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A Case Study of the Influence of Christian Ethics on Business Life

JOY KOOI-CHIN TONG

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Overseas Chinese Christian Entrepreneurs in Modern China

This book is dedicated to my parents,
Tong Geok Poi and Lee Siew Bee,
who have struggled throughout their lives to be honest in their faith and business and who have set an example for me.
献给我的父母：童玉杯与李秀美

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INTRODUCTION: STUDYING CHRISTIAN ETHICS AND BUSINESS LIFE IN POST-1978 CHINA

This book is a sociological study of religion which analyzes the influence of the Christian values of Overseas Chinese entrepreneurs on the emerging market economy of China. The purpose of the book is to examine how, and to what extent, Christian values and ethics, that is, how Christians see the world and interpret the meaning of their actions, affect the business practices of Overseas Chinese Christian entrepreneurs in China, as well as their possible social consequences. It is important in this introductory chapter first to discuss the uneasy relationship between religion and economics in general as groundwork for this research. Following this, the chapter moves on to provide the background for the economic and religious changes in China after 1978, emphasizing foreign investments, as well as Christianity in post-1978 China, to set these issues in context. This chapter ends with an outline of the purpose, methodology and chapter plan of the book.

Religion and Economics

The relationship between religion and economics is both controversial and complex. Many hold the view that these two areas are (or should be) separate, and at the extreme end, there are those who hold the view that religion and economics are incompatible and would likely create "a clash of civilizations" (Capaldi, 2005). Samuelson (1979, 718), for example, argues that "putting stress on these non-economic factors does not solve the problem of *explanation* [of economic issues]. It poses new problems." Also, according to Francis Fukuyama (2005), "It is safe to say that most contemporary economists do not take Weber's hypothesis, or any other culturalist theory of economic growth, seriously. Many maintain that culture is a residual category in which lazy social scientists take refuge when they can't develop a more rigorous theory."

Yet, despite such arguments that see religion as of no help to economics, sociologists have for most of the twentieth century been concerned about the economic consequences of cultural (including religious) orientations. Indeed, as suggested by Bryan Turner (2008), "The relationship between religion and economics, or more narrowly between religion and entrepreneurship has been, perhaps counter intuitively, a more or less persistent theme of the history of the sociology of religion." Of course, the most famous argument along this line is found in Max Weber's *The Protestant Ethic and the Spirit of Capitalism* (first pub. 1905), in which he argues that religious practices and beliefs have had important consequences for economic development in Western societies. Weber's thesis, although controversial, has provided an early and heuristic macro-level theory linking religion to the rise of capitalism and has invited a wide range of studies showing various connections between religion and modern economic life. Fernand Braudel (1966), for example, examines the role of minority religious groups, such as European Jews and Judaism, in developing economic institutions such as banking and finance across societies. Merton (1970) argues for a positive correlation between the rise of English Puritanism and the rise of German Pietism and early experimental science, which was integral to economic development. Collins (1997) explains how religious institutions, particularly Buddhist monasteries in Japan, provided a source of opposition to feudal domination and stimulated the emergence of capitalist enterprise.

Recent research has once again focused on religious influences on economic factors by situating theories in various contexts. Researchers such as Huntington (1996), Landes (1999), Inglehart and Baker (2000) and Barro and McCleary (2003) have argued that explanations for economic growth should go beyond narrow measures of economic variables to encompass political, social, and in particular, cultural forces. Notably, these studies have not merely been done by sociologists, as has been the case for decades, but also by economists. The works of Morishima (1982) on Japan and of Morawetz (1980) on Colombia are two examples of this sort. A more recent work by Harvard economists Robert Barro and Rachel McCleary has added to this body of research. Their research (2003) claims that religion affects economic outcomes by fostering religious beliefs, especially beliefs in heaven and hell as well as in rewards and punishments, which in turn influence individual traits such as honesty, work ethic, thrift and openness to strangers. Their findings, which largely confirm Weber's thesis, have been reached via a sophisticated analysis of a huge set of data collected in 59 countries between 1981 and 1999.

This result is perhaps surprising to many people whose secularization assumptions lead them to expect an opposite outcome, and which posit that economic development causes individuals to become less religious as religion plays a less vital role in the public sectors, including the economic sphere in Western societies. It might therefore be more striking if we notice how similar phenomena as described by Barro and McCleary are emerging, albeit slowly and minimally, in an Asian, communist society which has tried hard to eradicate organized religion and has a long and hostile history with Christianity – China.

Recently an article entitled "A Market Economy With Church and a Market Economy Without Church" appeared in the January 2006 issue of *Esquire*, a magazine published in China and targeting the business sector. In this article, the author, Zhao Xiao, one of the most active and influential young economists in contemporary China, claimed that a market economy by its very nature needs a certain type of ethics in order to bring out its greatest merits, "just like a good horse naturally needs a good saddle," as he puts it. Based on world history as well as Weber's *Protestant Ethic*, Zhao argues that Protestant ethics, possibly the most up-to-date and compatible model of ethics for the market economy, might be the answer to China's search for a moral vision in the midst of its rapid socioeconomic transition. Quoting data based on an empirical study of over one hundred nations on their varied relationships between religion and economics, Zhao says that the findings illustrate that more religious countries tend to have a stronger legal system as compared to secular countries, since legal regulation is more effective when placed under "the gaze of God." He concludes his claims by paraphrasing a popular Chinese poem, "Fear the power of God, fear lightning, and fear thunder in the sky, as only fear can save us and only faith can market economy gains its spirit."

Following this article, to illustrate Zhao's assertion, the magazine features stories of four Overseas Chinese Christian entrepreneurs in China, showing how they endeavor to integrate religious values with business ventures. One of the entrepreneurs was formerly CEO of Motorola China, the Taiwanese Shi Dakun. In the interview, Shi indicates his "5 F" priority (which is well known among his employees) to his Chinese readers from the various business sectors: the first F is Faith, followed by Family, Firm (or work), Fun and Future plans. This reasoning holds up the idea that faith is decisively the most important element in one's life, and because of that, it is as crucial in business activities as in private life.

Zhao's assertion and Shi's example might sound new and remote to many, whether Chinese or not, but these examples are not totally rare. In his famous book, *Jesus in Beijing* (2003, 31), David Aikman mentions, "In the coastal city of Wenzhou, Christianity in the 1980s seemed to surge proportionately to the success of Wenzhou retailers in making money.

In fact, more than a decade ago, some Chinese, thinking about capitalism, Christianity, and Wenzhou, were making the intellectual connection between religion and the rise of capitalism." Also, according to historian Daniel Bays (2003, 498), an authority on Protestantism in China, "There has been an increasing number of Chinese intellectuals who do research on Protestant Christianity...some believe that Protestantism was centrally involved in the overall process of modernization that fuelled the economic development, political democratization and worldwide expansion of the West in the past few centuries. Others have found Protestant ethics and patterns of community formation interesting or attractive. Some intellectuals have actively advocated China's adoption of some aspects of Christianity as part of its own modernization efforts, and a certain number of these intellectuals have themselves become Christians."

It is true that as China begins to ponder the question of "soft power" – through strengthening institutions and instigating a cultural renaissance – vis-à-vis the importance of "hard power," namely, economic power, more intellectuals including politicians and economists have come to see that religion might be able to contribute to the development of Chinese society. There is one question asked by many Chinese: "Is capitalism just a way of doing business, or does it come with concrete ethical and philosophical foundations?", as suggested by David Aikman (2003).Or, to phrase this intellectual concept differently, can we anticipate that Protestant Christianity will play a role in China's transformation to "capitalism with Chinese characteristics" as it did in the West?

Rather than testing the Weberian macro-level theory explaining the economic development of China based on religious prescriptions, this research aims to contribute to this larger issue by focusing on how religion influences both individual and corporate economic behaviors through ethical enforcements and religious training. The assumption is that religion is a determinant of economic behavior, but it is by no means the sole determinant and is generally not the prime determinant of the results of that behavior. The question of how large a part religion plays in the explanation of behavior is, in itself, intriguing. I discuss this more in the following chapter but it is necessary to assert here that faith is not seen as the only dominant cause of individuals' economic practices, obliterating other factors such as economic policy and structure. My concern is that since religion is clearly important to a growing number of Chinese Christian entrepreneurs, it deserves a respectable place in any attempts to understand their business activities and ethical practices. Before going into the details of their actual practices, it may perhaps be useful to first summarize the history of economic institutional change in China.

China's Economic Reforms: The Transition to Capitalism, Foreign Investments and Business Ethics

In the last three decades, China has gone through a series of startling changes that no one anticipated. These changes, especially China's decisive move to reopen its doors to the world, have probably been some of the biggest in the 5,000 years of Chinese history, which "could be as significant to China as the Renaissance was to Europe" (Gu 1991, 31). Of course, the impact of China's economic transformation on the modification of Chinese social and business structures is salient and complex; it is beyond the scope of this book to capture the whole picture. Instead, this section can only identify several aspects of the change that are related to this research.

The death of Mao Zedong in 1976, and Deng Xiaoping's assumption of control of the Party in late 1978, ushered in a new era in Chinese development. In December 1978 at the Third Plenary Session of the 11th Party Congress, the Chinese Communist Party, with Deng as its new leader announced the official launch of the Four Modernizations, which formally marked the beginning of the reform era. One aspect of the Four Modernizations included the establishment of a state-controlled agricultural market, the dissolution of the people's Communes, and the creation of special economic zones oriented towards exports with foreign investment and a partial liberalization of foreign trade. After some initial successful experiments were performed in agriculture in terms of the "household responsibility system," in 1985 the reforms were extended to the urban industrial sector, generalizing the autonomy of management of the enterprises, recourse to market mechanisms, and the strengthening of the financial and banking system. From October 1987 to early 1989, government policy determined that while the state regulated the market, the market in turn guided the operation of enterprises. By 1991, this policy had evolved to one in which the economy was determined to be a combination of state planning and market forces. In 1992, the 14th Party Congress announced that the objective of China's economic system was to establish a socialist market economy.

Particularly impressive and successful in China's economic reform have been the strategies designed to attract foreign capital (see Table 1.1). The symbolic example was the establishment of the four Special Economic Zones in Shenzhen, Zhuhai, Shekou and Xiamen in 1980, which aimed to attract foreign direct investment and to promote both exports and technological transfer. In order to achieve these goals, a relatively relaxed regulatory regime was established: tax holidays were granted; modern infrastructure, production facilities and logistics networks were built up; and land policies were implemented. The result was dramatic: Shenzhen, for example, was

Table 1.1. Foreign direct investment in China, 1979–94 (millions of US$)

Year	Contracted	Actual
1979–82 (cumulative)	6,999	1,767
1983	1,917	916
1984	2,875	1,419
1985	6,333	1,959
1986	3,330	2,244
1987	4,319	2,647
1988	6,191	3,739
1989	6,294	3,773
1990	6,987	3,755
1991	12,422	4,666
1992	58,736	11,292
1993	111,435	27,514
1994	81,406	33,787

Note: The data reported above are inclusive of foreign direct investment in equity joint ventures, contractual joint ventures, wholly foreign-owned enterprises and joint exploration as well as foreign investment in leasing, compensation trade, and processing and assembly.

Sources: Ministry of Foreign Trade and Economic Relations, *Zhonghua Renmin Gongheguo Duiwai Jingjimaoyibu Xinwen Gongbao* [The Bulletin of the Ministry of Foreign Trade and Economic Relations of the People's Republic of China], no. 2 (25 April 1994), 10; *Jinrong Shibao* [Banking Times], 26 January 1995, 1 (quoted in Lardy 1995, 1066).

a fishing village in 1980 with less than thirty thousand inhabitants but, in a few years, it became a bustling city of nearly 10 million (Fang et al. 2008).

As shown in Table 1.1, the flow of FDI declined temporarily following the Tiananmen crackdown in June 1989. But it was quickly restored with Deng Xiaoping's famous tour of Shenzhen in early 1992. Deng's slogans, "Let a few people get rich first," "To get rich is glorious" and "Development is the real truth," again boosted people's confidence in change and catalyzed China's unprecedented race to market. In the 14th Party Congress in October 1992, besides setting the goal of establishing a socialist market economy as indicated, the government generalized various strategies including those of special economic zones in more cities to attract foreign investment. The Shenzhen miracle was therefore duplicated in various coastal cities and inland provinces. Besides, China also opened up sectors such as retailing, power generation, property and port development that previously had been off limits to foreign investors. These combined efforts have led to particularly significant foreign capital inflows directed toward various parts of China. It is worth noting, however, that this foreign capital has been dominated by Overseas Chinese investors, namely those from Hong Kong, Taiwan and Southeast Asia. In fact, since China opened its doors in 1978, ethnic Chinese enterprises have been the largest investors in China, both in terms of total capital and number of firms established in China (see Table 1.1).

These reforms and investments have made China change from being one of the world's most isolated and backward economies to being its fastest growing and most dynamic (Fang et al. 2008). In the 1990s, China (after the United States) became the second-largest recipient of foreign capital investment, which accounted for more than 22 percent of all its investment. The average growth of its economy reached 9.7 percent per year (against 7.5 percent for the "Asian tigers"), and its exports grew by 19 percent per year (Huang 2008). China has become the most outstanding example of a "transitional economy" that the World Bank proposes to developing countries (Fang et al. 2008). Its entrance into the World Trade Organization in 2001 only accelerated the process of its reintegration into global capitalism.

Nevertheless, such a rapid economic growth has come with costs and problems. The reforms that were meant to enhance the authority of the Party-State have in fact undermined it and led to an element of social chaos. Deng Xiaoping's decentralization strategy has yielded considerable authority to the lower bureaucrats so that they can enjoy certain powers in making economic decisions and using tax revenues for local projects. As their authority grows, local bureaucrats form alliances with enterprises and often ignore central government injunctions against corruption, labor exploitation, product duplication or tax overcharges (Gu 1991). This reveals the huge gap between China's political and legal reforms as well as its economic reforms, leading to bouts of inflation and rampant corruption.

To be sure, it is quite evident that Chinese economic performance has been impressive. Yet, at the same time, some of its weaknesses such as the widespread exploitation and corruption have been widely reported. In Shanghai alone, for example, since late 2006 eight senior officials in charge of land management have been arrested. One of them, a deputy director of the land management bureau, amassed 10 million yuan, about US$1.25 million, in his bank accounts, as well as 26 apartments valued between 70 million and 80 million yuan (between US$8.7 million and US$10 million). Further, Chen Liangyu, the party secretary of Shanghai and a Politburo member, and Liu Jinbao, the head of the Shanghai branch of the Bank of China in the 1990s, were both detained on corruption charges. China also dominated the headlines in the world media in 2008 for a different reason. The melamine milk scandal that broke in July 2008 impacted an estimated 300,000 infant victims according to government reports. This scandal was referred to by the World Health