

Churches and the market economy

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Zhao Xiao (赵晓) is a government economist, the director of macro-economics research at SASAC. For the past few years, his career has been largely defined in the media by one essay, "Market Economies with Churches, and Market Economies without Churches" (有教堂的市场经济与无教堂的市场经济).

The essay originally appeared online at the end of 2002 shortly after Zhao returned from a several-month-long sojourn in the United States. It continued to circulate among forums and blogs, and appeared in print in a 2003 anthology of posts from the Doctor Cafe economics roundtable site.

In mid-2005, *China Youth Daily's* "Freezing Point" supplement ran a feature on Zhao that included further discussions about the role of religion in Chinese business. Zhao Xiao and his ideas about churches and the market economy have been in the news fairly often this year as well, corresponding with the popularity of Weber's *The Protestant Ethic and the Spirit of Capitalism* and other texts on ethnicity and national development (see this [bestsellers list](#) for more details).

The essay is reprinted in an anthology titled *Insights into Chinese Economic Sector* that was published last month. *Insights* collects many of the most influential, interesting, and controversial essays written on Chinese economics issues over the past few years (see below for links to an annotated table of contents and excerpts).

Unsurprisingly, the essay also attracted attention among religious groups. The July edition of "Evangelism" (福传), a series of materials issued by the evangelism group at Beijing's North Church, reprints Zhao Xiao's piece, following a serialization earlier this year in China's leading Catholic paper, *Faith 10-Day* (信德, formerly *Faith Fortnightly*). The North Church pamphlet was privately financed, I was told; the piece is notable because it emphasizes the positive role the church can play in Chinese society.

The translation below is taken from the most common version circulating online [*] - this appears to be the version in *Insights*. Several short passages were deleted from Zhao's original version on the Doctor Cafe website.

Market Economies With Churches and Market Economies Without Churches

by Zhao Xiao

Roaming in North America was for the purpose of reading a wordless book, to have the chance to gaze at the heavens from a foreign land. In the country that has the most prosperous material civilization in the history of human society, the question that frequently occupied my thoughts was this: where does the greatest difference between China and America lie?

The greatest difference between China and America

What makes the deepest impression on our countrymen about the US is the forests of skyscrapers that this country puts up, representing the high development of America's material culture. But skyscrapers are no longer scarce in China! It is evident that skyscrapers are not the greatest difference between China and the US.

Then, what about wealth? Without a doubt, the US is the world's richest country. In 2000, China's per-capita GDP was US\$840, while America's was US\$34,100; there is great disparity between the two. But considering that China's personal income levels are swiftly increasing, the wealth gap, though large, does not amount to the greatest difference between China and America.

Perhaps someone may suggest the gap in science and technology. However, China also possesses a great deal of high technology: for some time it has had the hydrogen bomb and the atom bomb, it sends rockets to the heavens, and it is developing a spaceship. So while a gap remains between the science and technology levels of China and the US, it is not an astronomical one.

Perhaps someone will suggest the financial gap. The pinnacle of the market economy is finance, and this is a weakness of China's market economy. In comparison, the US has the world's strongest financial system, and was the earliest to implement relaxations of financial controls to invite financial innovation. To date it has attracted 75% of the world's financial resources, making finance one of America's three superlatives (the others being sci-tech and political power). However, while China's financial system lags behind, looking across the country one finds banks as common as rice shops, securities firms promoting themselves everywhere, and ads for funds airing one after another during prime time on CCTV. So the financial gap between China and the US, while large, still does not amount to the greatest difference.

Then it must be a difference in the political and legal system. To be sure, there is a noticeable difference between China and the US in this area. However, the particular national conditions of the US and China are not very similar, and China is currently involved in a rapid transition and transformation. It is possible to imagine that a modernized China will inevitably move in the direction of an improved political and legal culture, and the prodigious experience and techniques of the US, as the world's most developed country, have been taken as a model by the Chinese, who absorb everything. From this perspective, though reference can in fact be made to many areas in politics and law in China and the US, this still cannot be called the greatest difference.

Then where does the greatest difference between the US and China ultimately lie? My personal opinion: churches. Only in this area is the difference between China and the US not a question of numbers, but rather an essential difference between presence and absence. In the US, the spires of churches are more numerous than China's banks and rice shops. On a street near Harvard Square, I once stood and looked around to find that in three different directions there were three churches. Truth be told, from the east coast of the US to the west coast, from towns to cities, in any place you look you will find that this country's most numerous structure is none other than the church. Churches, and only churches, are Americans' center; they are the very core that binds Americans together.

Churches and the market economy

Americans are not idiots. Their need for churches is overwhelming, and churches provide something in

answer to their call — there is definitely some principle at work. During my time in America, the relationship of churches with America's economy, society, and politics became the issue that most often occupied my mind. I came up with many interesting ideas; because of length, I will only address economic issues here. At its heart the problem could be stated as a comparison between market economies with churches and market economies without churches.

Ultimately, why is it that we need a market economy? It is because the market economy has one major advantage: it discourages idleness. The planned economy is different — its faults are faults of having no system of encouragement. Good work and poor work are identical. Under a free market system lazy people cannot live. So the market economy will force competition; it is an efficient economic system. However, the market economy can only discourage idleness; it cannot discourage people from lying or causing harm. This brings to the market economy a certain danger; that is, it may result in an unsavory situation: it may entice people to be industrious in their lies, industrious in bringing harm to others, and to pursue wealth by any means. Some people may say that this is because the market economy is imperfect, and that a perfect market economy would not be this way. However, a market economy that relies solely on the individual will never be perfect, since it can only call people away from idleness but cannot discourage lies and injury.

Indeed, repeated game-playing in the market may minimize dishonest and injurious actions, and legal punishments may be beneficial to normal trading actions. However, in conditions where information in the market is unbalanced and incomplete, contracts are forever deficient. Completely relying on repeated gaming and legal punishments to achieve normal market actions is not only impossible, but is possibly even uneconomic — the implication here is that the market may have unlimited costs, so expensive as to be unusable, and may ultimately come crashing down. To a degree, China's market economy currently has fallen into this trap. In the mind of a majority of Chinese people is a simple understanding that the market economy means getting rich, and to get rich any means may be used.

Hobbled market ethics have already lead to two chronic ailments in Chinese society. First, becoming rich without relying on labor or on the creation of wealth for society, but rather relying on collusion between government and business and the malicious repurposing of public finances to gain wealth. Second, dishonesty in market trading: backing out of promises and gaining wealth through swindles. So we can see that the market economy in China has brought out a group of "freaks": day and night they ceaselessly seek personal profit through lies and harm. Naturally, this kind of market economy has a exorbitant cost. And naturally, what causes the exorbitant cost of these market operations is the widespread lack of self-restraint among Chinese people.

These days Chinese people do not believe in anything. They don't believe in god, they don't believe in the devil, they don't believe in providence, they don't believe in the last judgment, to say nothing about heaven. A person who believes in nothing ultimately can only believe in himself. And self-belief implies that anything is possible — what do lies, cheating, harm, and swindling matter?

However, market economies that have churches are different. Perhaps it is difficult for Chinese people to understand what Christians are like. Here, I can only say that they are rational beings, just like ourselves, and it is sufficient for you to avoid thinking of them as monsters.

It cannot be denied that there are swindlers who go in and out of churches, but the majority of people are not going to church to fill their stomachs. The majority of followers go to church because they truly have a devout faith. Confucius said, "A true gentleman seeks out wealth according to the Way." To the average person, this may be difficult to achieve since the average person is not a true gentleman. In

comparison, it is people who turn their eyes to church spires who generally respect financial norms and integrity. Why? Here is the secret: Puritans, though they may be called the most fervent people in the world in their drive to accumulate wealth, nevertheless do not pursue wealth for personal benefit but rather "to the glory of God," and to ensure that after they die they can enter heaven. This monetary ethic renders inseparable the motive and means of the Puritans' pursuit of wealth, and those whose only thought is to create wealth for God will naturally be able to become true gentlemen — gentlemen among gentlemen. In passing, the following thought occurred to me: I suddenly have a new understanding of why Bush required his CEOs to swear according to the Bible when signing their financial statements: Bush was not only raising the the Damoclean sword of the law over his CEOs, but he also placed them under the threat of hell's lakes of fire. The sword of the law together with the eyes of God is evidently more effective than the law alone. For this reason, the unity of means and method in acquiring wealth is able to remedy the market's insufficiencies. From this standpoint, the market economy has an instinctive need for some kind of matching market ethics before its true force can come into play, just like horses have an instinctive need for the whip. From the perspective of human society, the most successful model is church + market economy. That is to say, the happy combination of a market economy that discourages idleness together with a strong faith (ethics) that discourages dishonesty and injury.

Is it not integrity that you are pursuing? Then you ought to know: places with faith have more integrity. For China's crawling economic reforms, this ought to be an important inspiration. Market economies with churches are different in another respect from those without: in the former, it is much easier to establish a commonly respected system. The reason is simple: a people that share a faith, compared to people who only believe in themselves, find it easier to establish mutual trust, and through that to conclude agreements. However, where is the cornerstone for the American constitution? In fact, as early as the first group of English Puritans who came over to the New World on the Mayflower, there was the Mayflower Compact, which would become the foundation of autonomous government in the separate states in New England. Its contents comprised civic organizations as well as working out just laws, statutes, regulations, and ordinances, and the first line of the covenant was "In the name of God, Amen." So shared faith is the foundation for shared law. Otherwise, a legal system, should it arise, will not be respected.

Market economies with churches are comparatively open. The reason for this is perhaps explained thus: In the sight of God, all people are equal. It is easier for a core spirit of fraternity to extend to outsiders openness, acceptance, and respect.

Are there other uses of market economies with churches? Yes, and they are relatively important: guiding spending and modulating the close relationship between the poor and the rich.[**] In the case the wealth of a devout Puritan, the situation may be different. This is because his religious faith will tell him: gaining wealth is only for the glory of God; personally, he must use that wealth reasonably, for being forever humble is a virtue favored by God. So in the United States we can see that people with money must donate 10% of their wealth to the church for other church members to share. We can also see that the ranks of the richest people and the ranks of society's largest donors overlap; the relationship between rich and poor is fundamentally unlike the antagonism found in mainland China. Some of the spending and handling of wealth on the part of the rich may violate the law, while others may not violate secular law, making legal oversight difficult. But I know that this malconduct does not please God. However, in the absence of God's oversight, all of this is possible and even common.

Faith: the soul of the market economy

Modern economics—modern politics—modern culture form the trinity of the market economy. Seeking the fruits of the market economy, Chinese society ultimately will travel the road of cultural reconstruction, investing in market ethics. It is fortunate that in Chinese society there is already recognition that integrity is the cornerstone of the market economy, but establishing a good cornerstone is no simple matter.

Looking back at China's recent history, what China has learned from the West stretches from superficial to deep, from externals to internals. From the power of the gunboats we learned to understand the enemy's technology to defeat him; from the continual improvements to their military might we understood that we needed to develop our science, technology, and education; and because government-directed sci-tech and economics failed, we took a new road to the market economy, one that we have been on for 160 years now. However, this road to modernizing transformations is still far from finished. From the groans of present-day China's market economy, we can see that danger draws near: we have already bid farewell to humanity's most costly planned system, but because we lack a reasonable set of market ethics, we may be trapped in humanity's most costly market system.

Reality unquestionably requires us to move forward another few steps. The first is cultural transformation. We must find a cultural framework compatible with the modern free market economy. To achieve this, we may unearth from our own long-standing traditional culture a set of ethics that are compatible with modern economics, or we may use absorption and introductions from elsewhere to recreate our cultural DNA.

From Boston to Indiana, traveling through North America's vast lands, I could hear the serene sounds of church bells ringing in every church, and I recalled a poem by an angry poet that I wish to adapt as follows:

Be in awe of the invincible might,
Be in awe of the lightning,
And be in awe of the thunder in the sky;

Only through awe can we be saved. Only through faith can the market economy have a soul.

Shortly after publication of this essay, He Fan, CASS academician and editor-in-chief of *The Journal of World Economy* (世界经济), posted a response to Zhao Xiao on the Doctor Cafe site. He questioned whether this line of inquiry truly belonged to the discipline of economics, and brought up two interesting points:

[Zhao Xiao] believed that civilization and religious faith can be divided into good and bad; Christianity is more exquisite than other religions. I said that while I had not investigated the tenets of any religion, I held a highly snobbish opinion. You can look at the founders of each religion — Sakyamuni was a prince, Jesus was a carpenter, and Mohammed lived off a wealthy widow before he turned 40. Comparatively, I am a bit more willing to believe Sakyamuni's words, since having only enjoyed wealth and rank in human society was he able to suddenly see through the trappings of this world, to withstand them and become Buddha.

I also said to Zhao Xiao, supposing that you've seen a relationship between churches and the order of the market economy. First, you cannot prove that this is a cause-effect relationship. Second, you cannot prove that religion is the only foundation for establishing order in the market economy. I believe more in what game theory says, myself, that in small circles, order can form naturally through repeated game playing. Zhao Xiao said, you've forgotten, repeated game playing may also lead to another extreme, to bitter feuds and mutual payback for wrongs. I said, that is a possibility, so why don't we borrow some tenets of religion and lay out some more forgiving game rules, to see if they won't be better strategies than tit-for-tat. However, I believe that the relationship of churches to order in the market economy has another explanation. The majority of Buddhist temples are secluded on mountains and in forests. Worshipers may only go several times each year, and there is little interaction among pilgrims. Christian churches are built in the center of town. People go to church every weekend, so the church assists people in meeting each other. There's a sense of community, and it is repeated game playing in this community that becomes order in the market economy.

Zhao wasn't convinced, and the debate between the two economists has continued through the present day.

Note 1: Zhao communicated in an email that the version printed in *Faith 10-Day* is the latest, most authoritative revision, available [here](#). The translation here will be corrected to conform.

Note 2: Zhao's original essay had the line, "Marx said that for a rich person to enter heaven was much more difficult than for an elephant to pass through the eye of a needle." In an email to Danwei, Zhao said, "When I wrote this essay, I did not yet believe in God. Later, after I believed, I corrected it."

Update (2008.06.25): In a feature on Christianity in China, the American public TV show Frontline talked to Zhao about a revised version of this essay titled "God is my chairman of the board," which ran in the Chinese edition of *Esquire*. The interview transcript is [here](#); the same feature has a number of other interesting articles and videos.

Links and Sources

- Doctor Cafe (Chinese): [Market Economies with churches and market economies without churches](#)
- Sina (Chinese): [Translation version of Market Economies with Churches](#)
- Doctor Cafe (Chinese): [Establish a market economy on the rock of faith](#)
- Doctor Cafe (Chinese): [Talking with Zhao Xiao about God](#)
- *China Youth Daily / Freezing Point people* (Chinese): [A market economy with churches](#)
- QQ (Chinese): [Excerpts from Insights into Chinese Economic Sector](#)
- Sina (Chinese): [Insights into Chinese Economic Sector annotated table of contents](#)
- Dangdang (Chinese): [cover of Insights](#)
- Image from [China Catholic](#)