

# An Analysis of the Causes of National Economic Development—— A Reflection on the Protestant Ethic and the Spirit of Capitalism

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**Abstract:** Published in the early 20th century, *The Protestant Ethic and the Spirit of Capitalism*, Weber, studies the relationship between the development of capitalism and religious ethics, protestant Reformation argues that it is in this kind of western Europe that the Protestant ethic is found, thus promoting the development of capitalism in the developed countries, But from the point of view of global economic development, spiritual factors such as religious ethics do have an impact on the development of national economy, but it is undeniable that from the point of view of Marxist historical materialism, it is impossible to promote the development of a country solely by the influence of spiritual factors. The main idea of this article is that the spiritual factors have some influence on the national development, but the main impetus of the national development lies in the influence of the material level, which is mainly manifested in the technological progress, the transformation of the national government measures and so on.

**Keywords:** Protestant Ethics, Economic Development, Cultural Influence, Policy Influence

## 1. Introduction

At the beginning of the 20th century, capitalism gradually showed its extraordinary charm, which attracted many scholars to pay attention to and explain the motive force of its development. In his book *The Protestant Ethic and the Spirit of Capitalism*, Max Weber, a German sociologist, uses the spiritual perspective of religion to explain the origins and development of capitalism. Weber believes that capitalism is not a superficial economic activity such as “making profits”, “pursuing profits” and “collecting wealth”, but should also have a spirit of restraining irrational desires, it is this spirit that makes human economic action more rational and sustainable, and thus more in tune with the nature of capitalism. For the emergence and development of capitalism, Weber fully considered the impact of spiritual and cultural factors. He believed that cultural factors should not be ignored in the analysis of national economic development, because cultural factors were the important support force for economic and social development. Some scholars agree with view of Weber, while there are many scholars hold different views. If we look at it from other research perspectives, this result is indeed biased to attribute the national economic development only to the influence of spiritual culture. According to the Marxist historical materialism, scholars at the materialism argue that Weber ignored the material factors such as politics, institutions and technology. And according to China’s development, China has the ethical and moral soil that breeds capitalism, but China’s capitalism has not been developed, lead to the slowness of China’s development process until after the reform and development, china’s economy is growing rapidly. This paper holds that both cultural and material factors have influence on the development of national economy, so it will discuss how cultural and material factors promote the development of national economy through the comparison between China and western capitalist countries.

## 2. An interpretation of the development of capitalism in The Protestant Ethic and the Spirit of Capitalism

The question of why capitalism arose in the west, and not elsewhere, is addressed by Max Weber in *The Protestant Ethic and the Spirit of Capitalism*, from the religious doctrine, ethical spirit and other cultural factors to explain the former question, which has an important impact on the economic

development of the West.<sup>[1]</sup> Max Weber believed that through the Protestant Reformation, Protestantism had formed the certain ethical commonalities in doctrines. As a special spirit, Protestant ethics explains the rationality of people's actions in economic and social life, thus creating a universal social spirit and social mentality. The ideological factors such as the concept of vocation and asceticism in the Protestant religion, as ethical concepts that have been secularized in nature, have profoundly influenced the development of Western capitalism. As a unique value system in modern Europe, Protestant ethics drives people to carry out social actions according to the principle of rationalization, which is the reason why Protestant ethics originate in the west.<sup>[2]</sup>

The Protestant ethics promotes the development of capitalism and national economy mainly in the following three aspects: first of all, the Protestant ethics holds that it is reasonable and legal for people to pursue wealth properly, which prompted the western capitalist countries to transit from the agricultural society to the capitalist society. Secondly, the Protestant ethic holds that the rational pursuit of wealth should be accompanied by rational restriction of consumption, which is conducive to the primitive accumulation of capital and capital re-expansion in Western countries. Thirdly, the Protestant ethic holds that people should regard labor as the purpose of life, and should make every effort to fulfill their secular responsibilities. Therefore, the core of Protestant ethics is people's rational and self-disciplined work and life style.<sup>[3]</sup> Under this kind of doctrine of Protestant ethics, People's beliefs guide their action and pursue their own wealth, to achieve social and economic development. It can be seen that Protestant ethics has had a great impact on nurturing the spirit of capitalism and promoting the formation of capitalist production and life style and social order.

### 3. Cultural factors that promote economic development

In the perspective of global economic development, China was a world power in the 17th and 18th centuries, since then it began to decline. At the same time, after the Dark Middle Ages, western Europe experienced the Renaissance and the Enlightenment, the economy got rapid development. It is clear from Table 1 that 1820 accounts for a third of the world's GDP, far more than the 12 major western European countries combined, but by 1913 China had been overtaken by Germany and Britain, and its share had shrunk to less than 9%. Why China's economic development was stronger than Western Europe from 1820 to 1920, but it did give birth to capitalism, and at the same time China's economy also showed a downward trend. From the cultural perspective, Weber thought that Western Europe was able to grow during this period because of the "spirit of capitalism" in Europe, and he believed that the Protestant doctrine was driving the development of capitalism through constant reform. In the view of Weber, the spirit of capitalism can be summed up as the value of time, money, credit, diligence, economy, punctuality, justice, prudence, honesty and so on the quality and virtue.<sup>[4]</sup>

Table 1: The proportion of major countries' GDP in the world from 1 to 1950.

Year \ Country	1	1000	1500	1600	1700	1820	1870	1900	1913	1950
France	2.24%	2.28%	4.39%	4.70%	5.27%	5.11%	6.50%	5.92%	5.29%	4.13%
Germany	1.16%	1.18%	3.32%	3.82%	3.68%	3.87%	6.50%	8.23%	8.68%	4.97%
Italy	6.14%	1.86%	4.65%	4.35%	3.94%	3.25%	3.77%	3.05%	3.49%	3.09%
UK	0.30%	0.66%	1.13%	1.81%	2.89%	5.22%	9.03%	9.37%	8.22%	6.52%
China	25.45%	22.68%	24.89%	28.97%	22.31%	32.96%	17.10%	11.06%	8.83%	4.59%
World Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

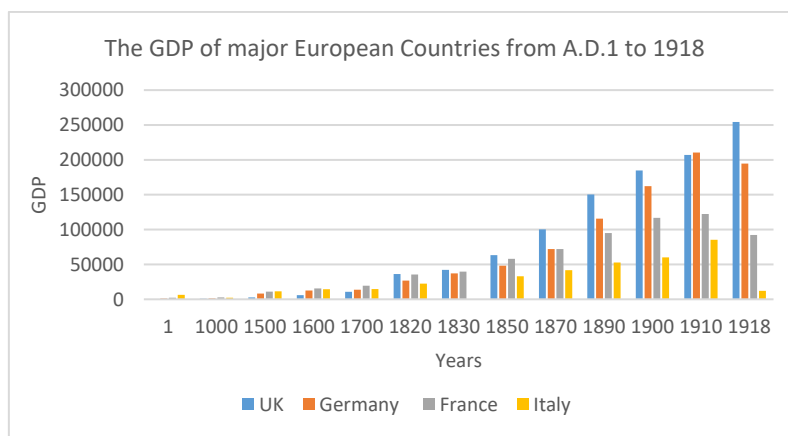
Note: The table was self-made according to Maddison Project Database

The influence of cultural factors can also be found in the rise of China. A series of measures has been taken during China's reform and opening up in the 1970s and 1980s which unleashed the spirit of entrepreneurship, like the Protestant Teachings, also promoted China's development. In addition, the change of Chinese culture is also one of the important factors. In the meanwhile, the introduction of western market economy, free thought and the emergence of the spirit of capitalism in China, even Confucianism, entrepreneurship and the core values of Confucianism in innovation, cooperation, thrift, self-improvement can be corresponding.<sup>[5]</sup> Frugality is another recipe for the success in China, where the personal saving rate is 25 percent, so individuals rarely suffer from bankruptcy or foreclosure. The huge savings of the Chinese people have created financial security for many Chinese households, reduced government spending on social welfare and helped finance many of China's large infrastructure projects, such as the world's number one high speed rail system.

#### 4. Material factors for economic development

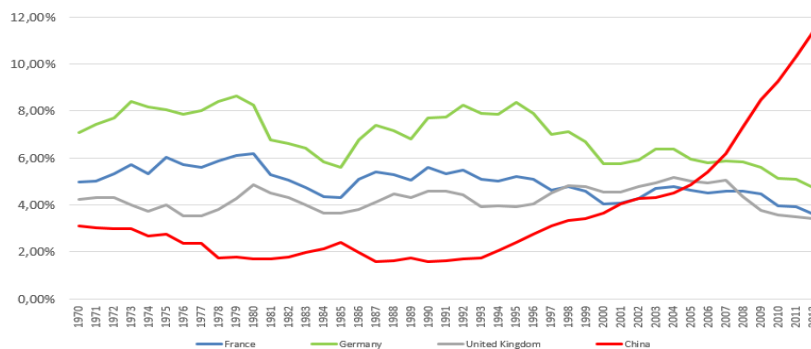
From *the Protestant Ethic and the Spirit of Capitalism*, spiritual culture has an important impact on countries' economic development for Western capitalist countries and China. Either from the theory or human social practice, in fact, the economic basis determines superstructure, the material factors play a more important role than culture. Such as technological progress, government policy, etc. According to table 2, it can be concluded that Britain was in the transition period from feudal society to capitalism in the 16th century, Britain adopted the "heavy money policy" to promote the capitalist revolution and the development of related industries. By the beginning of the 18th century, Britain had finished the primitive accumulation in the process of capitalism. In order to transition to the Industrial Revolution and adapt to the development trend of the world economy, the British government's "heavy money doctrine" policy turned to "heavy industry doctrine" policy, the national economy was further developed and Britain begun to surpass the other major European countries. With the completion of the British Industrial Revolution in the 19th century, the growth of Britain took on an accelerated stage from 1820 to 1913. British technological progress also became an important factor in British economic growth during this period.

*Table 2: The GDP of major European countries from A.D. 1 to 1950.*



*Note: The table was self-made according to Maddison Project Database*

*Table 3: Major countries' share of world GDP between 1970 and 2012.*



*Note: The table was self-made according to data of the World Bank.*

The special situation of China makes the difference between politics and economy, that is, the political power (or government) is dominant and even overwhelming relative to the economy (or enterprises), make political system has decisive influence to economic development. After the Third Plenary Session of the 11th CPC Central Committee, the focus of the party's and the country's work shifted to the socialist modernization drive, with economic development at the center, and Reform and Opening up policies were launched. By shifting from a traditional market economy dominated by planning to a market dominated by socialism with Chinese characteristics, the Chinese government has gone from dealing with isolated communist states to a largely open, the economic-driven countries have done an excellent job in making the difficult transition without falling into turmoil. The Chinese government has also successfully implemented many policies to promote development, such as Special Economic Zones and guidelines for industrial development. It has created a favorable environment for

China's economic market. As can be seen from Table 3, after the reform and opening-up, the share of China's GDP in world is increasing, indicating that its economy is also steadily increasing. Moreover, China adheres to the strategy of innovation-driven development and combines scientific and technological innovation with institutional innovation, Management Innovation, business model innovation, business form innovation and cultural innovation to promote steady and sustainable economic growth, the success of this strategy has been well executed by both Alibaba and Huawei.

## 5. Conclusion

The Protestant ethics of the Max Weber laid the foundation of the ethical spirit of capitalism, provided a powerful spiritual impetus for the development of capitalism by accumulating a great deal of material wealth. To promote the emergence of western capitalism and national economic growth. It also provides lessons for our current Socialist market economy, and the values of traditional Chinese Confucian culture provide the spiritual impetus for China's economic growth. Therefore, the national economic growth can not be separated from the spiritual and cultural promotion. While according to Marxism's historical materialism, the material aspects of politics, institutions, and technology can not be ignored. Whether in China or in west countries, the outcome of market economy is closely related to government policy and government support. I believe that China's success is built on an indivisible three-legged stool: government policies conducive to development, learning from the west, and rich cultural values, these values contribute to the creation of highly motivated and competitive human capital. Global economic competition is a competition not only for a country's governance, but also for its human capital and cultural values. Any country who wants to grow its economy needs to address both.

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