asceticism to serve and glorify God. Such tendency of ‘labor from belief’ naturally develops itself into “Beruf”. Those who have “Beruf” fulfill their duties assiduously in a profession, and they believe labor and diligence are their duties to God, which is where the concept of “Berufsmensch” originated (Weber, 2002; Edmondson, 2004).

The existence of “Beruf” not only provides employers with high production efficiency and a staff of dedicated diligent workers, but also melts the traditionally icy relationship that exists between employers and employees. Employers can have an unfamiliar yet loyal and devoted labor force but employers can also regard their business as “Beruf”. This means the pursuit of wealth could have both religious and ethical implications.

The development of the aforementioned concepts has had a profound effect on the development of capitalism (Weber, 2002).

A comparison between Bulalov’s (С. Н. Булгаков) concept of “homo economicus (economic man)” in the Eastern Orthodox Church and Max Weber’s concept of “Beruf” and “Berufsmensch”

The Eastern Orthodox view of how man attains salvation is quite different from those of Lutheranism and Calvinism. Bulgakov’s interpretation of the Orthodox “homo economicus” is also different from the “Berufsmensch”, and he also regarded issues within capitalism in a different light (Bulgakov, 1995).

First, the Orthodox theology affirms that man's free will can make a choice between good and evil, and man's salvation is predetermined by God's will. While God knows all things beforehand, God does not predetermine all things, so man's salvation is not always predestined. Man has the free will to choose good and renounce evil. Those who are good follow the predestined good will of God and those who are evil are neither predestined nor aspired by God's will. Man's ability to choose is God's gift. Therefore, under the mercy of God who is willing to grant salvation to all man, those who abide in virtue and forsake their sins are on the path to salvation, which is the path traditionally recognized by the Eastern Orthodox Church (Fedotor, 1989).

Bulgakov proposed the concept that considered man the Logos and the creator of the economic world. Logos is the transliteration of a Greek word, commonly referred to as “Word of God” or “discourse”, which really means that man is the soul of the universe. Since man is both the soul of the universe and the Logos of the economic world, man bears the responsibility of governing the world (Bulgakov, 1995). This notion is similar to Confucian's philosophy which states that the highest moral accomplishment of man is aiding creation and furthering his life, the task that is regarded as the ultimate goal of heaven and earth. Christianity itself holds the characteristics of respecting hard work, asceticism, temperance and other virtues, while it detests extravagance and idleness. These values are also shared by that of the Catholic and Orthodox churches.

Bulgakov’s definition of the Orthodox “homo economicus” reconciles man's role as Logos and asceticism, as well as the doctrine of man’s abandonment of worldly life and attachment which he called “liberal asceticism”. Bulgakov’s believed that the new economic man being under such new labor motivation could enhance the performance of labor productivity (Bulgakov, 1995).

Here we can observe that under the premise of an improved production efficiency and capacity, as well as factoring in economic growth and development, Bulgakov’s...
concept of the Orthodox “homo economicus” distinguishes itself from that of Karl Marx’s. Marx stressed that the production model, the so-called “scientific socialism”, is the basis for economics (Bulgakov, 1995; Williams, 1999), and that the Calvinist “Berufsmensch” demands both high productivity and bonds with the concept of “Beruf”.

So when we look at Russia’s economic transition and development since 1991, the concept of the Orthodox “homo economicus” could be an approach in economic ethics. This concept helps us to rethink the institutional and cultural dimensions behind Russia’s economic problems, as well as its religious and spiritual connotation.

The development of economic ethics and Sen’s claim of economic ethics

Coase, winner of the 1991 Nobel Prize in Economics, first proposed the concepts of “transaction costs” and “property rights” in many of his papers. Coase wrote the Nature of the Firm of 1997 and The Federal Communications Commission of 1959. This promptly inspired the 1986 Nobel Laureate in Economics, Buchanan, to develop a constitutional and political contract model from the joint perspective of transaction costs and contracts. Coase’s inspiration went as far as the 1993 Nobel Laureates in Economics, North and Fogel, who explored how the institutional factors affect the efficiency of the market economy. This school is generally called “The New Institutional Economics”, whose influence extended to the 2009 Nobel Laureate in Economics to Ostrom and Williamson. Ostrom and Williamson’s studies classify the agency problems and the asymmetric information on institutional, organizational and transaction process, into transaction costs or The New Institutional Economics (Furuboth and Richter, 2001).

While neoclassical economists in the past focused on the functionality of firms and markets, Coase’s writing, the Nature of the Firm, evaluates how institutions such as firms and markets that existed inspired the economic academia to further their research on organizations and institutions. His other paper, the “Federal Communications Commission”, examines the allocation of the radio frequency band by the U.S. Federal Government’s Communications Commission. This topic involves the relations between the use of property rights, ownership, and legal rights. Coase further discussed the principles behind property rights system in his 1960 paper, the problem of social cost. When studying the comparative economic system's issues or Russia's economic transition and development, the mainstream approach is to utilize the contributions of the aforementioned Nobel Laureates. The best way to utilize these contributions is by examining Russia’s economic problems through the New Institutional Economics and property rights. These previous research studies have yielded considerable contributions and promising results.

However, there is another conventional theory among the economists in deliberating Russia’s economic transition and development which returns to the approach of “man” or in the economic term of “homo economicus”. The 1974 Nobel Laureate in Economics Hayek of the Austrian School and his teacher Mises have seriously examined the nature of the socialist economic system with praxeology. Praxeology is a theory developed from the Austrian school, which is the extension of classical liberalism in Europe. It is worth mentioning that the aforementioned 1986 Nobel Laureate in Economics, Buchanan, also considered himself a follower of the Austrian School. He meticulously explored the spending policies and the administrative civil service system of the U.S. federal government, as well as his propositions in libertarian theory (Buchanan, 1975).

Similarly, while returning to the approach of human nature, the aforementioned 1998 Nobel Laureate in Economics, Amartya Sen, has put forward innovative ideas in exploring the meaning of economic development (Sen, 2000). Firstly, Amartya Sen believed that man’s natural behavior is bound to be influenced by his ethical considerations, so the development of economics should focus on the basis of ethics. Secondly, his approach on economic development is innovative and distinctively different from other scholars: Amartya Sen regarded development as freedom. To clarify, Sen’s definition of development not only covers gross domestic product (GDP), gross national product (GNP) and other narrow economic indicators, but also includes the enhancement in the quality of domestic life. Amartya Sen proposed “constructive freedom” and “instrumental freedoms” as analytical tools. The so-called “constructive freedom” refers to whether man has the freedom to do what he considers valuable. The former Dean of Social Sciences at Fu-Jen Catholic University, Professor Dai Taixin, added that this constructive freedom comprises of seven major areas: 1). Freedom from discrimination, 2). freedom from deprivation, 3). freedom to achieve one’s potential, 4). freedom from fear, 5). freedom from injustice, 6). freedom in participation, publication and association, and 7). freedom from exploitation (Sen, 2000). The areas 1, 3, 4, and 6 are civil and political rights; and the rest are social and economic rights. The “instrumental freedom” implies that man has the opportunity to do what he considers valuable which can be categorized into political freedom, economic conveniences, social opportunities, transparent security, safety, and protection (Dai, 2006).

Political freedom includes values such as democracy, freedom, tolerance, and equality. Shen believed that democracy is a universal value, so he disapproved the “Asian values” – that democracy is detrimental to economic development, which was proposed by Kuanyao Lee. Sen was adamant in his view and provided ample
evidence to fully demonstrate that democracy is conducive to economic development. Economic conveniences refer to whether man has the opportunity to allocate his economic resources in consumption, production or exchange. Social opportunities are of particular concern in people receiving national education, higher education, public health, and other social arrangements (Sen, 2000). Transparency security involves information transparency, which is extremely important, especially in people’s participation in political and market activities, government policies or financial markets. Political corruption and financial crime are the representative examples. These transparency offenses will jeopardize human freedom and is closely associated with social order. Safety and protection mainly refers to providing the necessities of life to those who need communal help, such as low-income households or persons with disabilities, in order to improve their living conditions and enhance their freedom (Sen, 2000; Garnham, 2007).

Sen further believed that economic freedom, political freedom and social freedom interact, influence, and complement each other. The underlying system behind these three freedoms may include the market and its related institutions, central and local governments, political parties and civic groups, educational system design, media, or open dialogue and debate opportunities provided by various media outlets. All these could make direct or indirect impacts on the interest of development (Sen, 2000).

Therefore, when looking into Russia's transition and development from Sen’s perspective of development of freedom, the economic and political policies that were carried out in the past 20 years all seemed to fall short of Sen’s “constructive freedom” and “instrumental freedom” approaches. These economic and political policies promoted market mechanism to replace price liberalization of a planned economy, turning state-owned property rights into private property rights, emphasizing on trade liberalization to avoid trade protectionism, endorsing government intervention policy to actively interfere with the market, and etc. The economic transitions or restructuring policies of Gaidar (Егор Тимурович Гайдар), the International Monetary Fund (IMF) and subsequently Putin (Владимир Владимирович Путин), all failed to meet the seven aforementioned “constructive freedoms” and “instrumental freedoms”. Since “constructive freedom” and “instrumental freedom” interact and complement each other, Sen advocated that economic success was inseparable from social, political and cultural achievements. Thus, it would not be prudent to only pursue economic freedom and ignore political freedom, social freedom, and cultural freedom. This means the progress of economic transition and reform should not only be concerned with the establishing of market mechanisms or how the government should intervene with market control, economic affairs and other simple issues, but it should protect the people's “constructive freedom” as well as commit to the political freedom, economic conveniences, social opportunities, transparent security, safety and protection of the "instrumental freedoms". This should be the path for a smooth Russian economic transition and reform. After all, the lack of freedoms in politics, economics and society affect one another, and these flattened freedoms would consequently prove costly in Russia's development.

CONCLUSIONS

The pursuit of a “Russian-flavored” economic ethics and economic development

Bulgakov discerned socialist features of the Eastern Orthodox Church from the perspective of the Orthodox ethics, the "homo economicus" and the economic system. Love and equality in this type of socialism are what atheistic socialism lacks. He further pointed out that atheistic socialism and the Eastern Orthodox Church cannot be reconciled (Bulgakov, 1995). On the other hand, Bulgakov also believed that different economic organizations and institutions have their own advantages and disadvantages. Even though the Eastern Orthodox Church has its own ideal economic and social system, the Kingdom of God, belongs to the future (Bulgakov, 1995; Williams, 1999). The economic structure Bulgakov advocated should be equipped with values such as human freedom and economic freedom to get rid of poverty and social repressions. This viewpoint is shared by both Bulgakov and Sen, who viewed economic development from the perspective of freedom.

Bulgakov also specifically pointed out that the Eastern Orthodox Church did not advocate private ownership because they believed private ownership was a historical institution, not a law of nature. This view is significantly different from the encyclical “Rerum Novarum” issued by Pope Leo XIII. He also believed that the Eastern Orthodox Church would not support the capitalist system because the basis of such systems were labor exploited (Bulgakov, 1995; Latourette, 1970; Gaburro, 1997).

Weber was also pessimistic and distrustful of capitalism. Weber believed that the development of capitalism in his generation had lost its original meanings in religious ethics and become completely secular. The development of capitalism nurtured people who were anti-spiritual, soulless, in the pursuit of sensory stimulation but who deemed themselves elite (Weber, 2002). Therefore, Bulgakov and Weber shared the same pessimistic and negative view toward the nature of capitalism and the basis of its development.

The above discussion on the Calvinist, Lutheran and Orthodox economic ethics and freedom were mainly to explore and clarify the notions of “Beruf”, “Berufsmensch”
and the “New Economic Man”. Man answers to his “Beruf” by willingly becoming a “Berufsmensch” and regards his work as his life-long goal designated by God. Even with low wages, “Berufsmensch” works for and out of faith to win God's favor (Weber, 2002). This means employers or bourgeoisie will have a group of ascetic, highly productive labor forces, which benefits the development of capitalism. This thought process on labor is more than willing to live under exploitation. This supports the notion of “freedom from exploitation” of the aforementioned “constructive freedom” requires a deeper reflection. While the labor force is willing to accept low wages and provide high productivity abides by the values of “Beruf” and “Berufsmensch”. However, these values suffer a very unfavorable position in market trades, because the services provided do not equate to the financial rewards. This causes a hamper on the labor force’s basic economic rights and undermines the economic convenience and economic freedom of “instrumental freedom”. The five “instrumental freedoms” complement and influence each other, so a lack of economic freedom would jeopardize several other areas of “instrumental freedoms”. Lack of economic freedom would affect political, social and security freedoms. According to Sen's analysis on development from the perspective of freedom, such capitalist development would fail to improve the development of life quality.

The Orthodox concept of the “New Economic Man” defines man as the Logos of the economic world. Man is assigned by God to govern and to create and is endowed with labor rights and obligations to participate in God’s mission of world divinization (Bulgakov, 1995). In this scenario, the “instrumental freedoms” that give way to economic convenience and freedom, as well as basic human rights and economic rights to free trade in the market seems advantageous. So, if the Russian government can fully utilize the development strategies proposed by Sen’s five “instrumental freedoms” then it will create a good environment and safeguard freedom. Sen’s five “instrumental freedoms” would be most beneficial to Russia and its overall economic development.

Therefore, Sen’s perspective on human development, as well as on human nature and freedom in religious doctrines, has made a significant impact on economic ethics. From salvation of God to eternal life for man, Lutheranism and Calvinism respectively developed the concept of “Beruf” and “Berufsmensch” which advanced the development of capitalism. However, Weber believed that capitalism consequently influenced the nature of “Beruf” and “Berufsmensch”, stripping off their moral and ethical implications and redefining them. Bulgakov, who served as a Professor of Economics at Moscow University and was familiar with the works of Marx and Weber, had certain incisive views on capitalism. Bulgakov advocated that the Eastern Orthodox Church does not support private ownerships and only views them as products of history. The Eastern Orthodox Church also opposes the capitalist system because it exploits the foundations of labor. Bulgakov proposed a concept of economic system that is based on human and economic freedoms which is free from natural poverty and social repression. This system displays a merger of capitalism and socialism, private ownership and public ownership, and other ideologies and systems. However, if an economic system can be successfully developed or boosted with the Orthodox and Russian characteristics, it may be a viable alternative to Russia’s current economic system. This could be a new approach when we contemplate Russian economic reform and development. The human freedom and economic freedom that Bulgakov advocated is exactly what Sen’s “constructive freedom” and “instrumental freedom” signified because they both shared the similar view on the economic development from the perspective of freedom.

Professor Huaijin Nan wrote the following inscription in Professor Er Wei’s book The Wealth of Nations: A Chinese Version (Wei, 2000): “Strong country prosperous populace; Prosperous country strong populace. Cause and effect, law and order. The wise plan, the capable decide.”

Literally, by placing “strong country” in front of “prosperous citizens”, the economic system is inclined towards socialism or communism; on the other hand, placing “prosperous citizens” in front of “strong country” would imply a capitalist system. Their cause-and-effect relation in how law prevails is similar to the economic system that embraces and fuses capitalism, socialism, private ownership, public ownership and other characteristics of the Eastern Orthodox ideology proposed by Bulgakov. The wise and capable men who care very much about Russia’s economic development and prospects should incisively think how to construct a “Russian-flavored” economic development and system.

REFERENCES


