A COLLECTION OF BOOK REVIEWS OF:

ROBERT H. NELSON, *ECONOMICS AS RELIGION: FROM SAMUELSON TO CHICAGO AND BEYOND* (University Park, PA: Pennsylvania State University Press, 2001).

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p. 54 – *The Financial Times*, London (August 15, 2002), review column by Samuel Brittan, senior economics columnist and writer, The Financial Times.

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Journal of Religion, January 2005

Book Review

Nelson, Robert H. *Economics as Religion: From Samuelson to Chicago and Beyond*. University Park: Pennsylvania State University Press, 2001. xxvi+378 pp. $35.00 (cloth).

Robert H. Nelson's *Economics as Religion* investigates the development of the academic study of economics and its role in Western societies today. In an accessible and informative manner, Nelson provides an overview of major economic theorists, from Karl Marx, John Maynard Keynes, and Paul Samuelson, through the Chicago School (Frank Knight, Milton Friedman, and George Stigler), to recent explorations in institutional economics. Nelson's purpose is not merely descriptive; he constructs parallels between economics and religion to support a constructive proposal about the purposes, methods, and limits of economics. At the same time, and perhaps more profoundly, Nelson reenvisions the place of traditional religion in contemporary society.

Nelson launches his study with the "market paradox," which notes that market economies both require and are potentially threatened by the individual pursuit of self-interest. Some level of self-interest is necessary for efficient market operations. But left uncontrolled, self-interest leads to destructive behaviors, like cheating and breaking commitments.

The lesson of the market paradox is that market economies depend upon cultural institutions and values to circumscribe inappropriate economic behavior. Religion has been a major, perhaps primary, check upon the market. Building upon this insight, Nelson notes a wide variety of parallels between economic behavior, economic theory, and religion. He describes economists as playing religious or quasi-religious roles. In a discussion of "tenets of economic faith," Marx is a premillennial prophet and Keynes gives a postmillennial "new gospel." Samuelson's economics become an extension of natural law, while the Chicago thinkers are presented as grappling with original sin. By noting parallels between the concerns of economists and theologians, Nelson apparently seeks to advance several overlapping but separate arguments. First, economics as an academic discipline is not value-free; second, in some sense it is legitimate, even necessary, to say that economics has a religious dimension; and third, economics is a kind of modern religion.

In this third argument, Nelson makes his constructive assertion that economics can function as a new kind of religion, sufficient to solve the market paradox on its own terms. It is important to note, however, that Nelson's constructive argument for economics contains a deconstructive move against more traditional forms of religion. Nelson is not saying merely that institutional religion is declining as a cultural force in Western society, although that empirical argument does explain his discounting traditional religious institutions and thinkers. He goes further to claim that economics is a "worthy successor" to religion precisely because it fine-tunes the impulses of individual self-interest in ways that most benefit the market economy. What Nelson calls "ordinary religion" is less apt than economics for this particular function, and so it is the economists who are the new priesthood of our times.

Nelson makes key assumptions and choices that warrant further attention. First is his choice of economists, who constitute something like the canon in economic history but who are not the whole story. Nelson briefly uses Dierdre McCloskey's excellent work on rhetoric and history in economics to enliven his account. Yet to be considered, however, are the large numbers of dissident economists today who challenge the orthodoxy of neoclassical economics and its derivatives. Were their stories added to his historical account, Nelson might have been able to discern an even richer sense of the religious in economic thought.

But then there is Nelson's account of religion itself, which he understands completely in functionalist terms. Thus the purpose of religion becomes subsumed to the economic concern with scarce resources, so that salvation for Nelson is simply the end of material scarcity. Nelson's grasp of modern theology seems to stop with Paul Tillich (although there is his reliance on libertarian economist Murray Rothbard to parse Thomas Aquinas). Clearly, there are many other conceptions of religion and theology that could be drawn into the conversation begun in this book, although these additional voices would likely complicate Nelson's endeavor to replace religion with economics.

Finally, one has to return to Nelson's initial judgment that traditional or "ordinary" religion is no longer efficacious in the world. His judgment attains some plausibility because of his exclusive focus on Western societies; but once we broaden our view to include the world religions, and recent world events, we may have more difficulty concluding that traditional religion is irrelevant to economics.

That said, this book engages a vital subject that warrants interdisciplinary engagement. Its accessible language is just what the academy needs to promote dialogue between economists and theologians and, more broadly, between the social sciences and the humanities.

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Heythrop Review (2004)

Economics as Religion; from Samuelson to Chicago and Beyond. By Robert H. Nelson. Pp. xxvi, 378, University Park PA, Pennsylvania State University Press, 2001, $35.00.

This is a fascinating, but ultimately a frustrating book. There are two stories here, one that Nelson tells, and one he leaves implicit. The book would be more satisfying if he had told the second as well as he tells the first.

The first story is that economics, and as a consequence, the free market system, is self-eviscerating. The first is on a downward slope, may soon declare bankruptcy or self-destruct, and its demise will bring about the destabilization and eventual death of the second. On Nelson's reading, 'economics' is certainly a dismal science. Economics and the market system came into being with the grand experiment of Enlightenment liberation of the motive of self-interest from political, social, and moral constraints, within which it had been allowed to flourish for centuries, and perhaps thousands of years. Nelson asserts the continuity of Enlightenment capitalism with earlier forms, but the conundrum or paradox which he burdens economics to solve shows that a new psychological tension, not to say schizophrenia, entered Western man with the casting off of pre-modern constraints. In the first paragraph of his introduction, Nelson presents the psychic instability that the Enlightenment experiment inaugurated and which 'economics' was created to protect, maintain, and 'solve' – the redirection of Western man's energies and efforts from the wars over religious, philosophical, and political differences to the comparatively harmless activity of accumulating wealth, solving technical problems, and removing scarcity. This sounds easy and straightforward; however The maintenance of a market economy involves a basic paradox. For centuries writers such as Adam Smith have argued that the workings of the market should be based on the individual pursuit of self-interest. Yet, if the pursuit of self-interest goes too far in society, the very existence of the market may itself be endangered. If 'opportunistic' behavior encompasses too many forms of social action, . . . a market economy may function very poorly. There is a wide range of behavior – including dishonest and 'corrupt' transactions within the institutional framework of the market, 'rent seeking' in government policy and administration, and actions that destroy trust in the legal system – that have the potential for undermining the efficient working of markets (pp. 2–3).

In other words, every society needs two poles, symbolized by the 'body' and the 'soul', if its 'human system' is to work well; a 'body' part of egotistical, aggressive self-interest which is easily able to mobilize powerful energies for labour and study; and a 'soul' part motivated by altruism, the disinterested pursuit of truth, and involving a sharp vigilance and exclusion of the motive of self-interest. These two are present and necessary in every viable society, but what Nelson does not adequately stress, although he admits the problem, is how the gap between them became wider, the opposition and conflicting stop-go signals incalculably stronger. The only philosophical 'reconciliation' the Enlightenment could muster was that of seeing self-interest as the social analogue to Newton's 'gravity', that is, an invisible force, deterministic and inexorable, but which ultimately binds the world together. This ‘integration’ or ‘reconciliation’ encouraged the uninhibited indulgence of self-interest in all areas as actually a good thing for the world as a whole (i.e., Mandeville’s ‘Private vices become Public virtues’ in The Fable of the Bees), and thus actually exacerbated the problem rather than improving or resolving it. This put the ‘body’ part of the human system on a clear collision course with the ‘soul’ part, with the egotistical, self-interested part gradually eroding and undermining the ‘soul’ part as an ‘irrational’ exception and outdated superstition. Nelson tells this story well through the careers of Frank Knight, Paul Samuelson, Milton Friedman, and others down to our own day. The trouble is, as stated above, that the market needs a ‘soul’ element or dimension to keep self-interested behaviour from spreading beyond the economic sphere (in a certainly legitimate quest for the lacking unity and integrity) to invade the political and moral spheres as well, where unfortunately it will destroy the infrastructure, chiefly the ‘social capital’ in the capacity to trust, needed for the viability of contracts and for the market system in general to flourish.

And that is exactly what has happened. The ‘economists’ and other Enlightenment ‘social scientists’ attacked and displaced the corps of pre-modern religious authorities who had contained self-interest within the economic sphere; for a comparatively brief

period they were able to appear as new mandarins inspiring enough respect and devotion to perform the same role themselves, thus protecting the delicate balance and maintaining the new schizophrenia (two sides of the same coin) necessary for the modern Enlightenment experiment, and to have the markets function well.
Unfortunately, the eventual triumph of the motive of self-interest within theoretic economics (in the Chicago school) has resulted in two things. First, economics now realizes it has no ‘science’ to offer the rest of humankind, as an ‘intrusion’ by government into the market place both limits our freedoms unacceptably and cannot be shown to produce a better condition than the alternative. Thus practically speaking, economists now confess they are not worthy of the respect they have been getting, and the vast majority of economic actors show every sign of casting off every restraint to the motive of individual or egotistical self-interest – with disastrous consequences not only for the market, but also for the institutions fundamental to every human society, including the family and the basic division of labour. Thus, rather than being a great blessing, ‘economics’ has turned out to be a most lethal ‘virus’ for Western society. It is self-eviscerating; but that is not the worst of it. First it kills itself then its death destroys everything else.

This first story thus concerns economics as a ‘secular religion’ that temporarily succeeded in taking the place of the traditional Judaeo-Christian religion in ‘solving the problem’ the Enlightenment had created for itself by letting the ‘genie’ of uninhibited self-interest out of the ‘bottle’ of traditional restraints; it might be called ‘the rise and fall of economics’. There is a second story, however, which Nelson adumbrates but never expresses clearly, and which might be more helpful in illuminating our current situation than the story he does tell. This is the story of the philosophers, chiefly Hobbes and Rousseau, who stood between the economists and religion, often mediating the one for the other in the sense of providing an anthropology – a secularization or heretical view of their religious heritage – which the economists subsequently accepted rather uncritically. Nelson mentions Rousseau only in passing, and Hobbes never. He does mention Plato and Aristotle, and contrasts the Roman Catholic and Protestant legacies to the Enlightenment as being a fairly 'optimistic' natural law tradition on the one hand, with a comparatively 'pessimistic' scepticism and distrust of everything, including all fellow human beings, the supposedly 'value-free' or 'objective' character of science, the supposedly 'altruistic' character of 'experts', and institutions working 'for the good of society as a whole' on the other. This may be helpful in contrasting the 'progressive' school of Cambridge with the 'libertarian' school of Chicago, but in explaining the way modern economies work it might have been more helpful to use Rousseau and Hobbes, even negatively, by rejection or contrast, to throw light on current economic practices in the developed countries.

Rousseau of course opined that man is naturally good and that evil comes from 'outside' social structures. He is the father of all 'revolutionary' or 'progressive' economic ambitions. Hobbes felt that man is naturally corrupt, and that nothing much is to be expected from any social re-arrangement, especially liberalism. The best that the state can bring about is to achieve order through force, and thus keep man from falling lower, becoming a victim of his own fallen nature, and even more miserable. Neither one anticipated the enormous expansion of wealth and consequent improvement of the quality of life brought about through the industrial revolution and the application of scientific study to the traditional world. The latter includes the movement of capital, the multiplier effect through investment and competition, and the discovery of the 'cycles' in business' attempt to meet (and profit from) a discovered need or market. It also involves a critical stance towards traditional cultural and moral restraints to the free exercise of self-interest. Still, no one today can conceive of going back to pre-Enlightenment models of banking, the prohibition of interest, or of ignoring economic research and predictive models as the basis for both

business and government fiscal decisions, as flawed or imperfect as the latter may be.

All contemporary developed economies are a mixture of capitalist (Hobbes) and Socialist (Rousseau) elements; capitalism provides the basic structures to reward hard work as well as insight and new inventiveness, and socialism provides the 'safety net' in regulatory, redistributivist, and welfare programmes to catch individuals who 'fall through the slats' of the capitalist structures. In other words, we recognize in practice that both Hobbes and Rousseau projected false or one-sided abstractions, and that the truth lies somewhere in between. This implies again in practice a rejection of the Enlightenment claim to be able to found a single 'science' of man, at least on the Newtonian, mathematical, or mechanical model and, perhaps surprisingly, an attempt to recover a bit of the pre-Enlightenment ‘softness’ or flexibility, or an ambition to combine justice with mercy in our handling of the individual: to make room for man in so far as he ‘looks to the stars’, as well as when he ‘falls into the gutter.’ We thus occupy today a position of ‘docta ignorantia’, or ‘learned ignorance’, disavowing a ‘knowledge’ our Enlightenment predecessors claimed to possess. In effect, we have edged back to a pre-Enlightenment position.

Self-interest is not unlimited in the contemporary world, although it requires maturity to process the indiscriminate advertisings which can both give us information as well as seduce us out of our ‘maturity’ and the better selves we are labouring to construct. Almost everywhere in the world, people live less and less in a traditional society where they are ‘protected’ from the very transcendence the modern world offers by automatic cultural and moral constraints. And Nelson is correct that modern man is ‘lonelier’ than traditional man. If one misuses a cotton swab to clean the wax from one’s ear, one can puncture the ear drum; still, how many of us would prefer the security from harm obtained by giving up the cotton swab, rather than taking the risk and learning to do it correctly? Even for Nelson, economics is a self-corrective activity; if the costs of transaction (or Enlightenment schizophrenia, the psychic loneliness or unfulfilling character of modern existence) were late in being discovered and recognized, still they were eventually discovered and recognized. Few today want totally to de-criminalize the sale of drugs, and parents are willing to spend considerable sums to put blocks on their children’s computers so they cannot access pornographic sites. Perhaps traditional or pre-Enlightenment economics never died, at least as a cultural memory – and thus as a permanent possibility – as Nelson claims its successor is in the process of doing, and perhaps a good thing too. It seems that the phase of civilization we are in today is that we are working to correct an Enlightenment excess and immaturity by trying, not altogether unsuccessfully, but now against a recent excessive libertarian skepticism at all ‘authorities’ and institutions, again or still to return the ‘genie’ of self-interest into a ‘bottle’ of some kind of cultural and moral restraint.

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F. M. Scherer, review of

Economics as Religion: From Samuelson to Chicago and Beyond, by Robert H. Nelson. Pennsylvania State University Press, University Park, 2001, 378 pp., $35 cloth, $19.95 paper.

This book offers some useful thoughts on the role ideology plays in economic analysis. The author exhibits great erudition in his survey of economic "schools." However, by illogically forcing his central thesis-that economists are, and should be, proselytizers of variously defined "religions"-Nelson undermines his argument and even his credibility. He also violates the first and eighth Mosaic commandments. And he misinterprets the way economic analysis grows cumulatively through the contributions of countless economists, some of them long forgotten.

Let me begin by summarizing the most valid part of Nelson's argument. It is true that the conclusions economists draw often depend upon the acceptance of certain factual premises, goals, or ideological beliefs, and that denial of those foundations may require rejection of the conclusions. Recognizing this is of special importance for government decisionmakers, who should be careful to extract from their economic advisors a clear statement of core assumptions and the sensitivity of conclusions to them. Nelson apparently embarked on the research that led to this book because of his experience as a member of the Interior Department's staff.

He goes on to characterize, mainly by describing how certain "schools" of economic thought emerged and examining the views of their leaders, some of the assumptions about which he advises wariness. The principal protagonists are John Maynard Keynes and his disciple Paul Samuelson, the "Chicago school," beginning with Frank Knight and reaching a peak with Milton Friedman, and various institutional, behavioral, and environmental schools.

The belief systems of which Nelson is most critical hinge upon three main propositions. First, economic progress-i.e., the growth of real income per capita-is a primary goal of any economy, whose ultimate attainment is analogous to escaping from original sin. This he accepts, but only hesitantly, since progress is accompanied by "psychic" costs. Second, competitive market processes based upon individual actors' self-aggrandizement tend to maximize the efficiency with which material resources are used, and therefore contribute to achievement of economic progress and higher incomes per capita. Nelson repeatedly caricatures economists' emphasis on market efficiency as a quest for "heaven on earth." He blames this preoccupation, among other things, on economists' belief that market mechanisms can be analyzed with the same mathematical tools as Isaac Newton fruitfully applied to the physical world. Little is said about the substantial contributions of empirical econometrics, the field's other mathematical branch. But third, the "invisible hand" of market processes often goes astray-leading at the macroeconomic level to recession, unemployment, and lost output, and at the microeconomic level to the distortions of monopoly, environmental imbalance, and inequitable income distribution. From these propositions follows the progressive action message accepted by Keynes, Samuelson, and members of their school: an important task of economists is to identify governmental policy measures that will correct such aberrations and actively to advocate pro-efficiency, pro-growth, and pro-equity interventions.

Opposed to these views are several antitheses. One is a stress, attributed most prominently to Frank Knight, on laissez-faire and libertarianism for their own sakes. These, Nelson believes, are preferable to governmental meddling in market processes, which, if based on faulty assumptions or weak evidence, can make matters worse rather than better. For him, the main problem in attaining a just and prosperous society is to get the basic institutions right. In this, his heroes are the new economic institutionalists, such as recent Nobel laureate Douglas North and the new behavioral economists (Nobel Prize winners in 2001) who reject the assumption, upon which much of microeconomic theory is premised, that individual consumers rationally maximize their individual satisfaction and, among other things, make sensible choices under uncertainty.

I agree that classical economic theory has its problems and that newer dissenting views have been valuable. I disagree strongly, however, on two additional premises.

For one, Nelson sees the world of economic analysis in either/or terms, when in fact, its growth has been integrative and cumulative. Richard Nixon said, "We are all Keynesians," and he was right. One cannot teach a meaningful course on macroeconomics without giving prominent attention to Keynes and the economists who expanded upon his system. In his anti-recession policies, George W. Bush appears to agree, although I doubt that Keynes would have approved the details. But although he may not have said it, it would have been equally appropriate for Bill Clinton (who reappointed Alan Greenspan as Federal Reserve chair) to say, "We are all Friedmanites." Good economic analysis takes the best contributions from each school and integrates them into accepted theory. No single school has a monopoly on truth. It is most assuredly not true (p. 219) that "very little has been left standing of neoclassic economics-including the core ideas presented by Samuelson in [his 1948 text] Economics."

Second, and central to Nelson's thesis, is the notion that by accepting certain ideological foundations, economists are in effect practicing a "religion." "The Jewish and Christian bibles foretell one outcome of history," he asserts (p. 23). "If economics foresees another, it is in effect offering a competing religious vision. The prophesies of economics would then be a substitute for the traditional messages of the Bible." It is an abuse of semantic license to equate ideology or core beliefs with religion-even though some economists of times gone by adorned their prose with deistic flourishes. "Render to Caesar the things that are Caesar's" remains wise counsel.

Given his (unsubstantiated) argument that proper religious beliefs foster the honesty and trust needed to solve problems cooperatively (e.g., in northern Italy, as contrasted to southern Italy), Nelson goes on to argue that economists should view their field as a religion and preach the true faith (i.e., the propositions favored by Nelson) as if they were doing God's own work. For example, he asserts (p. 263; see also pp. xv, 260, 262, 267, and 270), "The processes of economic development may, in short, require proselytizing and religious conversion (leading to the creation of new forms of social capital) as much as increased investment in physical and human capital. Economists may have to be priests as much as engineers." He fails to recognize the derivative need to burn at the stake those who get it wrong.

Still more objectionable are the personal innuendos Nelson advances (e.g., p. 54), "Although Jewish by birth, [Paul Samuelson] has not been known to be an active practitioner of the Jewish religion. His religion has been an economic Progressivism that has sought to use government to promote economic progress...." And (p. 165), "In the end it is easy to see [Milton] Friedman as a follower in the Jewish messianic tradition, offering a new message of salvation for the world." About making allusions to fellow scholars' religiosity, I would say to Nelson what Joseph Wharton is reported to have replied when a Quaker meeting brother questioned his new investments in armor plate production: "That is none of thy damned business."

Nelson's exposition is organized primarily by focusing sequentially on various contending schools of economic thought and their beliefs about how the economy does, and should, function. He seems widely read in the history of economic thought, but his coverage is selective-whether by choice or inadvertence, I cannot say. Thus, he chastises Adam Smith for asserting that the workings of the market are, and should be, based on the pursuit of individual self-interest. But he fails to note that Adam Smith wrote two great books, not just one. And in The Theory of Moral Sentiments (1759), Smith argued that individuals keep their choices within socially tolerable bounds through introspection (Smith calls it "sympathy") over whether their behavior might be perceived as improper by fellow citizens. Nelson credits Chicago's George Stigler with originating the view that public regulation is often captured for the private interest of the regulated party, ignoring similar views anticipating "public choice" skeptics, for example, by the Wharton School's Edmund James in the first (1886) Publications of the American Economic Association and Princeton political scientist Marver Bernstein (1955). He attributes to Milton Friedman (in Capitalism and Freedom, 1962) the notion that the airline, railroad, trucking, and other transportation industries should be deregulated. Actually, serious deregulation proposals emerged during 1959 in that haven of theological error, Cambridge, from economists John Meyer, M. J. Peck, John Stenason, and Charles Zwick. He seems unaware that Oliver Williamson's work on corporate organization was preceded in pioneering books by Adolf Berle and Gardiner Means (1932) and Richard Cyert and James March (1963), among many others. About all he proves in his review of doctrinal developments is that fame in economics goes to the person who publishes when the market is receptive or merchandises his product best. As George Stigler wrote in the third edition of his Theory of Price (1966, p. 77), after identifying a tendency for economic theorems to be named for someone other than the person who conceived them, "If we should ever encounter a case where a theory is named for the correct man, it will be noted." I recall no such notes.

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Books and Culture, September / October 2003

Heaven on Earth

Economics and the secular faith in progress.
by Andrew P. Morriss

In the sequel to his acclaimed 1991 book *Reaching for Heaven on Earth: The Theological Meaning of Economics*, University of Maryland School of Public Affairs Professor Robert Nelson has written what may be the most important recent book on the future of the economics profession. Mixing intellectual history, theology, and a sophisticated yet readable account of the primary doctrines of 20th-century economics, Nelson's book both illuminates economics' immediate past and draws attention to the problems of its future.

Economics as Religion takes on two tasks. First, Nelson recasts the intellectual history of 20th-century economics in theological terms. Economists, he suggests, constitute nothing less than "the priesthood of a modern secular religion of economic progress that serves many of the same functions in contemporary society as earlier Christian and other religions did in their time." This priesthood offers, in Nelson's account, "another grand prophecy in the biblical tradition. The Jewish and Christian bibles foretell one outcome of history. If economics foresees another, it is in effect offering a competing religious vision. The prophecies of economics would then be a substitute for the traditional messages of the Bible." Second, Nelson uses his master-metaphor to pinpoint the challenges facing economics as a discipline, and economists as individuals, in the 21st century.

Thinking about economics (or other social sciences, political movements, and the like) as a religion can be helpful even where the analogy is only an approximate fit, but Nelson makes a persuasive case that the analogy is a good one. It can also be quite a bit of fun—Nelson's playful aside comparing the technical language and mathematics of current mainstream economic writing to medieval church Latin is both entertaining and enlightening, and there are quite a few more like it sprinkled throughout the book.

To make his case, Nelson relies heavily on two extended analyses of particular sets of economic works. In the first part of the book, he undertakes to decipher the religious subtext of Paul Samuelson's textbook, *Economics*. More than merely a text for undergraduates, Nelson argues, Samuelson's *Economics* was designed "to provide an inspirational vision of human progress guided by science in order to motivate Americans and other people to the necessary religious dedication to the cause of progress." This secular gospel glorified efficiency as the ultimate value, not to allow increased consumption but because efficiency offers "the best measure of the rate of movement along the path of economic progress."

Nelson carefully documents how Samuelson glossed over complications and problems with his grand narrative, relegating some to appendices and leaving others out entirely. Samuelson told and retold an economic story that, although presented as scientific fact modeled on physics, was in fact driven almost entirely by quasi-religious assumptions. (Indeed, one of my few criticisms of Nelson is that he does not devote nearly enough space to describing Samuelson's repeated failures to get critical facts right—for example, in continuing to report Soviet economic "success" as superior to free markets long after serious questions were being raised about Soviet economic statistics. Having been taught Econ 101 with Samuelson's book, I must admit I have a longstanding grudge against it.)

Despite the flaws of Samuelson's text, Nelson concludes, *Economics* was a "major artistic and inspirational success." His point is that the book merits attention as a work which—for better or worse—had a powerful effect. That it did so depended, of course, on the fact that it was an assigned text for millions of readers, not that it was freely chosen reading matter.

Playing Martin Luther and his fellow Reformers to the "Catholicism" of Samuelson and the neoclassical economists are the leading lights of the Chicago School: Frank Knight, Milton Friedman, and George Stigler. These economists, Friedman and Stigler in particular, rejected not so much the idea of secular salvation offered by efficiency and progress but rather the orthodox ideas about how it was to come about. In place of Samuelson's story of "a powerful federal government [that] is fully capable of doing many wonderful things for the American people, not only eliminating unemployment but also bringing about many other great benefits," the Chicago "Protestants" offered a vision of flawed humanity whose fallen nature required institutions like markets and property rights to protect individuals from one another as they pursue their self-interest. (Knight is a more complex figure in this tradition, and space precludes a full account of Nelson's treatment of his writings.) The third generation of Chicago economists, typified by Gary Becker and Richard Posner, extended the principles developed by the first two generations to new areas (families, crime, law), making the conflict with Samuelson's orthodoxy more pronounced.

Turning to work by Ronald Coase, George Akerlof, Joseph Stiglitz, Oliver Williamson, Douglas North, and others—the "new institutional economics"—and surveying their contributions, Nelson concludes that they succeed at "showing in both theoretical and empirical terms that norms of honesty, a sense of community, respect for rules, and other elements of culture can have a major impact on economic growth and development." So impressive are their results, he observes, that historical analyses may be more effective than "the quantitative and other formal analytical methods commonly employed by economists for the last half century."

Nelson's survey of 20th-century economic thought is thorough and surprisingly readable; he has always been a good writer, and he has outdone himself here. Anyone interested in economics but not inclined to wade through the jargon and mathematical formulas of the original articles and books can get a sense of the basic insights and failings of the literature by reading the first 260 pages of this book.

But perhaps the book's most important contribution lies in the final part, in which Nelson examines the larger role of "economics as a religion" in Western society. Two points are critical to the argument. First, what has given economics the "power to move the world" is its vital role "as part of a secular religion of progress of American civil society, helping to provide a normative basis for the necessary implicit contracts of a modern economy." Indeed, economics can be seen as a religion peculiarly suited to liberal democratic capitalist societies—a religion that has "the particular characteristic that it advances the pursuit of self-interest in appropriate domains but tightly restrains it in others."

The economic religion of progress is now under attack, and Nelson concludes the book by considering the challenges facing it. One of the most important comes from the environmental movement, large portions of which reject the faith in efficiency and progress that drove Samuelson's influential text. This skepticism is not limited to the most extreme "deep ecology" advocates, who find humans a "cancer" on the planet. Even more moderate environmentalists reject the economic vision of a heaven on earth built from material progress.

Consider, for example, the Endangered Species Act (ESA). An economic analysis of this legislation would focus on the incentive effects of the law and the irrationally large differences in expenditures on different species. The general consensus of economic research is that the esa harms endangered species by making their presence costly to landowners and that spending on species preservation is driven more by the "cuteness" of the endangered species in question than by its ecological value. Former Interior Secretary Bruce Babbitt, not a moderate on the environment but no deep ecologist either, rejected such analysis, terming the esa a modern Noah's Ark which Congress had commanded be filled with all species regardless of cost. Clearly this is a direct challenge to the gospel of efficiency. (The other key challenge comes from libertarian thought—and I won't describe Nelson's discussion of it to motivate this journal's readers to seek out the book for themselves.)

Economics as Religion is a major work—one that everyone concerned with economics (and everyone ought to be concerned with economics, in my opinion) should read. It prompts the reader to reconsider the intellectual legacy of the discipline, to rethink the role of economists in public debate, and to ponder the rising challenges to the religion of progress. If Nelson is right, our choice of civic religion today will have a major impact in shaping the society we will leave for our children. The old order is crumbling; what will replace it remains an open question.

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***Economics as Religion: From Samuelson to Chicago and Beyond*. By Robert H. Nelson. University Park, Penn.: Penn State University Press, 2001. 378 pp. $35.00.**

Review by David Colander, Middlebury College

Robert Nelson's *Economics as Religion* is both exciting and frustrating. It is an exciting book in that it raises an important question and reviews a wealth of economic literature, providing a wonderful overview of recent economic thought by a seasoned observer. Nelson's knowledge of the literature, especially the new work in institutional economics, is superb, and his interpretations sensible. It is a frustrating book because it pushes to extremes the analogy of economics as religion, and, in doing so, makes connections that, to me, seem tenuous at best. Is there a connection between economics and religion? Obviously. Is economics only religion? Obviously not.

The book, a follow-up to Nelson's previous book, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (in which he argued that the economics profession is the priesthood of a powerful secular religion), consists of an introduction, eleven chapters organized into five parts, and a brief conclusion. In the introduction, "The Market Paradox," Nelson summarizes the market-paradox argument that is central to the core argument of the book-that the market requires individuals to be self-seeking in their pursuit of profit, but at the same time to be selfless in following social and legal rules necessary for the market to operate. Nelson argues that the tension between these two requirements of markets places economists, and any supporters of markets, in the role of advocating both selfless behavior--their priestly role--and self-interest--their economic role.

Of these two roles he sees the priestly one as the most important, arguing that "economists played their most important role in American society in the twentieth century as theologians and preachers of a religion" (8). He believes that in that role they justify the necessary cultural foundations needed to allow competitive markets to work. Their justification of these cultural foundations makes them "a priestly class religiously dedicated to protecting the market system against political rent seeking and various other potentially destructive forms of individual opportunism" (11-12). "Rather than being value-neutral technicians, members of economic schools since Adam Smith have been the most influential priests of the modern age" (20). Under-standing this priestly role is important for understanding current policy, since there is a current crisis of social legitimacy and a “wide loss of faith today in the redeeming benefits of economic progress itself” (12).

The five parts of the book develop the above ideas in regard to particular groups of writers. Part 1, “The Laws of Economics as the New Word of God," examines the values of the American progressive movement at the end of the nineteenth century and early twentieth century. In it he argues that the progressive movement forms the core religion of economics.

Paul Samuelson's *Economics* is the focus of part 2, which is titled “Theological Messages of Samuelson’s Economics.” Nelson discusses how Samuelson's famous textbook adapted the "progressive gospel of efficiency" to the intellectual climate of the United States in the post-World War II era. He argues that Samuelson's text promoted and reflected a value system of rationally directed progress that dominated American society from the end of World War II into the 1960s.

Part 3, "The Gods of Chicago," argues that in the 1960s the University of Chicago replaced Samuelson and the Cambridge (Mass.) theocracy as the focal point for American economics. The Chicago approach showed a much greater skepticism of the main tenets of the progressive agenda, but, at least in the case of Friedman, accepted the central progressive goal of efficiency. He argues that Chicago economists should be seen as protestant reformers of a Catholic progressive orthodoxy espoused by Samuelson. It is Chicago's victory that presents the problem for modern economics and modern society. Chicago's skepticism about the possibility of beneficial government action, and society's acceptance of this skepticism, presents a crisis of faith that makes the theological element of economics especially relevant today. For Nelson this means that we have to replace the progressive gospel of the twentieth century with a new gospel.

That new gospel, in Nelson’s view, will likely be provided by the new institutional school of economics, which Nelson discusses in part 4. Nelson sees the new institutionalism as the movement that will most likely resolve the crisis of faith created by acceptance of the Chicago creed.

Part 5, "Economics as Religion," returns to the core thesis of the book. It is here that Nelson explicitly states his thesis and ties the central argument in the book to the book's title. He argues that by the modern age traditional religion had lost much of its authority and that the authority of traditional religion had been transferred to science, making science the greatest religious authority in modern society. Since the physical sciences had little to say about human affairs, the social sciences acquired the religious authority in spheres of social actions. In this fashion, Nelson says, social science became the religion of the modern age.

Nelson argues that society sought a secular salvation through abolishing economic scarcity and arriving at a state of complete material abundance on earth. As this happened, economists became the preeminent social scientists-although the success of economics in its religious function was, to a significant extent, independent of its validity. The problem is that while all this worked in some pragmatic sense, it has been bad for economics and for religion "in a more fundamental--a genuine 'truth'--sense" (267).

There is much to applaud in this book. The general evolution of economic thought as presented by Nelson seems a solid one. (At least it is the same evolution I see.) A belief in progressive state-sponsored solutions to economic problems evolved into a Chicago cynicism about the role of the state, with the new institutional economics movement trying to come to grips with the market paradox. It is also true that economists, especially policy economists, surely do play a central role in advocating the market, or at least market-based solutions. Since not much of that advocacy follows from economic theory, it must follow from something else, and that “something else” is too little discussed. By discussing it openly Nelson performs an important service. Hence my admiration for the book.

A further word on my frustrations and problems is in order. Nelson meant the book to be provocative, and it clearly is. But the provocation was achieved at the cost of carrying the argument too far for my taste. Consider the market paradox that Nelson presents as a core problem of economics. While it is clearly correct that this market paradox exists, its existence has been noted as far back as Adam Smith, who wrote the *Wealth of Nations* within the context of the *Theory of Moral Sentiments.* I fully agree that the tension between the market's two roles should be noted more by economists, but, in my view, the tension does not put economists in an untenable position of providing evangelical support for the market, although some economists have gladly answered that call.

To support his argument that economics is a religion, Nelson embraces a fairly wide definition of religion. Unfortunately, as I read the book I was never quite sure what Nelson's definition of religion was, or whether the market or materialistic eco-nomic progress was the god that was being worshiped. Consider his definition of religion. In the preface he states that "in the end, religion is about making claims to the truth. Religion is about changing people to make them better understand the truth as it is seen by the initiated and thereby also changing their behavior." Such a broad definition of religion surely encompasses much of what economists do, and much of what teachers and scientists do. But making claims for the truth is not the basis of religion for me; it is making *claims for the truth solely on faith.*

Science makes claims for the truth, but it differs from religion in that it purports to make claims for the truth on empirical evidence. Science asks us to find truth through observation, and it teaches us a set of methods that have worked in the pat for us to discover regularities upon which we can base behavior. Since the difference is based on empirical foundations, a careful consideration of how well economics achieves an acceptable empirical foundation must lie at the heart of any consideration of whether economics is a religion, a science, or a metaphysics. Nelson doesn’t provide that. Has economics often done a bad job in making clear what arguments are based on empirical evidence, and in discussing the limits of that empirical work? Yes, definitely, it has often done a bad job. But it is trying, and a consideration of the best of those attempts should, in my view, be part of a consideration of economics as religion.

I, like most people I talk to, am quite willing to concede to Nelson that science in general, and economics in particular, are overrated. But that does not place them in the category of religion. Just because some values are likely to enter into the "scientific" analysis does not mean that all analysis is equally value-laden. Thus, I can totally agree with Nelson that we should "abandon the false positivist claims of value neutrality and more honestly make intellectual arguments with value positions on the table" (253) and still hold that economics is quite different from a religion. (I prefer to see economic policy analysis as an art with a methodology quite different from that of positive economics.)

Another frustration for me as I read the book is that it was never quite clear what the god of the economic religion is. Is it the market, or is it economic progress? In my view, the two gods arc quite different but Nelson sometimes talks about one as the god, and at other times talks about the other. Now, an argument can be made that they are part of a broader unity--materialistic values are determined by the market system--but Nelson doesn't explicitly make that argument. Instead, he talks about the gospel of efficiency.

What's interesting is that the economist's focus on efficiency (generally interpreted as maximum total output from given inputs) as opposed to other goals followed from the attempt to avoid values and interpersonal welfare comparisons as the art of economics was blended into the science of economics. But all welfare economists know that efficiency is not an end it itself; it is simply a condition about achieving ends--one in which the ends, whatever they are, are achieved as cheaply as possible. Often we combine the ends and means, and I suspect in policy settings they often become hopelessly mixed, but that is a problem with the practical application of economic analysis, not with economic analysis per se. Thus, I was surprised to see Amartya Sen's work referred to only in the preface, rather than forming an important part of the analysis.

In exploring these issues Nelson stays within a relatively limited historical perspective, starting with the progressive era. In my view the religious aspect of economics has a long history that predates the progressive era. As progressiveness worked its way into economics there was a healthy fight between the progressives and the free marketers. Whereas Nelson sees Chicago as the protestant reformers of the Catholic progressive neoclassical religion, I see Chicago as more of a return to the core religion of laissez-faire, not always with the sensitivity of the earlier classical economists. Nelson sees neoclassical economics as the core, whereas I see classical economics as the core with neoclassical economics as a complementary-and sometimes not so complementary-variant.

The reason pushing the argument to extremes was frustrating for me is that in doing so, he makes it less likely that he will convince the neutral reader that the conflation of values into economic policy discussions is a serious problem. Good economics is not religion, but it has not done a good job in separating out what aspects of its policy recommendations come from analysis, what aspects come from religious faith, and what aspects come from a reasonable study of history. For me, the third element is central to policy conclusions, and the historical argument-this is what happened in similar situations in the past, and this is how the situation now is similar to those past situations-plays a central role in applied policy economics.

Economists' attempt to separate out value judgments from their analysis led John Neville Keynes to separate out an "art" of economics, which was concerned with policy advice, from the "positive science" of economics, which was concerned with studying what existed and how the economy worked. The art of economics used the goals determined in the normative branch of economics and the understanding developed in the positive science of economics to arrive at policy prescriptions. Because of the nature of this combination, the art of economics-where reasoned judgments lead to policy conclusions-should be seen as something quite different than the science of economics; the art is the policy branch of economics. This distinction was lost by Friedman, and, unfortunately, is lost by Nelson as well.

My reservations notwithstanding, this is a very good book, and Nelson has touched on an important issue highly relevant for public policy. The role that economics plays in legitimizing today's status quo as it tries to provide a reasonably objective analysis of economic issues is understudied and underrecognized by most economists. Economists are not quite the high priests that Nelson believes, but there are a lot of altar boys out there helping the religion along.

David Colander, Middlebury College

Review of Nelson's

ECONOMICS AS RELIGION: FROM SAMUELSON TO CHICAGO AND BEYOND: A TROUBLING INTERFACE

Melvin W. Reder, University of Chicago, emeritus

A review essay on Robert H. Nelson, *Economics as Religion: From Samuelson to Chicago and Beyond.* University Park, PA: Pennsylvania State University Press, 2001.

Published in ***Research in the History of Economic Thought and Methodology, Volume 21-A* (2003),** pages 213-228.

Despite reservations and disagreement on a number of points, I found this book stimulating and informative. The author has read widely and writes well. Best of all, he has a deeply felt message to deliver. That the message does not altogether persuade this reader should not deter others: it is well worth thinking about. In a nutshell, the message of the book is that, not withstanding its scientific trappings, economics is best thought of as a secular religion propounding a set of ultimate values. Ancillary to this view of the discipline, it proposes that economists view themselves as secular priests whose primary function is to spread the faith and act as guides to the laity in matters of religious practice. Nelson is well aware that most economists are unaware of the possibility of interpreting their social function in this manner and - faithful to the scientific image that the profession ostentatiously cultivates - would very likely reject (and resent) the interpretation that he proposes.

To avoid probable misunderstanding, in the Preface (pp. xxiv-xxv) Nelson explicitly addresses the question of whether the concept of religion entails belief n the relevance of supernatural entities or forces to human affairs. I take his view of the matter to be indicated (p. xxv) by his quotation from the 1990 edition of the *Dictionary of Christianity in America:*

> Before considering economics as a religion associated with the ultimate value of efficiency, it is necessary to remove several ambiguities in the definition of (economic) efficiency. Since the 1970s there has been much discussion as to whether secular humanism is a religion and should be regarded legally as such. This question hinges on one's definition of religion. If belief in a god is necessary to define a religion, secular humanism does not qualify. If on the other hand, religion (or a god) is defined as one's ultimate value, then secular humanism is a religion.

As the book would make no sense unless the second definition was accepted, feel comfortable in assuming that it is this definition with which Nelson operates. However, I would find it easier to interpret his argument if the definition were amplified to include the following idea: one's religion is characterized not only by ultimate value(s) but also by an associated set of beliefs about the nature of the universe and one's place within it. Before discussing the "ultimate values" that identify economics as a religion, let me tote that ultimate values may differ from one brand of economics to another. As this book is concerned exclusively with mainstream professional economics n the United States during the second half of the twentieth century, the values, attitudes and beliefs to be discussed are relevant only to economics of this description.

As judged by Nelson the ultimate value associated with economics of this: and is "efficiency." In support of this judgment, he quotes George Stigler (p. '6):

> the dominant theme has been that good policy favors, and bad policy interferes with, the maximizing of income of a society ... the goal of "efficiency" has been the main prescription of normative economics.

Although this definition of the ultimate value of economists requires qualification, I shall use it as a point of departure.

The book has two aspects which I shall discuss separately. One aspect is the argument that economics is a secular religion: this is considered in Section II. He other is an interesting though somewhat tendentious overview of economic thought in the United States during the second half of the twentieth century: this is discussed in Section III. Section I is ancillary to both of the later sections. To keep this review within reasonable length it has been necessary to glide over many details, especially in Section III, that would otherwise warrant critical tension.

(i) A seemingly innocuous characteristic of the conventional definition is that the only entities whose condition (utility, status, welfare, income, wealth) is considered relevant to a measurement of efficiency are human beings. All other forms of matter are considered as instrumental to the well being of humans, with their "welfare" entering an objective function solely as a means to the promotion of human welfare. The point of the previous sentence becomes clear as soon as we contrast the typical economist's value system with that of a typical Animal Rights advocate.

To an economist, the welfare of (at least some) other humans is not only a determinant of her own level of utility, but is also a moral constraint upon the set of actions she may take to increase that level. Her feelings for non-human entities are quite different: however well she may treat such entities, the ultimate rationale of whatever kindness she dispenses is the resulting increase in her own utility. Should there be a change in her tastes or resources, her concern for the welfare of a given non-human entity might lessen drastically without inducing an attribution of justified blame. But the Animal Rights advocate would view such an attitude - and associated behavior - differently. Regardless of her feelings toward non-humans, the Animal Rights advocate considers animals to have rights that may not be infringed regardless of the disutility for humankind that respecting them would entail.

The above remarks about (the attitude of the typical economist toward) non-humans may apply not only to animals, but also to vegetables. While many economists are tree lovers, typically their concern is with the benefits that the presence of trees confers upon humans. They are apt to ask about the "optimal quantum" of forestry per (human) capita as though the quantum of forestry were a variable of choice the level of which should be set solely in the interest of humans: in the ancillary calculations the interests of trees and other non-human entities are ignored, if even contemplated. The anthropocentric perspective implicit in such calculations is anathema to thoroughgoing environmentalists whom Nelson characterizes (pp. 308-316) as "environmental fundamentalists." As Nelson points out, such environmentalists explicitly reject the goal of maximizing (human) consumption in favor of some incompletely specified goal that might require sacrifice of human satisfaction for the benefit of non-human entities. Obviously, such a goal would be incompatible with the conventional concept of economic efficiency.

(ii) Despite occasional tergiversations (e.g. "Defense is better than Opulence", pace Adam Smith), generally economists speak as though the wealth of humans were the summum bonum of human striving. But frequently economists have expressed concern not only for the aggregate quantity of wealth, but also for its distribution. Let me begin by remarking on the sharp decline in concern with issues of income and wealth distribution that has occurred among mainstream economists during the second half of the last century.

Circa *1950* (alleged) distributional impacts were a major concern in evaluations of any trend in economic life or proposal for change in economic policy. In making such evaluations, the typical presumption was that reduction in inequality was desirable per se: e.g. it was generally accepted that progressivity of incidence was a point in favor of any proposed tax. However, during the last thirty-five years or so the dominant trend in economic thought has been both to abandon this presumption and generally to downplay the importance of distributional issues in favor of a focus upon the per capita level of income and/or wealth. In discussing economic thought during the latter twentieth century, Nelson barely recognizes this shift of emphasis, but merely accepts Stigler's dictum that the dominant criterion of economic appraisal is efficiency without regard to equity in the distribution of its fruits.

Focus upon efficiency without regard to equity in distribution leads to neglect of a plurality of values embedded in the weltanschauung of contemporary mainstream economists. This plurality is revealed in the problem of choosing between a larger population and a higher per capita (real) income. Since the "Malthusian devil" was laid to rest in the mid-nineteenth century, economists have fudged the moral issues associated with birth control by pointing to the fact that as per capita income rises family size declines, thereby obviating any need to make family size a matter of *social* concem to avoid pressure on the means of subsistence. But in taking this gambit, economists have made implicit appeal to a value distinct from efficiency: freedom of *individual* choice.

Economists, like most others in developed countries, feel that where feasible, social choices should be made by allowing each person to make an individual choice. Respect for this feeling implies that the "burden of proof' should be placed upon those seeking to override individual choices in order to promote conformity with a social norm. Notoriously, choice of family size and sexual behavior generally, has been a continuing cockpit for advocates of freedom of individual choice and their opponents. Although, the values of efficiency and freedom of choice tend to get conflated (by exaggerating the reach of the invisible hand) it is important to distinguish between them.

(iii) Embedded in the common beliefs of mainstream economists are two value judgments: (a) only contributions to the well being of human beings should be reflected in measurements of production; and (b) when measuring the net output of an economy not all sources of utility loss (to human beings) should be counted. Having already discussed (a), let us proceed to (b).

As Nelson points out in discussing "Existence Value" (pp. *84-87),* the sources of psychic loss resulting from economic change go far beyond what is normally considered "cause for compensation." For example, consider the sensibilities of individuals who are sentimentally attached to a hometown or old neighborhood from which they have long since departed. Or those of individuals greatly concerned with the survival of occupations associated with a particular way of life, e.g. farming. Such individuals may be greatly saddened by the destruction (or deterioration) of places or occupations whether caused by economic progress or natural disaster. Similarly, individuals of strong religious convictions often suffer great loss of utility from the behavior of unrelated people (e.g. sexual behavior) that contravenes these convictions. Not infrequently such utility loss is reflected in actions intended to inhibit or impede such objectionable activity.

Yet a further example to the same point is the utility derived by awareness of the existence of natural or man-made wonders, particular species of plant or animal life, etc. This source of utility is commonly described as "existence value." Nelson's discussion of existence value (pp. *84-87) is* perceptive and right to the point. As he puts it: (pp. *84-85).*

> economists could introduce into "gross national satisfaction" - now going well beyond "product" - an existence value for the real anger felt *by* many people when they know of a bank or other party charging a usurious interest rate… One immediate consequence, however, would be to undermine most past conclusions of economic efficiency analyses of the market system. Because many existence values have no prices for most of the people who benefit from them, the market would provide the wrong signals ... The full incorporation *of* existence values into economic analysis thus could transform much *of* what *is* now considered private activity in the market into forms of public-sector activity requiring government management to achieve a socially efficient result.

Let me rephrase these remarks to emphasize Nelson's point. In measuring societal output economics considers as inputs only such goods or services as are (or might be) judged ancillary to the process of producing a marketable good or service. Absent such a judgment, wounded feelings will not be counted as a cost, however grievously they may be injured. It is only this convention of social accounting that makes possible the familiar textbook demonstrations of the beneficent effect of free trade, specialization and division of labor, technical progress, etc. Formal theory says nothing about what may or may not be considered an input to a production process and/or what may be included as an element of the cost of its output. Judgments on such matters are "pre-theoretic" and often reflect beliefs that are value laden.'

II

Granted that economics is intimately connected with the promotion of certain values, does it follow that it is a religion? Let me begin my ambivalent response by remarking that whatever its status as religion, economics claims to be a science. And during the past half millennium, science has been considered alternative to religion as a touchstone of truth. As I have argued elsewhere (Reder, 1999) during the past century economics has sought to conform to the criteria of science - however diverse these may be - and both its status and some of its social function(s) depend upon its perceived success in this attempt. But however successful economics may be as a science, in this role it does not pretend to serve as a source of ultimate values. Considered as a science, economics, like other sciences, claims to be simply a provider of instruments to achieve objectives (values) that are given exogenously.

If one of these ultimate values is "TRUTH", science claims a monopoly of access and thereby competes directly with traditional religion. To the extent that it is successful in making this claim, science (including economics) displaces religion in this domain and thereby assumes one of its functions. However religion is concerned not only with the true, but also with the good and the beautiful. Putting aesthetics aside, the claim of science to pre-eminence in the domain of morals is far weaker than in the domain of truth, and most scientists are careful to avoid claiming that their work contributes to knowledge of the good. Nevertheless, many economists - though doubtless a minority - contend that economics and moral philosophy are inseparable: Nelson is one of these.

It is this conflation - of economics and moral philosophy - that leads Nelson to attempt a parallel conflation of economics and religion. While I sympathize with this objective, I resist it. I agree that economic analysis is often mixed with value judgments - avowed and otherwise - and believe that it is not always worth the trouble to disentangle the two. Consequently, much of my resistance to the conflation would disappear if "ideology" was substituted for "religion" in the book's title, and its argument adjusted accordingly. But to do this would fundamentally alter Nelson's message. He believes that the principal teachings of economics are secular translations of themes of (Judeo-Christian) religion and loads the book with theological arguments to this effect.

My objection to this contention is more a matter of emphasis than of downright disagreement. Over the past millennium there has been a trend toward increased specialization and division of subject matter among "intellect workers." In the early part of that millennium, advisors to rulers often wore clerical hats and cloaked worldly advice in religious verbiage. Also, in this period the prestige of religion was such that even lay advisors felt constrained to make use of its vocabulary and categories when discoursing on purposive actions: i.e. what a sovereign was advised to do had to seem in keeping with what could be ascribed to the will of god. As the actions prescribed for sovereigns (and/or subordinate lords and masters) needed to be kept in harmony with behavioral instructions to lesser folk, religious doctrine permeated the practical maxims of conduct offered to the entire population. In short, maxims of religious doctrine were applied to all aspects of life, among them economic behavior.

However, despite concern for conformity with biblical injunctions and (especially) terminology, the behavior that was either encouraged or enjoined was selected with a careful eye to economic efficiency and the practical limits of self-restraint. Thus, the religious doctrines inherited by the secular philosophers, merchants and other counselors who came to assume some of the roles previously performed by priests were not so markedly at odds with secular ideas as to mandate rejection tout court. Consequently, the theological arguments to which Nelson makes copious reference often seem remarkably parallel to those of subsequent lay philosophers.

That is, the virtues of thrift, enterprise, commercial honesty and hard work have been proclaimed throughout the past millennium as values of a common culture. In its early centuries these virtues were supported by theology but later, as science appropriated much of the authority of religion in human affairs, economics came to replace religion as a support of moral instruction. However Nelson exaggerates the salience of this role. Only a small part of religion's lost moral authority has accrued to economics. Much of this authority has devolved upon the family, which has, in turn, delegated it increasingly to the individual under the rubric of freedom of choice. Other parts of this authority have been dispersed among educational institutions and various peer groups.

While ideas about economic behavior have had great influence on the ideologies of these diverse entities, it is doubtful that much of that influence has come from *contemporary* economic thinking. The cumulative effect of two centuries of economic thinking on contemporary common sense is another matter: ideas about the invisible hand, the advantages of specialization and division of labor, economies of scale, etc. have currency outside of professional economics, and not merely as buzz words. But in pointing to this channel of influence, care must be taken to recognize the importance of reverse causality. Over the past two centuries the thinking of economists has responded to changes in the ambient society. Without elaborating, let me point to the drift of productive activity from agriculture to manufacturing and later to services, and to the innovations in communication and information processing. The reader can readily trace the impact of such developments upon the content of economic thought and the associated changes in moral standards; e.g. injunctions against false advertising, violations of intellectual property rights and pollution of the environment.

In short, I do not think that the *contemporary* effect of economic thinking upon the values either professed or lived by the public at large is great enough or sufficiently distinct as to support a claim that economic ideas are a major determinant of societal values. On the other hand, I agree with Nelson that present day economists underrate the importance of their pedagogical function as presenters of ideas, both as to how economies actually function and the maintained values upon which such functioning depends. Although its effect is dispersed over a long horizon, such presentation constitutes an important part of what economics contributes to the society that supports it.

III

As Nelson recognizes, during the past half century the self-image of most economists has been that of scientist. Although there has been sharp disagreement among them as to the proper application of their expertise, overwhelmingly economists have claimed the role and status of scientist, and still do. However, during the past half century the interpretation of the role of economic scientist has undergone a sharp change. Although there was never an overwhelming consensus on that role, during the period from (say) 1945 to 1965-1970 the dominant view was that the economic-scientist was akin to an engineer or a physician, capable of applying technical skills to the accomplishment of assigned tasks. But since then, this view shifted to one in which the economist was seen to function like an astronomer, explicating the course of history and (perhaps) predicting the future, but incapable of influencing it purposefully.

While this shift of perspective occurred, though with significant difference of detail, in both the micro and macro branches of the subject, Nelson's primary concern is with macro. In the early part of the (post World War II) period, economists shared in the "can do" spirit of the New Deal and the succeeding war period. The pervasive belief was that, guided by science and inspired by goodwill, governments could solve social problems of which the most salient was large-scale unemployment. Nelson shares the "Chicago View" that this belief was wrong: governments are inherently incapable of accomplishing such objectives and would imperil personal freedom by any serious attempt to do so. Moreover, and not incidentally, Chicagoans generally believe that to use economics, as an instrument in such attempts would overtax its capabilities and damage its reputation as a science into the bargain.

Nelson selects - properly I think - the first edition (1948) of Samuelson's introductory textbook, *Economics*, to epitomize the ideas of 1945-1970. He perceives *Economics* to embody an implicit value judgment that the proper objective of a society is the advancement of the material well being of its members. He perceives further that the text suggests that this advancement requires the sagacious intervention of the state to remedy the intermittent failures of a largely unregulated capitalist economy: such intervention was to be directed by scientific knowledge of which economics, as introduced in the text, was a major ingredient. Acquisition of such knowledge was deemed to be independent of how it was to be applied. That is, a properly trained economist was to be equipped with tools that could be used to achieve whatever objectives were presented to her: valuation of the objectives was considered orthogonal to valuation of the skills displayed in achieving them.

Though a bit overdrawn, I would agree that the statement of the preceding paragraph represents the mind set of Samuelson's (1948) text and, more to the point, of his generation of economists (of whom I am one). For brevity, I shall term this mind set "optimistic positivism." The defect of this mind set was not so much its positivism as its optimism. It was not only that we believed that applying scientific method in the spirit of Logical Positivism was the right (only?) way to advance economics, but we also believed that economics was poised to make rapid technical advances that soon would enable governments successfully to pursue monetary-fiscal policies that would maintain full employment without inflation.

In part this optimism of economists stemmed from the general euphoria about the capabilities of science that emerged during the second quarter of the twentieth century. This optimism was in sharp contrast with pessimism about the capability of existing social arrangements to avoid war and depression. The juxtaposition of the two attitudes fostered contempt both for the arrangements question and the ideologies that served to legitimize them. Because of its historic association with the doctrine of laissez-faire, "classical economics" became a prime target for the spears and arrows of the apostles of change. Conversely, the "can do" attitude of *The General Theory* as well as the specific policy recommendations which it suggested served to make it an intellectual banner for a generation of economists that wanted to do something about a defective economy that they blamed for the mass unemployment of the 1930s.

The impact of the conceptual framework of *The General Theory* which high-lighted seemingly simple relations among aggregate flows (e.g. the Multiplier and the Accelerator) was reinforced by the contemporaneous development of empirical counterparts to its principal variables: e.g. statistics of National Income and its major components, Investment and Consumption. It was further reinforced by the rapid development of econometrics which promised to provide the means to translate (refined) versions of Keynes's vague, qualitative relationships into quantitatively specific policy instruments susceptible to manipulation by central governments at the direction of properly trained economists.

While never explicit, underlying the confidence of Samuelson's generation of economists was the widespread acceptance of the new tools of quantitative economics in the prosecution of the war effort reinforced by glory reflected upon all of science by the achievements of nuclear physics. The widely perceived moral ambiguity of the military applications of physics served to heighten the image of science as value neutral: it was the task of science to provide instruments to final users whose objectives were whatever they might happen to be. While scientists could judge these objectives as they saw fit - oppose them and even boycott their users - the quality of their scientific work was considered independent of the purposes it might serve.

But although they believed the findings of science (including economics) to be merely instrumental to whatever objectives its users happened to hold, this did not mean that they (Samuelson's contemporaries) had no values of their own. As Nelson points out (Chapters 2-4), they were heavily influenced by the traditions and values of American Progressivism that had informed the teaching and application of social science since the latter part of the 19th century. This tradition and its associated (instrumental) values culminated in the New Deal whose spirit animated Samuelson's text. Foremost among these values was the elimination of poverty. Efficiency in resource use was at most a secondary goal, to be promoted when possible, but sacrificed when and if necessary to improve the living standards of the poor.

However, this ideology did not constitute a religion. Enthusiastic though he may have been about the scientific prospects of his discipline, the typical Samuelson-using economist regarded economics as instrumental to the achievement of a good society but not constitutive of its substance. While good society presupposed a decent standard of living for all of its member: this was thought to be only a necessary condition: the quality of life w determined by how material abundance was used. Like contemporaries in other academic disciplines, when searching for "ultimate values" or for the characteristics of the "good life" economists of all ideologies looked beyond science. Science provided means; it did not throw light upon ends.

Though diluted by the opposition of critics such as Deirdre McCloskey, d positivism of the first edition of Samuelson remains the dominant attitude the profession. However, the accompanying optimism has largely disappeared. Optimism was lost for two reasons: the diminished salience of the full employment objective and a growing appreciation of the complexity of economic processes. The objectives that replaced unemployment prevention, or at lea came to share top billing with it, were not amenable to simple applications "demand pull." It became necessary to estimate unemployment-inflation tradeoffs and, a bit later, to consider the effect of attempting to exploit such tradeoffs upon future tradeoffs, etc.

Attainment of these objectives did not seem as simple as maintaining ft employment. Although data sets have multiplied and econometric techniques have become increasingly powerful, the strength of professional consensus on magnitudes, and even on some of the signs, of policy relevant parameters h not increased pari passu. In consequence the confident belief that improvement in scientific procedures would automatically improve policy making has vanished. While most economists still believe that the only road to better policy, advice goes through improved science, they have come to realize that this roe is rough and that progress will be slow.

The sea change in economic thinking that started around 1960 involved n only a chastening of post New Deal optimism, but also a shift of focus economic theorizing. Emphasis has shifted from the Samuelson (1948) framework (i.e. stable relations among aggregates in macro combined with various kinds of non-perfect competition in micro) to one that seeks micro foundation for all relationships and has a strong tropism for models that feature ration individual decision making under competitive conditions. Although ma phenomena that are presented in the 1948 framework as results of non-perfect competition reappear in the post 1960 framework as consequences of transactions cost, search cost, asymmetric information, etc., the behavior of typical economic agents is described quite differently in the two frameworks.

Nelson clearly rejoices in these changes and without reservation hails the as marks of theoretical progress. Correspondingly, he deprecates the Samuels framework as theoretically defective. Although I would generally concur in his favorable appraisal of the post 1960 innovations in micro, especially those associated with the concepts of transaction costs and asymmetric information, I think Nelson is a bit uncritical in his enthusiasm. I regret his failure to recognize the great reduction of concern with distributional equity - so prominent in the 1948 framework - in economic theory since 1960. Moreover, I consider his (predominantly negative) obiter dicta on Samuelson to be quite unfair, and indicative of inadequate appreciation of the theoretical achievements of the 1930s - the years of "High Theory" - that are embodied in his text.

However, for reasons of space I shall not dwell on these details beyond noting one of their consequences. This is the de-emphasis of reducing distributional inequality, presented as an important desideratum of economic policy in the 1948 framework, and a corresponding increase in the relative importance attached to efficiency in the post 1960 framework. The reader of Samuelson 1948 would hardly be aware that to reduce inequality might entail sacrifice of efficiency (i.e. reduction in per capita real income), while partisans of the post 1960 framework hardly bother to mention the case for reducing inequality - and sometimes dispute it outright - in their concern to protect the rewards of effort and enterprise. But Nelson does not seem to consider this shift of emphasis to have had an intellectual cost, or even to be aware that it has taken place.

Although he overdoes it a bit, by and large I think that Nelson is correct in assigning major credit for the above shift in frameworks to Chicago economists. While I do not believe that an economist's choice of analytical framework is independent of her attitude toward economic policy (especially the role of the state in economic life) this is not the place to discuss the matter. Accordingly, and despite its undoubted importance, I shall discuss the Chicago view of economic policy without reference to whatever methodological entanglements it might reflect.

A basic characteristic of Chicago economists in the past half-century, and the main *intellectual* link between Frank Knight and succeeding generations of Chicagoans, has been rejection of the idea that an (improved) social science could give beneficial guidance to policy making. This characteristic has both doctrinal and attitudinal aspects.

Doctrinally, it is reflected in expressed disdain for "scientific" arguments offered in support of policy initiatives or proposals for institutional change. Repeatedly, Chicagoans - notably Milton Friedman, but others as well - have found such arguments to be wanting on various grounds, especially lack of empirical support. Another line of argument to the same effect has been to emphasize the unintended - and unwanted - effects of government actions: that such effects occur frequently is used to indicate the inadequacy of the underlying scientific support for the proposals.

A particular class of unintended effects is highlighted in the "Lucas Critique” of monetary and/or fiscal policies aimed at stabilizing the level of economic activity: i.e. attempts of governmental authorities to exploit perceived regularities in economic activity are likely to be frustrated by changes of behavior individuals responding to alterations of governmental behavior. Such argument are intended to show not only the inadequacy of social science - although t; is the primary target - but of human knowledge generally to guide purpose activity by the state. At the hands of Chicago, the practical wisdom of men affairs offering ad hoc cures for societal ills fares no better than proposals social scientists made with the same intent. What is under attack is the capability of human intelligence to achieve any societal objective - national defer and maintenance of law and order excepted - through actions of the state. While social science may make intellectual progress in discovering - a possibly explaining - regularities of behavior, the knowledge involved cam be used to achieve social objectives: attempts to do so will be self-defeated and counterproductive.

This negative attitude toward the application of human intelligence to "soc uplift", which derives from Frank Knight, is associated with a general distrust of intellectuals in positions of political influence. As Nelson perceive (especially in Chapter Five, "Frank Knight and Original Sin)," this attitude analogous to the traditional Protestant rejection of priestly authority based claims of esoteric knowledge. (Knight held that) the knowledge thus claim is spurious and the purpose it serves - direction of individual behavior promote social objectives - is undeserving of support.

This pervasively negative attitude lends itself to a generally skeptical view, of any political activity whatever. This attitude, characteristic of Knight, v and is in plentiful supply around Chicago. But, obviously, such an attitude inconsistent with efforts to roll back the welfare state established by the N Deal and the successor Fair Deal. Such efforts required a positive attitude tow; the prospects for success of an intelligently organized political campaign Among Chicago economists, this attitude has been exemplified by Mil Friedman and Henry Simons. Though differing in content, each of them offered specific proposals for public policy that (they believed) would promote the ca of laissez-faire. But whatever its content, implementation of any program of political change requires mobilization of public opinion which entails use esoteric knowledge of ancillary techniques. This leads to the establishment of an oligarchy of experts - pollsters, spin meisters, public relations experts etc. - to whom economists and other social scientists may serve as ancillary.

Whatever the scientific basis of their expertise, in recent years such expo have acquired the status and influence over (public) policy making that Chic would deny to economists. And, like other economists, Chicagoans of all varieties deplore their influence. However, Knight and his spiritual descendants have always felt that organized resistance would be self-defeating: whether the objective is political or otherwise, organization for any political purpose generates an oligarchy whose claim to influence will be based on a (false) claim of expert knowledge. The sole predictable consequence of such exercises is capture of rents by the so-called experts. The only self-consistent outcome of such an attitude is political indifference which many Chicagoans often affect, though rarely in a whole-hearted manner.

The limitations to such an attitude of half-hearted political indifference were reflected in the unconcealed pleasure of most Chicagoans at the course of events in the 1980s, and the accompanying Zeitgeist. That is, they rejoiced in the reduction of the role of the state in economic activity by the Reagan and Thatcher governments and in the collapse of the Soviet Union. Moreover they took evident delight in Friedman's success in the role of chief ideologue although - for the sake of theoretical consistency - they attributed his success to charisma rather than superior knowledge.

While Nelson clearly recognizes the difference between the Friedman and Knight-Stigler views of the role of expertise in accomplishing political objectives, he does not ask how these views have been reconciled. Although part of the answer to this important question lies in the strong personal affinities among leading Chicagoans, an analytically more interesting explanation lies in common adherence to the negative objective of impeding efforts to achieve any societal goal that would entail substantial curtailment of personal liberty, especially the rights of individuals to use or dispose of their property. Thus, however much Friedman's efforts at political reform may violate preconceptions about the inefficacy of such activity, desirability of their common objective has made his successes cause for rejoicing: his failures are considered (additional) confirmation of their negative preconceptions. In short, Chicago pessimists sit back and wish Friedman well while continuing to doubt the wisdom of his efforts.

However the tension between optimistic and pessimistic Chicagoans may be judged by Nelson - or his readers - it is clear that Nelson rejoices in the belief that their common rejection of the Samuelson-New Deal outlook was an important current in the Zeitgeist at the turn of the Millennium. I would concur in this judgment if the point of reference were (say) 1990 rather than 2000 something. However, it seems to me that the laissez-faire euphoria of the Reagan-Thatcher-Gorbachev years has somewhat evaporated and been replaced by a sober realization that there is a hard core of governmental responsibilities (e.g. health care, protection of the environment, poverty alleviation, education, public transportation) that the electorates of developed countries will not entrust to the working of markets. Memories of the 1960s and 1970s will probably temper any revival of the optimism of Samuelson's first edition, but the politic history of the 1990s strongly suggests that a state with substantial responsibili for the performance of the economy will characterize all developed societies the foreseeable future.

If this prophecy proves correct, there will be a perceived need for technic knowledge of economics - integrated with other sources of wisdom - to dire the state's acquisition and use of economic resources. This would frustrate the shade of the hero of the book, Frank Knight. As Nelson puts it (p. 336)

> The cutting edge of social thought today, probably the best indicator of future trends, can be found in the libertarian and environmental movements. Both have the advantage that they define themselves in significant part by ... rejection of ... scientific management aspirations that are at the heart of the progressive gospel...The one economist of the twentieth century who comes closest to an integration of libertarian and environmental sensibilities is Frank Knight. Among the many professional economists of the twentieth century, Knight may be thus be rated the highest in the histories of the future.

This remarkable encomium bears eloquent witness to the charisma of Knight intellect. His ability to fascinate powerful minds (e.g. Buchanan, Coas Friedman, Stigler) was remarkable, especially in view of the increasing opacity of his exposition - written and oral - after (say) 1935. 1 shall not attempt analyze the sources of this fascination beyond noting that they are quite distinct from what can be attributed to his contributions to technical economics (notably *Risk, Uncertainty and Profit)* that were made almost entirely before 1930. B the fascination that Knight exercises, not least on Nelson, should not be confuse with influence. Knight had no positive message for anyone: his (post 193 insights were almost always negative and aimed at demonstrating that son idea or other was wrong. He provided inspiration, but not guidance.

I concur in Nelson's characterization of Knight's thinking about ethics a: religion as secular Calvinism. Obsessed with the intellectual incompetence a moral frailty of the human race, Knight regarded intellectual pride as one kind Original Sin. It was this pride that he perceived in the claims of social scientists competence as guides to improvement of the human condition. He believed that the success of such claims would result in the exercise of power by so] individuals - through the instrumentality of the state - over others. The mischief they (social scientists) would cause results partly from their inherent inability deliver on the promise of economic improvement, but even more from 1 irrelevance of such improvement to the proper objective of human striving.

This objective, moral uplift, is distinct from economic well-being or human happiness generally, and was specified no more clearly by Knight than by others seeking to strike at the roots of hedonism. However, in Knight's case, it is clear that a salient part of the objective was to combine freedom of individuals from the authority of the state with establishment of the terms of cooperation among them without resorting to violence. While not claiming much for its virtues, Knight regarded laissez-faire capitalism as the least bad approximation to this goal that miserable humans could attain and, I suspect, he felt that this was better than they deserved.

NOTE

1. The point of this sentence is vividly illustrated by considering the increase in national income that would result from treating the various services rendered by housewives as outputs valued at the prices they would fetch if purchased through market transactions.

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Is Economics a Religion?

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A review essay on Robert H. Nelson, *Economics as Religion: From Samuelson to Chicago and Beyond.* University Park, PA: Pennsylvania State University Press, 2001. Pp. xxvi, 378. ISBN 0-271-02095-4, $35.00.

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In their history of sociology in the United States, Arthur Vidich and Stanford Lyman (1985, p. 281) argue that the central concerns of American social science "emanate from the dilemmas and contradictions in the relationship between God, the state, and civil society." Social scientists in America are asked to explain the "ways of society" to those within it, although in a modern secular society they are asked to do so without reference to God or divine providence. Social scientists may not be theologians, but in modern society their work plays the same role religion played in prior societies.

In Economics as Religion, Robert Nelson extends Vidich and Lyman's argument to economics in the twentieth century. While most economists avoid reference to God or divine providence, throughout the twentieth-century they have devoted themselves to explaining the "ways of the market" - for example, how the market mechanism works, and the relationship between the market and the state - to members of contemporary society. Because the market has become the central coordinating mechanism in modern society, economists have become the theologians of modernity. Nelson's book, therefore, "offers a theological exegesis of the contents of modern economic thought, regarding the economic way of thinking as not only a source of technical understanding of economic events, but also for many ... a source of ultimate understanding of the world" (p. xxv).

Does Nelson's "theological exegesis" succeed? If the purpose were to remind economists that their science was first and foremost a human activity and that the line between science and other human activities may be smaller recognize than they realize, the answer might be yes. But Nelson sets out to do much more, and it is the "much more" that causes some trouble. The purpose of this review, then, will be to assess Nelson's use of the religion as an organizing metaphor for twentieth-century economics and evaluate his claim that economics is the religion of modernity. Regarding his account of the discipline of economics as a religion, we will ask what the benefits and limitations of the metaphor are. Is it more appropriate to think of economics as a religion than as a science? Regarding Nelson's story of the history of twentieth-century economics, we have to ask if the metaphor of Northern Ireland's cultural divide, based on the religious differences between Protestant and Catholic, is appro-priate for telling the story of economics in the melting pot of the USA? And why does he exclude the new institutional economics from a theological exegesis?

The organization of Economics as Religion is straightforward. After consid-ering what it means to say that economics is a religion (Part One), Nelson turns to a theological exegesis of the two main strands of the economics religion in twentieth-century America: the Progressive Catholicism of Paul Samuelson and MIT economics

(Part Two) and the Calvinist Protestantism of Frank Knight and the Chicago School (Part Three). The identification of Samuelson with both Catholicism and the American Progressive movement, and of Knight with Calvinism, provides a link between the argument of this book with that of Nelson's first book on this theme, Reaching Heaven on Earth (Nelson, 1991), which traced similar concerns through pre-twentieth-century economic thought. While there are differences in the way Nelson characterizes economics as a religion in the two books, the overall message is the same: economics is theological (absent God), both because it addresses questions similar to those faced in theology (explaining the mysteries of the "ways of society"), and because it plays a social role of validating the existing (or an alternative) social order. The fourth part of Economics as Religion examines the changes in American economics during the past thirty years stemming from the emergence of New Institutional Economics. While suggesting that the new economics re-writes economics in ways that avoid the Cambridge-Chicago split of the prior fifty years, Nelson also examines what the new economics has to say about the role of religion in fostering a culture conducive to economic development. The book concludes with another look at economics as religion at the beginning of the twenty-first century. Is the market "God"? Is the notion of "progress" under enough attack to call into question economics' role as the religious validation of modernity? Where should we then turn?

Nelson's characterization of economics as religion is built upon the observation that economics provides for a modem secular society the types of answers and validation that various religions provided for prior societies. As Nelson says, "To the extent that any system of economic ideas offers an alternative vision of the `ultimate values,' or `ultimate reality,' that actually shapes the workings of history, economics is offering yet another grand prophesy in the biblical tradition" (p. 23). And again, later in the book, he argues that with the loss of confidence in traditional Christianity in the wake of scientific discovery, "social science ... became the religion of the modern age in regard to the conduct of affairs in this world … and in this capacity social science became responsible for resolving the collective action problems of the economic system that only a common religious bond ... can resolve (p. 266).

The example of Marxism, which Nelson uses (pp. 24-27), is instructive. Marxism provides a framework in which one can understand not only how society works, but why it works the way it does, and what future one might expect. Underlying the story Marx tells, of course, are the omnipotent economic laws of history. Although most twentieth-century economists are quick to point out that Marxism's inability to provide testable hypotheses render it more of a religion than a science, they must also face the uncomfortable fact that some of their implicit assumptions are similar to those of Marx. Nelson mentions the similarity of Marx's and Keynes' visions of the future (pp. 30-34), but a similar observation was made about Chicago economics and Marxism by Robert Fogel, the formerly-Marxist Chicago economic historian. Fogel apparently once remarked to George Stigler, "George, did you know you are a Marxist?" The question brought a sharp retort from Stigler, but Fogel then explained: "George, your economics may be different, but you both believe that all human activity is ultimately determined by economics."

It is on this uncomfortable fact that the implicit assumptions of an economic approach may be held as commitments akin to religious beliefs that Nelson builds his exegesis of the two main currents of American economics in the twentieth century. While the schools have different emphases, Nelson's treatment of them follows a similar pattern. He focuses first on the religious commitments implicit in the work of one of the school's master - Paul Samuelson in the case of Cambridge; Frank Knight for Chicago (in Chicago's case, he also includes a chapter on Friedman, Stigler & Becker). Then he picks up a particular theme in the school's work and organizes his consideration of the school's policy orientation around that theme. The Cambridge school is interpreted as a continuation of American Progressivism, seeking to use the tools of scientific management to realize a better world here on earth. Nelson's interpretation of the Chicago school is organized around the school's commit-ment to the rationality inherent in economic self-interest, an emphasis compared by Nelson to Calvinism. We will consider each of these in turn.

Using Samuelson's famous textbook as his primary source, Nelson suggests that Samuelson's economic arguments fit together only when one uncovers the implicit assumptions he holds about the market, inequality, and the role of the state. The key assumptions are: (a) Samuelson's belief that the market provides a natural order for society; (b) that economics understands how the market mechanism works (and does not work, in the cases of externalities and public goods); and (c) that the natural order of society can be scientifically managed to create the best social order possible given the available resources. How do these assumptions function as religious beliefs? One example of Nelson's exegesis will suffice. In a number of places in Economics, Samuelson deals with the benefits and costs of economic progress, whether it be the adoption of free trade or alterations to land use. Nelson argues that, in these cases, Samuelson always weighs the benefits of progress as greater than the costs of remaining in the present economic state. But there are costs Samuelson does not consider - including the stress and psychic pain caused by economic transition. For Nelson, Samuelson's willingness to discount the costs of economic progress reveals his fundamental commitment to progress through scientific management. The closing paragraph of Economics reaffirms the hope that economic progress will lead to a day "when everyone has the opportunity for a good job, an adequate income, and a safe environment" (Samuelson, quoted Nelson, 2001, p. 112). Nelson suggests Samuelson is best understood as a latter day prophet of this secularized version of the Judeo-Christian vision of heaven on earth.

More attention is devoted in Economics as Religion to the Chicago economists than to Samuelson's extension of the Progressive movement's vision of the perfectibility of the social order. Perhaps this is because the Progressive themes are ones he has developed elsewhere (Nelson, 1991), or perhaps it is because Frank Knight fascinates him. In any case, in Part 3 Nelson examines Knight's focus on uncertainty and human depravity, and the extension of his ideas in the work of Friedman, Stigler, Becker and others in the Chicago School.

While the temptation to discuss Nelson's view of Knight at length will be avoided, a few comments should be made. First, Nelson's interpretation of Knight's understanding of the relation between religion and economics is largely compatible with my own (Emmett, 1994), which is not surprising given our shared appreciation for Vidich and Lyman's (1985) framework. Secondly, the contrast between Samuelson's desire to create heaven on earth and Knight's appreciation for uncertainty and the tension between self-interest and social progress provides a contrast that runs throughout the history of American (and perhaps all) economics. Is economics the science which will steer us to prosperity, or does it remind us that even the best laid human plans go awry? Thirdly, Nelson's identification of Knight with the American tradition of Puritanism provides an intellectual history that is frequently missed when commentators try to understand his skepticism. His skepticism is often attributed to his rejection of religion, when in fact it may emerge from the religious perspective he gave up.

Yet it is surprising that Nelson himself misses the importance for Knight's thought of his upbringing and education in the Disciples of Christ. The Disciplines were an indigenous American religious movement to restore New Testament Christianity that rejected key aspects of Calvinist theology (election and predestination) and sought a non-creedal basis for unity among Christians. Knight's background in the Disciplines helps us understand at least a couple of aspects of his social philosophy: his virulent attacks on Catholic social thought (anti-Catholicism was a common feature of restoration movement tracts), and the passionate call for the economics profession to speak publicly only when it could do so with a unified voice (Knight, 1935). The dictum "we speak where the Bible speaks, and are silent where the Bible is silent" is rivaled in restoration circles only by the Augustinian motto, "In Essentials, Unity; in Non-essentials, Liberty; in All Things, Charity" (although it must be admitted that Knight was not known for charity towards fellow academics).

It is clear from the chapter on Knight, and comments elsewhere in the book, that Nelson is fascinated with Knight's complex understanding of human conduct and social organization. That fascination does not, however, carry over into his interpretation of the rest of the Chicago School. Chicago, Nelson argues, has a narrow and simplistic understanding of human conduct and social organization. If Samuelson is chastised by Nelson for an idealistic belief in progress, Nelson thinks that he at least had a vision which led him to think beyond the confines of narrow self-interest. The Chicago School preached self-interest as the gospel; the rich young man of Matthew 19 would have been happy to join their company. Friedman (the social responsibility of a business is to increase its profits), Stigler (whose orientation we have already seen), and Becker (theft may be rational if the constraint set is appropriate) seemed to enjoy rankling those who subscribe to moral codes like the ten commandments (Chapter 7 is entitled "Chicago and the Ten Commandments"). Yet Nelson seems even more concerned about the methodology of Chicago: the willingness to build an entire social science on the basis of a narrow conception of human nature. We will return to both his moral and methodological concerns shortly.

So where might the problems with Nelson's view of economics as religion be? The parallels Nelson draws between medieval Catholic natural law theology and the Cambridge school, or Chicago economics and Calvinism, are not the problem. Nor is his use of religious imagery to explain the rhetorical power of Samuelson's and Knight's visions of the world. Nelson's interpretative frame-work also provides several ways of seeing the continuity between modern social science and the Western intellectual tradition, and his approach fits well with the current interest among historians of science and economics in breaking down the barrier between science and other human activities (see Golinski, 1998). The problem appears when he claims that economics is a religion.

To argue that x (economics) is analogous to y (religion) because x plays the same role in society w that y plays in society z is different than arguing that x and y are the same thing. Vidich and Lyman (any myself in Emmett, 1994) make the former argument regarding the social sciences and theology. Nelson's book is frustrating because he often slips into the argument that economics, at least in some of its forms, is a religion. Dangers of which Nelson does not seem aware lurk close when he moves from the analogy of economics as religion to the metaphor that economics is religion. The clearest instance where Nelson's slip across this line brings him close to danger is in his exegesis of the Chicago School.

At the heart of Nelson's problems with the Chicago School is the Chicago propensity to extend self-interested rationality as far as possible, and to discount the possibility of irrationality, altruism or other such non-rational behavior as separate aspects of human conduct (see Lazear, 2000 for a recent Chicago statement of this view). Sarcastically, Nelson remarks:

> If something cannot be explained today in a narrowly individualistic framework of economic analysis, it is the belief of the "Chicago project" that in the future there will be a smarter graduate student, a more insightful theory, a better statistical method that will permit us to show the full workings of the forces of self-interest in more and more areas of life (p. 168).

For Nelson, this approach is the Great Idolatry, leaving no room for God:

> From the Chicago perspective.... any claim that, say, 40% of human behavior in some realm is irreduceably noneconomic, would be virtually to say that science is in principle restricted in its scope - that in some domains of life perhaps God has simply reserved them for his understanding alone . . .. Clearly, there can be no such "stopping points" within the value system - the moral philosophy - of the Chicago project today (p. 170).

But let us ask the question, is the Chicago understanding of economic science any different than, say, that embedded in evolutionary theory? Religion has always faced the challenge of science seeking to explain every aspect of natural and human activity. The worst response to science by religious thinkers was the attempt to "rope off' some aspects of human life - the human psyche or the personal - from scientific inquiry. Either God is in all or not at all. Either science explains all or it is not science. Herein lies the fundamental paradox of faith in the modern world.

Nelson cannot understand how someone might affirm both sides of this paradox. His response to the Chicago School is reminiscent of the debate in the early 1800s over the relation between classical political economy and the Philosophical Radicals (Utilitarians). Because the Philosophical Radicals combined classical political economy with atheism and a social policy agenda which the Church opposed, many argued that Christians must reject the emerging science as well. Richard Whately's Introductory Lectures on Political Economy (1832) responded by distinguishing between scientific and religious knowledge on epistemological grounds, arguing that they represented two different types of knowledge. Whately's characterization of the difference between religious and scientific knowledge constituted the first formation of what economists today know as the positive-normative distinction (Waterman, 1994). While there are problems with later formulations of that distinction, Whately's basic intuition that religion and science are different language games has saved many Christian social scientists from making the mistake of doing what Nelson seems to want them to do: form a "Christian economics" to compete with Chicago (and other) economics.

Of course, Nelson might want to claim that this is not exactly what he meant, and that, even if he was overzealous in identifying economics with religion, it is still the case that the economics of Chicago supports the basest human values rather than our highest values. Religions call us to rise above self-interest for the sake of others, and advance better human values. Economics destroys such values. Surely the realm within which economics and the market are allowed to operate must be restricted?

However, why should we assume that the market will only benefit people's baser values? The ideal in a liberal society is neutrality toward values - live and let live. The market enhances that neutrality by regulating the allocation of resources across preferences in such a way as to broaden the range of values that can be satisfied. This broadening of values allows individuals to pursue both "better" and "worse" values. Won't some people pursue better values? Even Frank Knight, who was known to criticize the market on this score (1999 [1923]), once said that "the chief thing which the common-sense individual actually wants is not satisfaction for the wants which he has, but more, and better wants" (Knight, 1999 [1922], p. 42). Those who want to restrict the range of values available to people in a market society may be surprised at the unintended outcomes of their restriction. Or, to flip the argument around, those who wish to enforce the "best values" on society often find it hard to accept people's willingness to exit a restricted-choice society for the wider range of values available in a liberal society.

Nelson h as another argument that is closely connected with his claim, contra Chicago, that the market is destructive to human values. His second argument is similar to the one made in Francis Fukuyama's Trust (1995): the market itself depends upon the trust built among individuals in non-market settings, such as religion (pp. 245-260). This argument has received a lot of attention recently, especially in the context of the debate over whether culture matters in economic development (Harrison & Huntington, 2000). Rejecting Adam Smith's argument in the Wealth of Nations that the market creates interdependencies among the members of a market society which bind people with disparate values, beliefs and commitments to each other, these scholars argue that prosperity requires a "deeper" commonality. Smith argued that trust emerges from the interdependency built upon the division of labor, and that no underlying commonality is required to produce social order because a self-regulating order will spring, as if by an "invisible hand," from the market process itself. Nelson and company imply that the market only provides order when an ordered set of values are already present.

Most economists would side with Smith: people will trade where they judge there to be an advantage to do so, and such trades will contribute to all participants' prosperity. Society is bound together by the mutually beneficial advantages individuals find from exchange with one another. This argument has only gained strength from its appearance in game theoretic form: if we limit our trade to a group with whom we share common bonds, we may increase the prosperity of that group relative to other groups, but we will also curtail the total prosperity of all groups. Group-based differences may alter one's estimation of the benefits or costs of trade, but where a net benefit is seen, trade will occur, as Smith said it would.

The majority of Economics as Religion is devoted to exploring the religious aspects of Cambridge and Chicago economics. The fourth part of the book, however, examines the ideas of New Institutional Economics. Nelson's purpose in bringing this emerging school of economic thought into his discussion is unclear, and in some cases seems to undermine the argument made throughout the remainder of the book. Three elements of his examination of the New Institutionalism warrant our attention.

First, Nelson suggests that New Institutionalism should be considered a viable option for economists today, despite its return to historical and institutional analyses that economics abandoned in the post-war period. Nelson argues that many economists view these methods of analysis with suspicion because they have been taught that the older institutionalists were non-scientific both in their methodology and in the fervor of their search for mechanisms of social control. But, as Nelson's exegesis of Samuelson and Chicago suggests, neo-classical economics has its non-scientific aspects. Hence, the economist should not fear that they are leaving the realm of science if they pursue new institutionalist approaches: "They may think they would be losing their scientific virtue, but it would be more correct to say that they would be abandoning their scientific hypocrisy" (p. 229).

The mention of hypocrisy should send off warning bells. Is Nelson once again treading close to the danger of mistaking the similarities between theology and economics as human activities for the religiosity of economics? The problem that this question raises is reinforced by the second thing that warrants our attention; namely, Nelson's unwillingness to undertake the same kind of theological exegesis of the New Institutional Economics that he does for Chicago and Cambridge economics. There is no suggestion that the New Institutional Economics might play the same type of religious or theological function in modern society as earlier forms of economics. Nelson must recognize that the New Institutionalism addresses the same kind of "ultimate" questions that he thinks Cambridge and Chicago did. If he accepts his initial idea that any economics plays a theological function in a modern society by providing an explanation of the "ways of society" for those in it, then he should have at least attempted a tentative theological exegesis of New Institutionalism. Of course, if Nelson really thinks that only Cambridge and Chicago were religious, because of their religious commitment to the underlying assumptions of their system of thought, then he needs to be reminded that the New Institutionalism is not without its committed. An example of the kind of "religious" commitment that may exist in the New Institutionalism was recently relayed to me by Patrick O'Brien, the British economic historian. At a meeting several years ago considering the impact of institutions in economic history, Doug North impatiently remarked at some point that, "surely there was an institutional framework that could have been set in place to avoid the French Revolution."

Despite Nelson's lack of a theological exegesis of the New Institutionalism, he does compliment the school for providing economists with a means to appreciate the positive role that religion might play in economic development. This third element of his investigation of New Institutionalism is, however, a two-edged sword. On the positive side, the focus on institutions, and in particular on the role of institutions other than markets and the state, allows New Institutionalism to ask questions that economists have largely avoided since the time of Max Weber. What is the relationship between the institutions of religion and economic systems? What relationship does religion have to law and constitutional questions? And are certain religions more conducive to the establishment of markets and of liberal democratic institutions than others?

Unfortunately, there is a lot of sloppiness in Nelson's treatment of this latter topic. There is a tendency to look for an "efficient religion" - the title of the chapter - rather than simply point out that these questions take us beyond neoclassicism into economic sociology and history. Also, Nelson does not recognize that the New Institutionalism may be more threatening to religion than neoclassicism. Neoclassicism, like liberalism, is neutral toward religion, allowing one to find one's values wherever they might be found. The New Institutionalism, on the other hand, seeks to provide an explanation for religion, and, if one is committed to economic progress, may provide an independent means of adjudicating among religions (Protestantism is good for economic progress, Hinduism may not be). Can someone who has made a faith commitment to a religion accept an argument which provides a non-faith-based explanation for that faith commitment? These questions return us once again to the fundamental paradox of faith in the midst of modernity, and remind us that solutions that try to divide the world between religion and science are fundamentally problematic.

On balance, then, what assessment can we provide of Nelson's book? One way of expressing the positive and negative aspects of the book is to say that Nelson succeeds where he makes the weakest claims, and fails where he most wants to succeed. The rhetorical device of comparing economics with religion effectively reminds economists that they also have commitments and that their science is simply another human activity. Yet the argument that these commitments have led economists astray by making their economics a religion makes a fundamental category mistake. Economics is not a religion, although it may be like religion in the context of modernity. And religion is not a social science, even when its practioners wish it were.

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By Ester Mirjam-Sent, Notre Dame University

Economics as Religion: From Samuelson to Chicago and Beyond. By Robert H. Nelson. University Park: Pennsylvania State University Press, *2001. Pp. xxvi, 378. $35.00.* ISBN *0-271-02095-4. JEL 2002-0009*

Imagine no religion. That is what John Lennon endeavored in a simple, piano-based song re-leased in *1971.* According to the fashionably be-spectacled former Beatle, picturing a world with-out a heaven above us is easy if you try, envisioning the earth with no hell below us is not hard to do, and the world without religion will be as one. For some, such a mind game is utterly appalling; for. others, it is refreshingly liberating. For Robert Nelson, economics without religion is both desirable and unimaginable.

Economics as Religion examines the religious value(s) of economics as well as the economic value(s) of religion. Its main focus is on the theological role performed by modern economics in proclaiming the gospel of efficiency. More specifically, the book's author views economists as preachers for the delicate balancing act between the self-interest on which the workings of the market rely and the opportunism that endangers the existence of the market. In developing his argument, he divides the book into five individual parts.

Section one maintains that Marx, Keynes, and many progressive economists endorsed a secular faith in progressiveness. The second part shows how Samuelson adapted this so-called gospel of efficiency to the intellectual climate of the United States after World War II. Segment three contrasts the Roman Catholic leanings of the American Progressive movement with the sup-posed Protestant priesthood of the Chicago school. The fourth section commends the new institutional economics for considering religion as a key factor of production. The fifth part covers the apparent crisis of legitimacy for the modern priesthood of the religion of progress. In a final segment, the author concludes that economists have been defending their professional status in society under false pretenses. The emperor of high economic theory has no clothes" (p. *330).*

Readers who are, rightfully, expecting a thorough assessment of the theological aspects of economics from a book entitled *Economics as Religion* are bound to be disappointed. Instead, they find somewhat capricious discussions of a very wide variety of largely implicit religious leanings of Nelson's cast of characters. In some instances, for example its evaluation of Samuel-son's contributions, the book sees economics as a replacement for religion in the sense of performing a certain social role, namely offering a theological solution to the market paradox. In other discussions, for instance its assessment of the Chicago school, it maintains that economics re-places a belief in God with a faith in self-interest. On yet other occasions, for example the book's analysis of the new institutional school, it considers the economic significance of religious beliefs. Hence, Nelson pursues theological themes and applies religious terms in a somewhat haphazard manner. Perhaps more troublingly, the author tosses out many criticisms that are entirely unrelated to the professed religious focus of the book. To give just a few illustrations, he views Keynesianism as only a modest variation on Marx, judges

Samuelson a large scientific failure, attacks the narrowly individualistic framework of the Chicago school, criticizes the employment of neoclassical formalism in new institutional economics, and generally chastises the supposed scientific hypocrisy in economics.

Overall, the book appears largely disconnected from the historical context as well as the historical literature. Concerning the historical context, the previous paragraph suggests that it offers a not entirely convincing attempt to discuss the *how* of *Economics as Religion*, and the manuscript also regrettably steers clear of an evaluation of the *why*. As a result, it falls far short of, for example, the work of Dorothy Ross (1991, *The Origins of American Social Science*, (Cambridge: Cambridge University Press), who consistently pursues the claim that American social science in general and economics in particular owe their distinctive character to their involvement with the national ideology of American exceptionalism, the idea that America occupies an exceptional place in history, based on its republican government and economic opportunity. With respect to the historical literature, Nelson's book contains many unfortunate gaps. Focusing exclusively on *Economics*, for example, the author criticizes Samuelson for limiting his attention to a static economy. If Nelson had cast his net slightly wider, he would not have been able to support this concern. For instance, Roy Weintraub *(1991, Stabilizing Dynamics: Constructing Economic Knowledge*, Cambridge: Cambridge University Press) shows how the Poincare-Birkhoff tradition in dynamics influenced the stability analysis of Samuelson. In addition, the absence of general equilibrium theory as well as game theory from a discussion that supposedly covers modern economic thought is rather puzzling.

Robert Nelson appears just as adamantly supportive of an economics without religion as John Lennon had been of a world without religion. In Lennon's view, the outcome would be a world filled with peace and love. Yet, Nelson remains largely silent concerning the appearance of an economic emperor *with* clothes. Implicitly de-fending a dichotomy between science and religion, he does not discuss the precise characteristics and practical attainability of such a religion-free science. This silence is rather reminiscent of the broad brush strokes with which he handles religion, as discussed before.

Paraphrasing Leon Lederman *(1993, The God Particle: If the Universe Is the Answer*, *What Is the Question?* New York: Delta), perhaps economics is not religion after all. If it were, we would have a much easier time raising money!

Ester-Mirjam Sent

Worldview, No. 1-2 (2003)

By Leland Glenna, University of California, Davis

Robert H. Nelson, *Economics as Religion: from Samuelson to Chicago and Beyond,* University Park, PA: Pennsylvania State University Press, 2001. 392 pp. ISBN 0-271020-95-4. UK^27.50.

Before the collapse of the Enron Corporation, its CEO Kenneth Lay stated, "I believe in God and I believe in free markets." Whether Lay still believes in either God or free markets after being part of one of the worst corporate debacles in United States business history is an open question. Robert Nelson's book appeared before Enron's collapse, but he is interested in a related question. Will people continue to believe in markets in the face of economic crises and challenges from secular religions such as socialism, Marxism, and environmentalism? His answer to the question is that economists will need to proselytize if the economic religion is to persevere.

Many authors (including myself) have argued that modern economics has more to do with religion than science. Although the majority of these authors do not use religion as an epithet, there is a clear intention to criticize the utopian idealism and supernatural-ism underlying the assumption that a market can solve all problems. They also tend to share a hope that exposing the religious assumptions behind economics might create a public space for critical reflection and democratic debates regarding the problems that our society faces. What sets Nelson's "economic theology" apart is his determination to uphold the market faith. To Nelson, economic progress is the one true religion and economists should become more aggressive and honest preachers.

Sociology, religion, and theology professors may find Nelson's work especially useful in their classes for two reasons. First, his argument that economics has been far more involved in promoting a particular belief and value system than its value-neutral stance would have us belief is well documented and convincing. He claims that the modern economy relies upon many cultural and institutional foundations that enable the delicate maintenance of three market paradoxes. The first is that members of market society must believe that the pursuit of self-interested behavior should be confined to the market. Such self-interest in politics or the family would be destructive for society. The second is that the pursuit of self-interests even in the market must be moderated by a belief in higher truths. For example, a market participant must accept the sanctity of private property and contracts above his or her self-interest. If someone were to think that profit could be had by taking advantage of opportunities to steal property or to violate a contract, the whole system would collapse. In other words, there is an implicit self-sacrifice based on a faith in the greater good of the market system. The third is that the economic profession must act with these higher truths in mind. These high priests could certainly profit from time to time by giving false information, but they must believe honest reporting will lead to a more efficient economy and a better society for all.

The fact that many developing countries have failed to progress over the past several decades, despite immense capital investments, provides Nelson with the foundation to explore the need for a society to be steeped in an economic theology in order to experience economic progress. He then traces the economic progress of the twentieth-century United States to Progressivism, which was the secular belief in technological progress and scientific management principles. The assumption was that "The Fall in the Garden of Eden will finally be reversed, now in our own age by the application of economic knowledge to sustain rapid economic progress" (p. 9).

The most intriguing element of Nelson's book is his exegesis that reveals how this Garden-of-Eden utopia underlying the Progressive belief system thoroughly pervades the economic theories of Paul Samuelson, who was an influential economic thinker in post-WWII America. He observes that Samuelson (a Jew) translated good and evil in the Christian afterlife into a good and evil in earthly life: "If a church should today declare that a usurious interest rate is a transgression against a command of God, as supported by passages found in the Bible, Samuelson would be scornful. However, when a monopolistic firm transgresses against economic efficiency, Samuelson feels deep moral outrage. If in an implicit fashion, Samuelson is thus say-ing in *Economics* that the place of the biblical word of God has been taken by the word of a newer and more modern deity, a god who delivers verdicts on human actions according to whether they are economically efficient and thus advance the cause of economic progress, the route of advance to heaven on earth." (p. 75)

Despite Samuelson's belief in the power of the market deity, he also believed in the need for a priestly class (government economists) to make sure that the masses knew how the deity wanted them to act. As the dominant Progressivism began to give way to the critical perspectives o^ the 1960s, the door was opened for the Chicago School economists to pummel this scientific management perspective. They accomplished this through a Protestant-Reformation-type attack on Samuelson's belief that humanity needs a bureaucratic intercessor '(government/ Catholic hierarchy) to stand between the deity (market/God) and the people. However, the Chicago School's overemphasis on the market and self-interest became a caricature that had to be corrected by the New Institutionalism, which returned economists to the proper questions of the role that belief systems play in balancing the market paradoxes necessary for collective action.

Before moving on to the second argument for why Nelson's book would be useful in the classroom, it may be appropriate for me to disclose my two-part interest in the religious nature of economics. Although my status is currently on hold, I am a candidate for ordination in the Evangelical Lutheran Church in America. As a Lutheran, I believe that the economic religion is a Christian heresy that needs to be challenged on a spiritual level. I am also a sociologist who studies how ideologies and religious dogmas inhibit the critical thinking and genuine democratic debate necessary to resolve a host of social and environmental problems in the world. From my socio-logical position, I think that Nelson's fundamental argument is intriguing and quite accurate. The distinction that emerged between economics and religion in the modern era has distracted us from considering how the two have been conflated. Where I disagree with Nelson is in his decision to take an apologetic stance instead of a critical one.

Nelson's work provides insights into the narrow conception of religion that has emerged since the fundamentalist turn (whether in Christianity, Islam, or economics). There are still pockets of people who think of religion as the pursuit of truth. But far too many today define religion as the defense of traditional dogma, not the critical reflection on how people and their institutions (religious and other) fall short of their god's intentions for humanity. Although Nelson is correct to argue that the Right Wing's assertions that poverty is caused by weak values rather than a lack of money, and that environmentalists and economists both need to get beyond the `scientistic' camouflage" to have a real debate about values (see footnote on p. 313), he seems so fearful that the one true religion will be surpassed by socialism, Marxism or environmentalism that he refuses to question the economic dogma. Instead, he urges economists to be honest about the religious presuppositions underlying their belief sys-tem and to begin to proselytize accordingly. He assures us all that economics has already discovered truth. After all, saying that the market works is akin to saying that "health is better than illness" (p. 330).

Equating "the market works" with "health is better than illness" ignores the mountains of studies showing that economic growth may exacerbate inequality and promote the overexploitation of natural resources. It also ignores the variety of ways that one might evaluate the working of the market. If one defines market efficiency as the ability to internalize profits while externalizing social and environmental costs, then the market as it is currently defined works splendidly. But if one defines efficiency as the ability of people to meet their social and material needs while doing the least possible harm to their natural environment, then the market is an abysmal failure. If he were not so smitten with the market religion, he might have at the very least asked if the market could be calibrated to internalize social and environmental costs.

The foundation upon which Nelson builds his argument is also more sandy than rocky. Asserting that developing countries are failing because of political or social corruptions rooted in the lack of a culture favorable to economic progress ignores the exploitative trading practices set up by the developed nations to favor transnational corporations over the well being of the citizens of developing and developed countries, not to mention the high interest rates that make developing countries' debts so burdensome. But it is these oversights that might make Nelson's book valuable in the classroom. He is an example of how the religious commitments of modern economists inhibit an accurate assessment of global problems.

Nelson's book represents an important trend that is the growing recognition that economics is not a science. As economic rationality's legitimacy is eroded, we may consider new university and government policy options. First, we may want to examine economics in a comparative religious context. How does the economic religion distort or ignore notions of human fallibility and the need for repentance and redemption that other religions follow? In fact, we may want to reduce economics departments to a sub-department within religious studies programs. Second, we may begin to explore ways to divert the precious resources wasted on the anti-intellectual business schools and economics departments in order to support real social science departments and the humanities. And third, we may develop opportunities for democratic governance. Instead of assuming the supernatural capacity of the market to generate heaven on earth, we might initiate conversations about the public good and the good life and ask what strategies might be necessary for achieving the goals we choose to pursue.

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Review of:

Economics As Religion: From Samuelson to Chicago and Beyond

Robert H. Nelson (University Park, Pennsylvania, Pennsylvania State University Press, 2001 (338 pages, with endnotes and index)

By Jennifer Roback Morse, Hoover Institution, Stanford University

Robert Nelson's *Economics As Religion* offers a unique set of insights into the social role of the economics profession. Don/Deirdre McCloskey once noted that the eco-nomics profession socializes its members during the intermediate undergraduate micro-economics sequence and in the first year of graduate school. Robert Nelson's new book should be assigned reading for undergraduates in intermediate microeconomics and first-year graduate students in economics.

Nelson's thesis is that the economics profession constitutes the new priestly class of the modern, materialistic, scientific world. There are three distinct claims implicit in this argument. First, the religion of the modern world is scientific materialism, and not exclusively in the Marxist sense. The modern world trusts only what it can see through the natural senses and what it can verify scientifically. Nonmaterial explanations, and indeed, even nonmaterial phenomena, are inadmissible and must be explained away or ignored. Secondly, the older ministerial classes of Christianity are no longer relevant to the modern world. Finally, even the modern world needs some form of priestly class to give people plausible reasons to believe in materialism and to follow the tenets it pre-scribes.

Nelson's startling proposition is that the economics profession fulfills this role in a very specific sense. The smooth functioning of the market order requires a channeled and balanced self-interest. People must understand that they can do well by doing good, that acting in their economic self-interest actually stimulates the economy. At the same time, people must understand the limits on behaving in their own self-interest, and voluntarily behave within the rules that proscribe certain forms of self-seeking behavior, such as cheating on contracts. Nelson argues persuasively that the economics profession provides a valuable and necessary social service to the modern world by providing a reasonable set of tools for performing this balancing act.

Economists are used to thinking of themselves as superior to the mere theologian or philosopher. Nelson's insight is that economics is most useful precisely when it plays the role of the priest. This thought will surely be disconcerting to some of the more smug practitioners of the economics profession, which is precisely why this book should be required reading. Nelson is surely correct in saying that many of our most important debates are about underlying values and not about technical economics at all. He is also surely correct in saying that these debates would be far more constructive if we would engage the moral and philosophical issues rather than blanketing them with technical jargon.

Another reason that this book should have wide readership is that it provokes rethinking of long-standing controversies. For instance, I do not share all of Nelson's interpretation of the conflicts between the Chicago School and the Keynesian main-stream, but his paradigm forced me to rethink some of what is at stake in that old debate. Nelson's interpretation is that Samuelson's textbook played the role of a "sacred text" in the profession. Samuelson accepted the modern world's objective of creating "Heaven on Earth" through material progress. The role of the economist is to guide people's self-interest into socially useful channels, such as making money in the market while guiding them away from potentially destructive self-interest inside the family and in politics.

If this is an accurate description, then the animosity of the Samuelsonian "main-stream" to free-market schools can be seen as a reaction to their "cheating" on the unspoken agreement to direct self-interest in socially useful (meaning, income-maximizing ways.) By extending individualism and self-interest to the family, Gary Becker threatens the delicate balancing act of self-interest in the market, altruism outside the market. Likewise, the Virginia School cheats on this "agreement" by applying economic reasoning to the political system, which is supposed to be, in the Samuelsonian system, somehow outside of self-interest. Finally, the extreme income-maximizing position adopted by Richard Posner and others in the Law and Economics movement threatens the agreement by making the values that underlie it too explicit. Nelson observes that the economics profession implicitly uses income- or wealth-maximizing as its goal, but covers this with arguments for "rationality," or "efficiency," or "social welfare." When a Posner pulls off the mask and shows that the argument really is about wealth as measured by monetary income, the system does not look nearly so appealing. This is but one of the many directions into which a classroom discussion of this thoughtful book might go.

I have a single complaint about this book, as a Catholic reader. In places, Nelson makes comparisons between Protestant and Catholic practice and theology. I found in this book (as in his previous book, to a greater extent) that his understanding of Protestantism seems nuanced and detailed, but his description of Catholicism reflected stereotyping rather than genuine understanding. He describes Catholicism as if it were comparable to a centrally planned economy, and Protestantism as if it were the equivalent of the free market. While the latter analogy has merit, the former is too simplistic. If the entire Catholic Church is run by the Vatican in the way that the Kremlin ran the Soviet Bloc, what accounts for the extraordinary longevity of the Catholic Church (two thousand years and counting) compared with the Soviet Union (that did not last a century)? I found this irritation throughout the book, but once I realized that it was the same mistake repeated many times, I found it easier to overlook.

However, this is a mere quibble. *Economics As Religion is* an exceptional book. People should buy it, read it, and assign it in class. It will change the way in which we view economics, and it might change how economists think about their work-if we can get enough of them to read it.

-Jennifer Roback Morse, *Hoover Institution, Stanford University*

Economics as Religion: from Samuelson to Chicago and Beyond
Robert H. Nelson. University Park, PA: The Pennsylvania State University Press. 2001. ISBN: 0-271-02095.$35.00.

Reviewed by Gregory A. Krohn, Bucknell University (PA).

I confess that my bias before reading *Economics as Religion* was that economics is not religion. This is, of course, a matter of definition, and Nelson presents a forceful argument that economics can be viewed as a secular religion. I am not fully persuaded, but more on that below. Nonetheless, I found *Economics as Religion* to be a richly informative and stimulating history of twentieth-century economic and social thought in the United States. The provocative conclusions include the need for a change in economic methods and in the structure of universities.

Nelson argues that the most important role of economists in American society over the past century was as preachers of a religion in which salvation comes through economic progress. Economic progress results from the efficient working of a market economy and economists have been the priesthood defending the core value of efficiency. This economic religion, however, must resolve "the market paradox": that the workings of the market are based on the pursuit of self interest; but, if the pursuit of self interest goes too far, markets may function very poorly.

Nelson first presented the argument that economists are the priests of a secular religion of economic progress in his 1991 book, *Reaching for Heaven on Earth: The Theologic*al *Meaning of Economics: This* book explored how the secular religions of various schools of economic thought through the nineteenth century mirrored the "Roman" tradition or the "Protestant" tradition in Christianity. *Economics as Religion* extends to the twentieth century the argument that economists are more like theologians than scientists, focusing on the influential economics departments at the Massachusetts Institute of Technology, represented by Paul Samuelson, and the University of Chicago, represented by Frank Knight, Milton Friedman, Gary Becker, and others. In a fascinating discussion, Nelson then explains how the new institutional economics, as developed over the past forty years, undermines the theoretical frameworks of Samuelson and the Chicago school, and points to the economic significance of religion and other cultural influences.

At the turn of the twentieth century, the American Progressive movement advocated the scientific management of society to promote material prosperity and improve the human condition. Paul Samuelson's widely circulated introductory textbook *Economics* (1948) expressed the core progressive values but reinterpreted them. The goal was economic progress; the means was an efficient economic system regulated by the government. The government would maintain low unemployment through stabilization policies, and would redistribute. resources to the less fortunate. Economic growth would eliminate poverty and the accompanying social ills, and would provide resources to irriprove the environment. The greatest threats to progress were special interests. The market paradox was solved by allowing people to pursue self-interest in the marketplace, but have markets managed by professionals who would act in the public interest. The Progressive movement paved the way for the development of the twentieth-century welfare and regulatory state.

In the 1960s, the Vietnam War, the environmental movement; and problems in cities fostered doubts about the assumptions of the Progressive movement. There arose in American society skepticism of authority, a new individualism, and a libertarian value system. The Chicago school of economics was influential in giving libertarian values a scientific representation and in proposing public policies to advance those values. Nelson identifies three generations of the Chicago school : the first is exemplified by Frank Knight, the second by Milton Friedman and George Stigler, and the third by Gary Becker, Robert Lucas, and Richard Posner. These three generations, Nelson writes, have several secular religions united by the common themes of a mistrust of progressive ideas and the value of individuals pursuing their self interest. Some of the mistrust of government regulation of markets stems from the belief that government officials will pursue their interests, which may diverge from the interest of private citizens. Economic progress is best advanced by individuals trading with each other with minimal government interference.

The New Institutional Economics, which has risen in prominence since the 1960s, emphasizes the pervasiveness of information and transaction costs and the vital roles of non-market institutions and cultural norms in determining economic outcomes. Information and transaction costs make it difficult to write, monitor, and enforce contracts. If individuals always act selfishly, they will deceive and cheat whenever they think that they can get away with it. A degree of honesty and trust is necessary to reduce transaction costs and for markets to function efficiently. The importance of cultural norms to economic efficiency weakens the Chicago school's case for allowing individuals to pursue their self-interest without restriction, and suggests that religious beliefs can enhance efficiency by promoting a system of low-cost implicit contracting.

I found the discussion of Samuelson's version of American progressivism, the three generations of the Chicago school of economics, and the New Institutional Economics to be engaging and enlightening. However, I do not fully accept Nelson's thesis that "the most vital religion of the modern age has been economic progress," with economists serving as the "priesthood," "promoting a culture of civic commitment to the market system."

It is reasonable and perhaps useful to undertake a theological interpretation of modern economic thought. But is economic progress a religion? Nelson presents the Supreme Court's definition of religion, which borrows explicitly from theologian Paul Tillich's definition, as "an individual's 'ultimate concern,'" similar to the definition "one's ultimate value" found in the *Dictionary of Christianity in* America (Reid et al., 1990). Secular humanism, for ex-ample, which looks to human experience for moral and spiritual guidance, can be considered a religion according to these definitions. The ultimacy of economic progress in Samuelson's *Economics* and in the Chicago school of economics, however, is questionable. Nelson writes that

> Economics is filled with normative references to the broader social importance of economic progress… In short, the most important benefits of economic progress do not lie in crass material satisfactions but in

> meeting the prerequisites for a healthy democratic society, one characterized by mutual respect and equality.

Apparently, economic progress is not the "ultimate concern" of Samuelson. Rather, it is more instrumental, or as Nelson himself describes it, the path to a new heaven on earth. Calling economic progress Samuelson's religion seems like calling meditation the religion of a Buddhist. In a similar vein, the ultimate concern in the libertarian value system expressed by the Chicago school of economics is not economic progress but freedom. The possible efficiency of a market system is a desirable outcome of voluntary ex-change, but some libertarians might oppose government interventions, even if they improve economic efficiency, because they are coercive and result in a loss of individual freedom.

Not every influential idea is a religion, nor are its champions always priests. The mixed market system advocated by Samuelson and the relatively free market system preferred by Milton Friedman are better classified as political theories, if not political philosophies, than as religions. Philosopher Alan Brown defines apolitical theory as a body of doctrine concerning a preferred organization of society, or aspects of it. Anarchism and socialism are political theories. They are descriptions of candidates for the good society, and may or may not be rationally grounded. Political philosophy is the inquiry into how the values, ideals, and principles which inform such theories are to be given rational grounds. Since Nelson writes that "[t]he emperor of high economic theory has no clothes," the economic systems advocated by Samuelson and Friedman perhaps are more appropriately called political theories rather than political philosophies.

Now some comments on two conclusions Nelson reaches, one concerning economic methods and the other the future of the social sciences in universities. First, Nelson states that the methods of history will provide a more effective way of studying the influence of cultural norms on economic growth and development than the quantitative analytical methods commonly employed by economists. This might be true, but historians still have to explain observations, a process which involves distinguishing between correlation and causation. and disentangling the effects of numerous interrelated variables. Second, Nelson conjectures that due to fading belief in progressive ideals and the scientific management of society, the social sciences in their current forms will probably disappear from universities, and that a multi-disciplinary form of history will ascend with methods" closer to those of theology than of social science. 1, too, think that disciplinary boundaries will blur, but quantitative methods will remain useful tools for some questions and universities might integrate many disciplines in the humanities, physical sciences, and social sciences to address the central questions of moral philosophy and political philosophy: How ought an individual live one's life? What is a good society?.

Economics as Religion is a well-written book, one rich in ideas. It would appeal to many economists, especially those with interests in the history of economic thought, methodology, and religion. It also would appeal to students of the role of religion in public life. Now, about the title.

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THE NEW FAITH .... By Eileen Ciesla

***The American Enterprise*, September 2002**

Review of *Economics as Religion: From Samuelson to Chicago and Beyond*
By Robert H. Nelson, Penn State University Press, 378 pages, $35

The House of Bishops of the Episcopal Church offered the following opinion on the cause of the September 11 attacks: "The affluence of nations such as ours stands in stark contrast to the other parts of the world wracked by crushing poverty which causes the deaths of 6,000 children in a morning." The bishops' opinion is a variation on a theological theme: Poverty is the source of evil. Salvation is contained in the wealth of nations. This view is not Christian. It is based on a competing religion whose creed replaces Original Sin with scarcity and Paradise with prosperity. That religion is economics.

Robert Nelson, professor of public policy at the University of Maryland, examines this idea in Economics as Religion: From Samuelson to Chicago and Beyond. Today's economists, says Nelson, serve as "the priesthood of a modern secular religion," forming the basis of America's core social value: economic efficiency. Behind the technical jargon and mathematical models, economists are "engaged in an act of delivering religious messages ... promises of the true path to salvation in this world, to a new heaven on earth."

Nelson perceives two schools of thought in the development of economics: Roman and Protestant. The Roman tradition with its emphasis on natural law, an elite priesthood, and belief in a rational world, is likened to the rise of American Progressivism and its faith in the scientific management of society by a class of experts. The apex of this ideal is found in Paul Samuelson's 1948 text-book, Economics, which fused post-WWII America's new enthusiasm for science with the Keynesian fine-tuning approach to the market. Economics, writes Nelson, with its heroic "poetry of large government" and commandments against monopoly and inefficiency, served as a Progressive's bible.

Samuelson's romantic view of progress was seen as utopian by a new generation of economists led by Frank Knight at the University of Chicago. Nelson classifies this response to Progressivism as "Protestant" in character. Knight scorned the notion that a class of experts could determine the path to prosperity. Like Martin Luther, he advocated "a priest-hood of all believers," acting in their own self-interest. "Human reason," he believed, "was a frail instrument, often corrupted by the baser elements in human nature." Private property was a necessary evil.

Such individualism and belief in a world corrupted by sin, fundamentally Calvinist in nature, regards each individual as responsible for his own salvation. Breaking with Keynesian conventional wisdom began the genesis of libertarian thought at Chicago. A new economic gospel extolled freedom as a means of "maximum power for an individual to control his or her own actions" believing that "men prefer freedom to efficiency."

Where Nelson applies these two Christian traditions as a loose guide to the evolution of the economics profession, it provokes useful debate. But later, Nelson's analysis becomes self-serving. Looking at the ideologies that compete with economics for believers, he finds two: radical environmentalism and Roman Catholicism.

In reading selectively Pope John Paul 11's recent encyclicals on capitalism, Centesimus Annus, and on human rights, Evangelium Vitae, Nelson finds them (in combination) critical of both Samuelson's progressive gospel and Gary Becker's utilitarianism, on the grounds that both emphasize secular humanism.

This is a misreading of Centesimus Annus. The encyclical speaks of a joyful entrepreneurial spirit, stressing the importance of intellectual capital, initiative, and skill, while warning against the "consumerist values" that result in a society driven purely by self-interest. Rather than opposing economic progress, the Pope defines a Catholic Work Ethic. But Nelson merges the encyclical on capital-ism with papal writings on abortion to conclude that the Pope shares an anti-progressive affinity with enviro-extremists, "offering a high moral sensitivity that is not accompanied by a similar economic knowledge and sophistication."

This is a gratuitous reading. It is clear that the Pope recognizes a crucial piece of the market paradox: Capitalism works best in a moral society. Human beings are the world's most valuable resource.

Nelson demonstrates nicely that the methodology of economists is far from value-free. That is not necessarily bad, but Nelson stresses that economists must recognize the implications of their assumptions. They would stand to gain by including culture and religion in their analyses, something that most economists are reluctant to do. At best, ignoring the fundamental forces that shape human societies leads to less meaningful results. At worst, economists risk becoming irrelevant within the social sciences.

Nelson's book is a challenge to economists to see their field anew. If they accept the challenge, it may shed light on puzzles that plague academicians and policy makers alike: Why does the West succeed at building robust economies, while Russia, Africa, and the Islamic world struggle with the basics of a market system? If private property is the key, why do some societies protect it, while others do not? How does a nation build a society of trust? What is ultimately at the root of the wealth of nations?

The House of Bishops might be surprised at the answer.

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FINANCIAL TIMES (London), August 15, 2002

How economics came to rival religious faith
The decline of belief in material progress leaves a gap for those trying to grasp social trends, or advise on policy

By SAMUEL BRITTAN

Is economics a religion? According to the *The Dictionary of Christianity in America*: "If belief in a god is necessary to define a religion, secular humanism does not qualify. If on the other hand religion, or a god, is defined as one's ultimate value, then secular humanism (to which economics belongs) is a religion."'

The best recent study of the subject, by Robert H. Nelson, is titled *Economics as Religion: From Samuelson ' to Chicago and Beyond**. Prof. Nelson's awakening came at the US Department of the Interior and he found much of his time taken up by a "theological" battle between economists and environmentalists. The economists espoused economic growth. The environmentalists saw the world as an ecosystem in which every single species had to be preserved, as an instance of God's creation.

When I mentioned this subject to some of my colleagues, they had no doubt that economics was a form of theology. By this, they had in mind the heresy hunting, fierce insistence on doctrinal purity and anathematising of dissenters so characteristic of religious argument. Prof Nelson, however, takes theology seriously and does not see it as a term of abuse_ His main point is that the overriding beliefs that have guided economic thinking are losing force.' But a new foundation is still to be found. '

He starts off with a paradox. Economists of varying stripes assume that individuals will pursue their self-interest in the market and that this can be made to work to the general good. But there is a problem. "The pursuit of self-interest should not extend to the various forms of opportunism, such as cheating, lying and corruption within the market place." We hardly need reminding of these caveats after recent corporate scandals, let alone the disappointing attempts to introduce a market economy into the former Soviet Union. But how can ' we produce a faith that will approve of self-interest, yet observe all the surrounding conditions?

Prof Nelson takes the surprisingly fruitful approach of looking at the doctrines of the leading American textbook that appeared after the second world war, namely Paul Samuelson's Economic Analysis. Prof Nelson has no difficulty in showing that Samuelson's text was founded in the US progressive tradition. He believed that the market, subject to suitable correctives, could be used as an instrument for' social progress. Unfortunately, it was difficult to persuade non-economists, even of the same political persuasion, to see it that way.

Although few business or professional people harangued their friends with the doctrines of Samuelson, they probably had a more lasting influence on the sort of people who become Federal Reserve or International Monetary Fund economists, or who advise presidents. Their belated culmination was probably the Washington Consensus of the early 1990s, in which economists who had spent decades fighting "free-market fundamentalism" nevertheless proclaimed to emerging countries the need for liberalised trade and capital movements, private ownership and the removal of controls and restrictions.

Professor Samuelson makes clear his allegiances in his "valediction" to the 1998 50th anniversary edition of his textbook. He there quotes from a famous paper of John Maynard Keynes (which 1 discussed in this column on January 2), in which he looks forward to a society where people would place the accumulation of wealth in its appropriate subordinate place.

By the mid 1970s, the Samuelson approach was under challenge from the Chicago School. The advocacy of its best-known member, Milton Friedman of certain monetary policies, gave a misleading impression. The main effort of Chicago academics was devoted to analyzing sector by sector. the effects of government attempts to improve matters. They were convinced that such efforts made matters worse. Regulators are all too easily captured by the industries they are supposed to regulate; and in any case in a slow and subtle way the market often develops its own correctives. Perhaps fancifully, Prof Nelson sees the economic mainstream as a Roman type of religion and the Chicago school as a form of Calvinist dissent.

In the last decade or two, both the social democratic and the libertarian versions of market economics have been challenged by a school of "new institutionalists of whom the most prominent member is the Nobel prize winner Douglass North. They pay attention to history and institutions: to questions such as why China has been more successful in moving towards a market economy than Russia.

The new institutionalists remind us that there is no shortage of markets or self-seeking behaviour in areas that have failed to achieve an economic take-off, whether in west Africa or in southern Italy. What they lack in such places is the basis of trust and institutions that would enable them to make long-term contracts and refrain from Mafia-type raids on each other. What has yet to be established is how people can come to see the value of self-interest in its limited market role while developing the institutions and constraints that make it a force for good.

Prof Nelson summarises the prevailing economic religion of the second half of the 20th century as the pursuit of economic efficiency. By this he seems to mean two different things. First, he means rationality in the sense of choosing the least-cost way of achieving any human objective, whether pursuing a jihad or building a cathedral.

Second, he means the pursuit of economic growth. It is vital to hang on to rationality - and, I would add, to respect for evidence. But in the more affluent countries, economic growth could well recede as an objective in the way envisaged by Keynes.

Pennsylvania State University Press, $35

Claremont Review of Books, Spring 2002

God and Mammon

A review of *Economics as Religion: From Samuelson to Chicago and Beyond,* by Robert H. Nelson; Pennsylvania State University Press, 378 pages, $35

By James H. Nichols, Jr., Professor of Government, Claremont McKenna College

Pity the poor economists. These social scientists just want to conduct their professional researches and win a modicum of respect. Yet now Robert H. Nelson argues that they are really theologians, though mostly unaware of the fact, in his thoughtful and challenging new book, *Economics as Religion: From Samuelson to Chicago and Beyond.* We may temper our pity, however, by the reflection that, whatever its difficulties, economics still displays more self-confidence and unity than any other social science.

Nelson is not attacking economics by calling it theological. Rather, he is arguing that the study of economics - whether the progressive variant of Paul Samuelson and his followers, the Chicago school, or the new institutional economics - rests on certain fundamental evaluations or value commitments. These, Nelson asserts, can best be understood as elements of religion, and the discursive elaboration of them can properly be called theology. The premise at work here is that religion is the source or foundation of the ultimate value commitments by which we lead our lives, including what things we study and how we study them.

Once we recognize great advantages to be had from a market system - and Nelson argues that the basic advantages of a market were understood well before Adam Smith, perhaps even in medieval times - any coherent thought about economics will have to deal with the fundamental market paradox. On the one hand, the market supposes, and encourages, people to act in pursuit of their individual self-interest. In Smith's famous words: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." On the other hand, the system will not work well if all people pursue self-interest in all situations: judges, for example, should enforce laws and contracts impartially rather than pursue their own self-interest as presented, say, by the highest bribe. Nelson's thesis is that economics in the narrowest technical sense cannot solve this dilemma. What can solve it is religion, which can permit the pursuit of self-interest in dealings that appropriately belong in the market but can forbid actions like deception and theft while promoting, in a deliberate sense, concern for our fellows and for the common good. Economics more broadly is a kind of secular religion that handles this market paradox through exhorting us on to an improved condition of life on earth through devotion to economic efficiency.

But not all economists are of the same faith, and Nelson takes the reader on a tour of the dismal science's pantheon. He compares the progressive economics of Paul Samuelson and John Maynard Keynes to the Catholic Church. Economic laymen spend most of their time in market activities, rationally pursuing their self-interests, just as the Catholic clergy recognizes that most of us will marry, -lave children, and devote ourselves mainly to this-worldly activities. But even as priests are needed to look after the higher goal of salvation, so the progressives argue, experts are needed - none more so than economists - to look after the comprehensive, long-range common good, which includes fine-tuning of the economy, honing governmental regulations, and the like.

By contrast, the Chicago school, originating from the influence of Frank Knight, embodied the Protestant, Calvinist sense that all human beings equally share in a fallen human nature, whose commonest expression is pursuit of self-interest. No superior class can be relied upon to pursue the common good, leaving the rest of us to spend our lives in eager pursuit of narrower self-interest. Therefore, the Chicago economists rejected the hope that politicians, or bureaucrats, or regulators - or economists in office- would solve the market paradox through their higher vocation. Instead, the use of coercive power must be restricted and the realm of the free market must be extended, as much as possible. But when we all pursue our narrow self-interests, Nelson asks, who will take care of the necessary conditions for the market to function well? Later developments in the Chicago school, which seek to extend the explanation of self-interest into every area of human behavior - even marriage and the family - make this problem all the more acute.

The new institutional economics addresses problems that were downplayed or by-passed in previous approaches. As Nelson puts it, whereas earlier Chicago economists tended to show why market transactions lead to unambiguous improvements, institutional economists focus on how these transactions take place, and especially on what tends to burden, obstruct, or distort them: asymmetrical information, opportunism, and the like. From such considerations, it turns out that what may matter most for a market's promotion of prosperity could well be cultural factors - beliefs, practices, virtues, and habits that produce and maintain trust, for example. If so, one can easily see that religion might indeed be the most important factor for economic success; and if economists are truly to understand their subject, they must understand culture and religion.

Although Nelson makes a strong case that economics cannot be a purely positive science of the sort that social science methodologists of the 1950s argued for, it is less clear why he seems to conclude that economics must therefore be a kind of religion, rather than saying that it is, or implies, a certain political or moral philosophy.

Perhaps he believes that positive or technical science is the only fully rational exercise of human reason. If so, then the value commitments underlying any particular employment of reason would rest on something distinct from reasoning: on feeling, emotion, religion, ideology, habituation, or whatever. Since by hypothesis all these would lack full rationality, Nelson may figure that he can invoke them all with the term religion. In my judgment, this would be an unfortunate decision to take, because it would discourage responsible efforts to distinguish better from worse reasoning in support of competing values.

In the final analysis, however, Nelson is more sensible. He seems content to urge economists, if they are to be better theologians, to learn the grounds of theological argumentation; to learn to distinguish better from worse arguments in theology. The path to this learning, I believe Nelson suggests, is philosophy. Accordingly, Nelson ends his book with the speculation that Frank Knight may turn out to be the most important economist of the twentieth century. Frank Knight was always a professor of philosophy and economics, and philosophy was always somehow first for him. Nelson worries that Knight's bleak Calvinist view of human nature might not go over well with Americans. But if Knight's philosophical views should prove sound, that concern could simply mean that his philosophical teaching needs to be presented in an appropriately rhetorical manner. It would not be the first time that rhetoric engaged in beneficial cooperation with philosophy.

Journal of Economic Issues, March 2002

By John Henry, California State University

Book Review
Economics as Religion: From Samuelson to Chicago and Beyond **by Robert H. Nelson. University Park: The Pennsylvania State University Press. 2001. Cloth, ISBN 0-271-02095-4, $35.00. 378 pages**

In this work, Robert Nelson continues the theme first argued in *Reaching for Heaven on Earth-all* economic theory is *a secular* restatement *of previously* articulated theological arguments. While *Reaching* was a general, far-ranging account, *Economics as Religion* concentrates more narrowly on modern neoclassical theory and its new intuitionalist embodiment. Essentially, conventional economics is not entirely based on a rational (scientific) foundation nor proven by analysis. Many underlying premises are ethical statements and contain value judgments akin to religious beliefs. Neoclassical economics has supplanted religion in providing "promises *of* the true path to salvation in this world" (p. xx).

Nelson opens his case by arguing that Paul Samuelson has inherited the old Progressive mantle. However, in Samuelson's 1948 hallmark text, *Economics,* it is the market rather than the technical expertise *of* the Progressive intellectuals that is the main fount *of* progress. Government is called upon to resolve those matters that the market is ill equipped to deal with, but, on the whole, it is the market that promises material progress and salvation on earth. Self-interests drive us forward (and upward), and socially minded government experts can manage the problems that such individualist behavior creates.

Nelson then shows how Samuelson's text is fraught with technical problems and is filled with value judgments (the "evils" *of* monopoly) that are equated with religious tenets. The technical criticisms are all argued within the context *of* developments in neoclassical theory since 1948--transaction costs, public choice theory, and so on--that undermine the standard efficiency claims *of* older orthodoxy.

The section on the Chicago school emphasizes the contrast between Frank Knight, and the second and third generation economists, George Stigler and Milton Friedman, Gary Becker and Richard Posner. The chapter on Knight is first-rate. Knight was a complex thinker, and, while antagonistic to religion, he was consistently concerned with issues debated in the theological literature and, so it is argued, was more *of* a moral philosopher than an economist. Indeed, it is claimed that Knight was really an old-fashioned Calvinist who believed that private property and the market represent the "unfortunate but necessary concession to the pervasiveness of evil in the world" (p. 121). And it is the struggle between the impulses *of* fallen humanity and the efforts to control these impulses that forms the real core *of* Knight's economics.

The shift away from Knight's thoughtful and problematic questioning is best illustrated in the works of Becker and Posner in a chapter provocatively titled, "Chicago versus the Ten Commandments." For such economists, there is simply no place for social influences (which seem to be equated to God in Nelson's argument). Individual utility maximization drives everything, and good and evil are simply seen as efficiency and inefficiency. God is replaced by the search for individual gain, and this is the ultimate Calvinism--corruption is total (p. 199).

Nelson then moves to the new institutionalists (with homage paid to the old institutionalists). The main point here is that economists of this species have actually destroyed the analytic foundations, and therefore the conclusions, of conventional economics--including that of Becker et al. Though it's not yet clear if they have a general theory to put in its place, one result of their labors is to put human values back into the realm of economic theorizing. And values form the subject matter of theology. We seem to be coming full circle, and there's a growing acceptance that, ultimately, it all depends on culture. Specifically: "If the members of the American economics profession do not move to incorporate cultural elements, including religion, more directly into their thinking, they may simply have to concede that professional economics is unable to say anything of importance concerning some of the most vital determinants of the effi-ciency and other outcomes of economic systems" (p. 262).

So, economic theory, to be relevant, must contain a religious component.

In the penultimate chapter, Nelson turns to his overarching theme of the social good versus individualism and suggests we are now experiencing a general crisis in our belief in progress. In particular, we observe a "loss in economic faith" (p. 304). This crisis in part revolves around a loss of religious faith, seen broadly as a loss in spiritual values as held by the old Progressives.

Nelson concludes by arguing that we are currently witnessing yet another crisis in authority. The old ideas and institutions that provided us with faith in the benefits of economic progress as the salvation of our world are no longer holding, and he recommends a rethinking of the way we approach our social questions. Arguing that the "cutting edge of social thought today ... can be found in the libertarian and environmental movements," he suggests that the thought that comes closest to an integration of these seemingly disparate views is that of Frank Knight (p. 336). Perhaps by this he means a socially conscious individualism.

Institutionalists have much to gain and much to criticize in reading this book. As a history of modern neoclassical economic theory, it is exemplary. I also appreciate the manner in which Nelson turned neoclassicism against itself, ending with the argument that culture and ideas matter--points with which institutionalists will agree. In demonstrating that value judgments do lie at the foundation of "value-free" economics, he provides a great service to critics of orthodoxy.

While I have a number of specific objections to Nelson's account, my main criticism is with his overriding theme. Nelson does not prove that economic theory is a form of religious thinking. Rather he either asserts that this is so or simply cites others who also assert this on the basis of observing some similarities in theological statements and those of economists.

And such a claim is unnecessary. It is enough to demonstrate that economic theory contains value judgments. So does religion. And religion itself can be seen as a reflection of more fundamental issues that are themselves thrown up by society in its various forms. Would this account be fundamentally different if the title were "Economics as Politics?"

Last, I sincerely commend Robert Nelson for an exceedingly well-written book. His style is both clear and graceful. I also commend Penn State University Press for an exceptional production. This is a handsome, well-crafted book. At $35, it's a real bargain.

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Edited and written by David Gordon

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Faith in Mammon, a review of

Economics as Religion: From Samuelson to Chicago and Beyond by Robert H. Nelson (Penn State Press, 2001, xxvi + 378 pgs.)

Paul Samuelson has been called many things in his long career, but never before to my knowledge a theologian. But according to Robert Nelson in this excellent book, modern economics is bound inextricably with religion; and he takes Samuelson, the most influential American economist of the years after World War II, as a prime example of his thesis. By no means, though, does he confine his analysis to Samuelson. Frank Knight's work, much more to Nelson's liking, emphasized different theological themes. At first sight, Nelson's view seems paradoxical to the point of absurdity: is not modern economics in essence scientific and mathematical? How then can it be religious?

One answer is to say, like Cornelius Van Til, that all disciplines are religious; but Nelson does not adopt this view. Is not Nelson, then, flying in the face of patent facts? Samuelson explicitly aimed at an economics modeled on the physical sciences: "Like most other professional economists, Samuelson presents his work, as he states in the first edition [of his textbook] in 1948, as a 'science' in the same category as 'physical or biological sciences.' . . . Samuelson believes that 'there is only one valid reality in a given economic situation' and professional economists are uniquely capable of revealing it. Ethical questions, however, belong in a separate realm, where subjective factors may dominate" (p. 49, quoting Samuelson). What could possibly be less religious than this? If physics is not religious, why is economics?

Nelson does not deny that Samuelson and his many neoclassical followers have devised elaborate mathematical models. But they do not stop with these. Quite the contrary, they believe that these models enable experts to guide a nation to prosperity; and here is where religion enters the scene. Nelson uses "religion" in a broad sense, so that any use of fundamental value judgments counts as "religious." The models cannot be applied in the way Samuelson and his cohorts wish, absent certain value-impregnated assumptions, and Samuelson's economics thus qualifies as religious.

A typical neoclassical economist would at this point leap up in anger. True enough, he will say, economists make, in practice, innocuous value judgments—e.g., "unemployment is bad" and "prosperity is good"—but these hardly affect the scientific character of their discipline. Nelson dissents, and shows to great effect that the neoclassical school cannot easily escape controversial "religious" views. We shall see later, though, that the imagined reply can be used by Austrians to deflect Nelson's critique.

Nelson sets the stage for his account of Samuelson by calling to mind the economists of the Progressive Era. Like Murray Rothbard, he thinks that postmillennial Christianity influenced economists such as Richard Ely to think that they could help bring about the Kingdom of God on earth through rational planning.1 But even the more secularly minded economists of that time saw themselves as leaders of a new world order.

Our author finds Thorstein Veblen a perfect example. “Thus, as Veblen would write, control over the productive system should be assumed by ‘Production Engineers’ and ‘Production Economists.’ . . . As the ‘keepers of the community’s material welfare,’ they would be motivated not by a ‘commercial interest,’ but by a ‘common purpose.’ . . . Professional groups were thus to be the new priesthood of progressive religion” (p. 45).

A problem thwarted these economists’ ambitious aims. Central planning, far from having quasi-divine virtues, must inevitably fail. Would not economists who shared the grandiose ambitions of the progressives have to give up in despair? Samuelson found an escape. In his view, the elite could incorporate into their plans much more of the free market than had been previously thought possible or desirable. But to do this did not entail abandoning the goal of a directed society, since elite economists remained necessary. They had to fine-tune the economy, in Keynesian fashion, to prevent undue unemployment and inflation.

Nelson includes some excellent pages showing that Keynes himself fully shared the messianic mindset of the progressives. “Like the early followers of Jesus in biblical times, Keynes thought that the arrival of the kingdom of heaven on earth was near at hand, to occur in perhaps one hundred years or so” (p. 31).

But our objection recurs. Even if Nelson has correctly identified Samuelson’s social goals, how does this show that his economic theory is in any way religious? Why is the analysis of more than biographical interest? Nelson responds that value judgments lie at the heart of neoclassical economics.

Basic to Samuelson’s fine-tuning plans is the use of deficit finance, which involves paying interest from one group of people to another. For Samuelson, internal debt has little importance. “Thus, most students were left with the simple idea that the national debt need be no concern because it is simply transferring money from one part of society to another. . . . This vision again is best regarded, not as an economic argument of substance, but an implicit value statement, another metaphor in the progressive poetry of *Economics* [Samuelson’s textbook]. Samuelson was implicitly saying that all Americans are united in one organic whole” (p. 95). In support of his view, Nelson notes that, “tucked away in an appendix,” Samuelson notes “major technical problems” with deficit finance (p. 94).

Nelson locates another, and much more pervasive, value judgment involved in Samuelson’s account of the economy. Samuelson maintains that the market, if adequately fine-tuned, best promotes efficiency, and is for that reason desirable; but here, surely, is no value-free, purely descriptive statement. “In the implicit theology of *Economics*, that which is good is now that which is efficient; conversely, evil is defined to be that which is inefficient. Samuelson is the heir to the progressive value system, often characterized by historians as the gospel of efficiency” (p. 76).

But has not Nelson here pressed his point too far? Is it really controversial to think efficiency better than its negation? If Nelson wants to call this a value judgment, so be it; but Samuelson’s resort to it hardly makes him a theologian. Our author is not yet defeated; he maintains that "efficiency" is a much more value-loaded concept than at first sight appears.

In their calculations of efficiency, Nelson claims, neoclassicals tend to take for granted that psychic costs and benefits are small. Thus, free trade earns high marks from economists for transfer of resources from less to more efficient uses. But what about those driven out of their jobs by requirements of efficient markets? Even if the "winners" can in good Pareto fashion compensate them for their financial losses, what about the psychic costs to them of the transition to new jobs? Why should these be ignored? And do not so-called "existence values" complicate the matter further? These concern the psychic benefits that some people gain from items in the environment. If these are included in one's calculations, Nelson thinks it much less evident that Samuelsonian policies always promote efficiency. (I believe that Austrians have the resources to answer this point, but of this more later.)

If Nelson's account of Samuelson hits the mark, what should be our response? Should economists endeavor to purge judgments in essence theological from their science? Not at all, our author says. Instead, they should become aware of their religious assumptions; and one economist serves him as a model of the required self-awareness. Frank Knight did not long for a utopia without scarcity, in the style of Keynes, nor did he think prosperity unproblematic, like Samuelson.

Though Knight supported the free market, he did not do so because of the abundance of material goods it generated. "Ascetic discipline rather than the pursuit of happiness should guide conduct. [Don] Patinkin recalled from his classroom lectures 'Knight's commenting that from the long-run viewpoint . . . denial of wants was the only way that a definitive adjustment of wants to resources could be achieved' " (p. 131). Nelson maintains that here Knight embraced a secularized version of Calvinism, in spite of his overt opposition to Christianity.

If Knight held the pursuit of wealth in lower esteem than did Samuelson and his school, was not his support for the free market anomalous?2 After all, socialism has no problem in generating a dearth of consumer goods. Knight's line of reasoning, in Nelson's view, exhibits his theological sophistication. In a way parallel to the Christian doctrine of original sin, which strongly influenced him, Knight maintained that human beings inevitably come into conflict over values.

Faced with such conflict, what can be done? Groups will be tempted to impose their wills on one another, and we seem fated to a perpetual struggle for power. Our best hope out of the impasse, according to Knight, was compromise; and here the free market was the essential instrument. "Rather than seeing competition as a benefit, Knight argues that the advantages of the market should be understood in terms of promoting a 'pattern of cooperation' among people who come together on a non-coercive basis for mutual advantage . . . the market minimizes the role of power in human interactions because in a market 'there are no power relations.' The market enables each person 'to be the judge of his own values and of the use of his own means to achieve them' " (p. 136, quoting Knight).

Nelson seems to me right to prefer Knight to Samuelson, but I think he has not shown the intriguing general thesis of his book to be true. As he sees matters, economics fundamentally reduces to a matter of competing value judgments; we face what Thomas Sowell has called "a conflict of visions." Must economists simply choose the view of the world they prefer, e.g., Knight's application of original sin over Samuelson's millenarianism?

The author's thesis rests on an insufficient diet of examples. Had he taken into account the Austrian School, he would I think be compelled to recognize that the case for scientific economics is stronger than he has made out. When I first presented his analysis of Samuelson, I suggested a possible line of reply for the neoclassicals: the value judgments that the economist uses are noncontroversial. The defense fell short when we undertook a more detailed account of Samuelson's system. It proved crucially dependent on value judgments very much disputable.

Exactly this defense, as it seems to me, succeeds admirably for Austrian economics. Misesian economics incorporates none of the controversial value judgments so ably exposed by our author in his treatment of Samuelson. Obviously, Austrians do not assume that society is a single organic entity; to the contrary, methodological individualism is a prime tenet of the school.

But does not Mises, like Samuelson and Friedman, assume without argument that wealth maximization is the supreme test of any economic system? No, Mises assumes only the hardly controversial claim that most people prefer a decent standard of life to extreme asceticism or death. In Mises's view, capitalism is the only viable economic system; its main rivals, socialism and syndicalism, collapse into chaos. Neither is there available any intermediate system between socialism and capitalism, since interventionist measures fail from the standpoint of their own advocates. All this Mises claims to show by strictly scientific reasoning.

Thus, unlike Samuelson, Mises does not assume that psychic benefits or existence values are of little importance, as compared with material goods. He takes for granted only that people want a reasonable minimum of wealth; and one can hardly view this judgment as captive to a theological vision.

1Nelson cites Rothbard on the secularized messianism of Marxism, but misses his work on postmillennial pietism (pp. 24–25).

2Nelson points out that Milton Friedman and other members of the Chicago School were much closer to Samuelson than to their teacher Knight in their uncritical advocacy of efficiency as a goal.

Book Review from **THE CHRISTIAN CENTURY**, May 8-15, 2002, pp. 39-40.

By David Krueger, Baldwin Wallace College

Believing in economics

Review of Economics as Religion: From Samuelson to Chicago and Beyond.
B y Robert H. Nelson. Pennsylvania State University Press, 378 pp., .$35.00.

HERE CAN BE no fundamental separation between theology and economics, argues Robert H. Nelson, economist by training and professor in the School of Public Affairs at the University of Maryland. Nelson's ambitious 1991 text, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Rowman & Littlefield), offered a sweeping overview of the primary pre-20th-century schools of economic thought that have shaped the development and self understanding of modern Western societies. His distinctive contribution is to attempt to uncover the sometimes explicit but usually implicit value assumptions and normative visions that stand behind and give coherence to these schools of thought-an exploration he continues here.

Economics as Religion critiques the 20th-century American schools of economic thought that have most decisively shaped our society's self-understanding and development, notably Paul Samuelson and his followers, the Chicago school of economics and its successive generations, and the new "institutional" economics.

Using explicitly Christian theological categories, Nelson attempts to show how the assumptions of prominent economists seers to mirror, and sometimes contradict, fundamental theological assertions (e.g., about human nature, the purpose of wealth, the nature of society) found within various Christian traditions, most notably the Roman Catholic, Calvinist and Lutheran. He provides a huge service to students of religion in his attempts to place economics (viewed by many as a highly technical field far beyond the conceptual grasp of non-econornists) in conversation with theology.

Both theology and economics seek truth about reality. Therefore, both must be subject to at least some of the same criteria for making truthful claims about human well-being, about our nature and destiny and about the purposes of social life. Nelson's argument pulls religion back from the fringes of social irrelevance to which it has been relegated by the modem Western world's tendency to use mainstream economics uncritically as the "religion" of economic progress.

Nelson argues that the extent to which economics can make credible and enduring assertions about reality is based not upon its claim to be a science but upon its ability to function like good
theology. Just as the modern world has become secularized-in that science, for many, has replaced religion as the guiding authority for understanding reality; shaping our conceptions of human nature and organizing social life-so have we (wrongly) imputed to economics the status of an objective science.

Indeed, Nelson claims that "economists have been defending their professional status in society under false pretenses," for in fact "no one has yet developed a value-neutral economics of any great interest or social usefulness." Instead, the prominence and influence of important economists and schools of economic thought are more accurately explained by their relative capacities to provide "inspirational messages" that effectively persuade followers (often in the form of government economic polities) to believe certain things and act in certain ways.

Nelson argues that the success and influence of Samuelson, author of the preeminent, multieditioned U.S. economics textbook of the 20th-century; *Economics, is* fundamentally due to his ability to "provide an inspirational vision of human progress guided by science in order to motivate Americans and other people to the necessary religious dedication to the cause of progress." He sees Samuelson's claim "to be a true modern scientist operating according to a standard of empirical testing and proof "as "mainly a rhetorical device." The power of Samuelson's conclusions is based more upon "the implicit value system from which economics becomes a grand metaphorto inspire the people of America in the true progressive faith."

Central to Nelson's criticisms are the prevailing as sumptions of mainstream economics about human nature. Samuelson and the Chicago school and its lineage are typical in asserting that pervasive self-interest is the motivator of human action. And economics tends to view humans as autonomous and as unshaped by broader social influences and communal motivations.

Perhaps most important are Nelson's critical evaluations of the content and normative visions of 20th-century economics. Again Samuelson serves as an illustration. Implicit in Samuelson's economics is a quasi-religious vision and a powerful statement of core values. Appeals to God, sacred scriptures and salvation are replaced by a new deity that views "good" as that which moves toward economic progress and the elimination of poverty, and "evil" as that which is inefficient. "Efficiency is the best measure of the rate of movement along the path of ecpnomic progress," material abundance and a healthy democratic society, which, when viewed together, are "the new heaven on earth." As a secular priest of the progressive "social gospel," Samuelson envisions an activist government working as scientific manager of society to manipulate the market mechanism for the sake of material prosperity. This normative view is not science but "metaphor developed in the abstract symbolism of economic formalism."

Nelson continues this provocative analysis through other major schools of economic thought, notably the Chicago school with its various "disciples" (Friedman, Stigler and other Nobel laureates), which rejected Samuelson's progressive optimism, especially regarding the role of government. He finds the more recent disciples of the "New Institutional Economics" more promising, in part for their more serious attention to history, culture and a wider array of motives for economic behavior?

What's the future, then of economics? And how ought religion to inform economics? Having uncovered many of the flaws of economics and even evidence of its waning social influence and its potential decline as the predominant 21st-century secular theology, how does Nelson think "economics as religion" should operate? Here, Nelson is less clear and by no means systematic, providing only fragmentary hints and suggestions for future reflection and development. At the very least Christianity and ethics, he occasionally implies, could more effectively inform "the fundamental value system" that sustains and re-strains modern market-based society.

While Nelson seems to affirm a role for self-interest in the marketplace, he argues for its restraint and inappropriateness in other spheres, which call for other virtues. More boldly and critically Nelson sometimes suggests the potential bankruptcy of modern material progress. He notes that many studies suggest that increased wealth does not seem to correlate with increased happiness. He argues for fuller and more adequate conceptions of human nature within economic theory. He suggests the potential for libertarian and environmental intellectual strains to reform economic thought. He muses about the need to redefine and reorganize the social sciences within the intellectual life of universities. One hopes that the articulation of a systematic agenda for an economics that is appropriately shaped by, or more closely coherent with, the fundamental truth claims revealed by religion will be the subject of Nelson's next volume.

Reviewed by David A. Krueger, *who holds the Charles E. Spahr Managerial and Corporate Ethics at Baldwin Wallace College in Berea. Ohio.*

CHRISTIAN CENTURY **blay 8-15,2002**

H-NET BOOK REVIEW

Published by H-Business and EH.Net@h-net.msu.edu (April, 2002)

Robert H. Nelson. _*Economics as Religion: From Samuelson to Chicago and Beyond*_. University Park: Pennsylvania State University Press, 2001. xxvi + 378 pp. Index. $35.00 (cloth), ISBN 0-271-02095-4.

Reviewed for H-Business and EH.NET by Robert D. Tollison <Tollison@bus.olemiss.edu>, Department of Economics, University of Mississippi

Nelson's basic thesis is that economics is more like a religion than a science. In fact, he argues that economics in the twentieth century has virtually supplanted organized religion with a creed of material progress. Within economics Nelson analogizes Samuelson and company as being more like Roman Catholics who adhere to natural law doctrine, such as the efficacy of market institutions with a strong overlay of government regulation. Chicago economists are more like Calvinists in that they are radical revolutionaries in the pursuit of a more libertarian approach to economic life in general.

The half of me that wants to like the book reflects an admiration for Nelson's scholarship. His thesis is new and novel; he has written a strong brief for it, and to say the least, he has interesting ideas. Stylistically, he wins me over.

The other half resists the extremity of the argument. There is no doubt that modern economics is full of value judgments, both implicit and explicit, and that one must use care in separating positive from normative arguments. Where the argument is normative, one must be as explicit as possible about what the value judgments are and whether individuals are in general agreement with respect to these judgments. In most cases, the normative aspects of economic analysis are benign and easily accepted--for example, more wealth or utility is better than less, material progress is a good thing, market institutions stimulate economic growth (this is also a positive prediction), and so on. Of course, there will be dissenters; we do not live in a Pareto-optimal world. But for the most part, the normative assumptions of modern economics are not controversial. So while Nelson is right that there is a "religious" sub-text to economics, I do not think it is such a big deal. Most of these value judgments are just common sense writ large.

At times Nelson seems to deny the prospect of a value-free analysis. Here, I think he goes too far. Positive economics is alive and well in academia, and the economic paradigm of choice within constraints is being pushed steadily forward to new frontiers of explanation (including religion). There are no hidden values here; there is no sub-text. There is a simple desire to explain the world as it is in a more understandable way. The relevant question to these scholars is not how but why? Most of the work that Nelson discusses in the modem Chicago approach and in the New Institutional Economics is this type of analysis. And while understanding the world per se may actually lead to social change, I do not think this correlation is thought about or stressed very much by these analysts. Their focus is on understanding, not changing, the world.

Still, on net, I give Nelson high marks for making an interesting and useful argument. It is always good to take stock of what we are about as professional economists.

One final note is that Nelson may be right about the demise of economics in universities. One way to look at the issue is to note that the great economic debate is over. Capitalism won, so that the demand for the "religious" services of economists is on the wane.

From *AMERICA - The National Catholic Weekly*

The God of no return

America; New York; March 18, 2002; by John Omicinski

Book review of: Economics as Religion From Samuelson to Chicago and Beyond

By Robert H. Nelson

Penn State Univ. Press. 378p $35 ISBN 0271020954

Economics has dabbled in theology from its beginnings.

Two centuries ago, Adam Smith, the father of economics, got the theological ball rolling with his assertion that prices were determined by the "Invisible Hand" of competition in the market. Karl Marx's theory of capital was that it was a religion whose god was production.

Today the invisible hands continue to hold sway, as "consumer confidence" and "the index of productivity" are of supreme importance to the high priests of the market.

Especially since the World War II economic boom, money, markets, "efficiency" and science have been widely taught to be the best instruments for reducing crime, keeping families together, preserving mental and physical health and maintaining a global peace. That these tenets have failed to produce progress in all areas except perhaps the third has not shaken the faithful who cling tenaciously to its tattered utopian vision.

Not for nothing does the stock market hold such unmatched influence. Not for nothing is there a collective holding of breath during U.S. Federal Reserve Board meetings. Not for nothing do markets dance when the Fed's chairman, Alan Greenspan, scolds stock traders for their "irrational exuberance." If the Gallup Organization did a poll asking people if money could buy happiness, what would be the result?

Faith in economics is one of the modem era's major movements, and it shows no signs of abating. Its theology of paradise on earth has confused even many clerics, and may be the root cause of the loss of vocations. In his groundbreaking study, Robert Nelson-a professor in the School of Public Affairs at the University of Maryland-explores the genesis, the prophets, the prophecies and the tenets of what he sees as a perfervid secular theology and religion of economics that has come into full blossom in latter-day America. Its evidence is everywhere, from the op-ed pages, where the shamans of economics now hold key places, to the classrooms, where educators have separated church from state while at the same time teaching the commandments of economics and material success as the pathway to happiness.

Especially in academe, the horrors of Sept. 11 found many liberal and secular Americans unwilling or unable to point the finger at Arab terrorists who destroyed some 3,000 lives and smashed countless family circles forever. Instead, many fingered America and its unwillingness or inability to spread wealth so widely that Osama bin Laden's suicide pilots would be so wealthy and so happy that smashing the icons of American capitalism would never enter their minds. It is a thoroughly silly argument, based on no factual evidence, but it has millions of adherents.

Sept. 11 showed once again that for many Americans, questions about morals and ethics receive answers best centered around money, preferably "government money" (an imagined separate specie) and "the market," whatever that may be.

For many, how much is in the church's poor box is more important than who is in the tabernacle. Nelson finds this theology's nexus in the teachings of Briton John Maynard Keynes and the M.LT. economist Paul Samuelson, a secular Jew whose 16 editions of the ubiquitous textbook, Economics, spread the Keynesian gospel to millions of U. S. students. (Keynes was the father of the short-term financial planning that plagues American workers and taxpayers even today. "In the long run," he cynically argued, "we're all dead.")

"The primary purpose of economic activity is provision of consumption goods and services," writes Samuelson in his hallowed textbook, putting forward in a single sentence a value system for a human lifetime. He argues, for instance, that there is no moral value attached to the charging of interest; it is simply a business matter. Here, as in much of the book, Nelson argues, Samuelson "is seeking to persuade [students] of the 'irrationality' of old Catholic, Islamic, Aristotelian, and other value systems that preached otherwise."

Nelson questions the very bases of modern economic dogma, noting for instance that nowhere does it count the economic costs of worker displacement or constant family movement. And nowhere does Samuelson's one-size-fits-all theology factor in the economic drain of drugs and alcohol upon a society, which is why a new school of "cultural economics" is catching fire.

Though churchless and uncollared, economic theology has millions of adherents and thousands of priests in the field of economics. Many of the faithful reside in Congress, promising paradise for a few million more. Some are in the White House, and not a few of them are in the nation's pews each Sunday.

Obviously, many of these believe that Jesus Christ was speaking with tongue in cheek when he smacked down disciples who kvetched about the waste of alms money when Mary Magdalene purchased expensive perfumed ointment for him. "The poor you always have with you," chided Jesus (Mt. 26:11; Mk. 14:7; Jn. 12:8). And he always meant what he said, didn't he?

John Omicinski

[Author note]

John Omicinski, in his more than 40 years as a correspondent for the Gannett newspapers, has covered defense, politics, foreign policy and the tenure of Pope John Paul II.

Financial Times; Jan 26, 2002

By MICHAEL PROWSE, Columnist

Market economics is best understood as a religion. When I first read this claim in a book`' by Robert Nelson of the University of Maryland, I had doubts. He was surely overstating his case. Market economics may resemble a religion, but it cannot be a religion.

I'm no longer so sure. The more one thinks about the function of market economics in modern society, the stronger the case gets for treating it as a religion.

I was perusing Nelson's book when I read that Patricia Hewitt, the UK secretary for trade and industry, wants to expand the role of economists in her department. She hopes that an upgraded chief economic adviser at the DTI will become an authoritative public spokesperson on business and economic issues. Is it so misleading to think of this new adviser as a kind of "high priest", to use Nelson's terminology?

After all, the female economist's role (Hewitt has indicated that she favours women priests) will surely be to draw normative boundaries. She will have to decide when businesses really need help and when they are pleading their sectional interests. And she will make her decisions, naturally, only after consulting the appropriate sacred texts (treatises on microeconomics).

In describing economics as a religion, and professional economists as a cadre of high priests, I don't mean to insult anyone. Some of my best friends (including my wife) are economists. Several lifetimes ago, I even counted myself as one.

Nor am I speaking metaphorically, because the nature of religion is often misunderstood. It doesn't require belief in a God, or gods (Buddhists don't believe in a God). Religion, as the eminent theologian Paul Tillich once argued, refers to whatever constitutes our "ultimate concern"; it is about the ground or foundation of our existence.

We think of ourselves as freely choosing to do this or that. But life is more complex. In practice, we all accept authorities of one kind or another. We all regard some set of principles or maxims as too basic to be questioned. We all, in short, worship something. The divine, properly understood, is thus an unavoidable aspect of human existence.

The notion that market economics is the divine for large numbers of people - including most of the political class - strikes me as plausible. Who can seriously doubt that shopping malls are the cathedrals of our age? Think of the dogged energy and commitment that shoppers display, not just on the occasional Saturday, but every Saturday without fail.

The compulsion to make and spend money surely must be understood as fundamentally religious in character. It exerts a total, unrelenting dominance over converts, in just the same way as the creeds of older religions.

And market economics has enjoyed just the kind of explosive growth that is characteristic of sects. The number of true believers was once tiny, and its sphere of competence was seen as restricted mainly to commerce and finance.

But not any longer: today the high priests of the market cast their judgments on everything and everyone. They tell us how to run schools, hospitals, old people's homes and television networks. Whatever the question, the answer is always the same: consult a priest, meaning an economist.

It is symptomatic of the sect's growing domination of national life that more sixth-formers now study business studies or economics than study history, let alone a hard science such as physics. It is also symptomatic of the times that the governor of the Bank of England and the chairman of the BBC are both economists.

But is this so bad? If people must have a religion, surely the worship of the price mechanism is far from the worst option? I agree - up to a point. Market economics has important virtues. It encourages the efficient use of resources and it tolerates different lifestyles: so long as you accept the ground rules of the market, you can be, or do, whatever you want.

But it also has drawbacks. The religion reinforces an excessively individualistic conception of human beings. Although there are many strands of economics, the core idea is to try to explain everything in terms of the optimising decisions of the individual.

This religion's conception of goodness is a state of affairs in which the individual is free to try to satisfy his personal preferences with as few restraints as possible. Anything that interferes with this - such as taxes to support public spending - is bad, almost by definition. Needless to say, few questions are asked about the origin of the individual's desires, and any attempt to adjudicate between desires - to say that some are superior to others - is ruled out in advance.

The other big drawback is that this religion tries to do without a meaningful conception of social justice. If one had to draw a comparison with older religions, one would have to say that market economics is essentially Judaic rather than Christian in orientation.

If you think about it, the Mosaic Law contains almost everything you need for a flourishing market, and nothing that would inhibit it. Thus it enjoins us not to steal (respect for property rights); not to bear false witness (deal honestly and respect contractual obligations); and not to covet (do not resent inequalities, however gross).

By contrast, most other religions include elements that try to limit personal optimising. For instance, Jesus's Sermon on the Mount and his injunction to "love your neighbour as yourself", are arguably subversive of the market gospel. They point to a conception of community, and of the individual's obligations to others, of which microeconomics is entirely ignorant. * Economics as Religion (Penn State Press, 2001).

Book Review

Chronicles: A Magazine of American Culture

Diminishing Returns, by Jeremy Lott

Review of *Economics as Religion: From Samuelson to Chicago and Beyond* by Robert H. Nelson University Park: Pennsylvania State University Press; 378 pp., $35.00

Most partisan recollections of the economic world that existed before Adam Smith conjure up words from "feudal" to "primitive" to "mercantilistic" to "Catholic"--a dark era ridden by "just price" theory, wanton poverty induced by ridiculous regulation and barriers to international trade, and the divine right of kings. Then (so the story goes), Smith published The Wealth of Nations, turning the world on its head. His ideas were adopted by a group of enlightened British colonial rebels who created the world's first nearly laissez faire regime, affirming in its "founding document" every person's right to pursue happiness (i.e., the right to become stinking rich) over and against any other ethical considerations. Tariffs fell everywhere, prosperity multiplied, peace reigned, and the lion lay down with the lamb and nuzzled it.

During the middle of the 20th century, Paul Samuelson, author of the widely used college textbook Economics, was regarded by many as the modern economist. Samuelson claimed to speak authoritatively for all of economics, and his vision was at least superficially different from Smith's. A few Neanderthals might wish to "turn the hour hand back toward laissez faire," wrote Samuelson in a spasm of chronological snobbery in the first (1948) edition of his book, but Smith's "mystical principle of the 'invisible hand' . . . [has] done almost as much harm as good in the past century and a half." Monopolistic railroads were allowed to soak poor farmers, oil prices were held unnaturally high, the concentration of wealth was heavily skewed toward the rich (one of the few things Samuelson is willing to label "evil"), and rampant stock speculation helped to launch the Great Depression. Better to ditch that old-time religion and adopt the new, centralized scientific methods and solutions. Otherwise, Samuelson warned, the Soviet Union, being the more scientific of the superpowers in its organizational approach to society, could overtake the still backward United States.

Robert Nelson makes a compelling case that Professor Samuelson actually believed this nonsense. Samuelson, like his mentor John Maynard Keynes, wasn't really a communist, Nelson writes in Economics as Religion: From Samuelson to Chicago and Beyond, but he did share some basic assumptions with Marx, and these assumptions were only rhetorically "scientific." In fact,

> [I]n terms of ultimate values, Keynesianism was only a modest variation on Marx--on the recent revelation of God's actual plan for the world, that the Christian Bible is apparently mistaken, that God actually works in history through economic forces and is planning a glorious ending to the world based on the workings of rapidly advancing material productivity.

Both ideologies, that is, in a reading strikingly similar to the visions of apocalyptic prophets of the Old Testament, looked to economic tumult and the eventual resulting material progress as the engine of history that would usher in a sort of Heaven-on-Earth. Both, in that sense, were economically deterministic. Samuelson even went so far as to say that the most useful thing he could know about a man was not his religion nor his upbringing but his checkbook balance. Once material demands were satisfied, however, mankind would be free to pursue ... let us just call it "bliss."

Thus Samuelson, initially at least, disagreed with Marx over the means to the end, not the end itself: overcoming the problems of self-interest to create a materialistic Utopia. The difference, of course, is that Samuelson and his ilk thought the market mechanism a valuable tool in reaching this goal through increasing "efficiency." Markets, however, could only "help" to bring this about--and only if guided by a very visible hand. First, at the advice of entirely dispassionate economists, governments had to tinker with such things as interest rates and money supplies and vigorously enforce anti trust laws to break monopolies. Second, "market failures" occurred, which the government had to fix by providing such things as primary education and unemployment insurance. Third, personal income needed to be redistributed from the rich to the poor through entitlements and a steeply progressive income tax.

Nelson likens this neoclassical school of economics to Roman Catholicism, assuming as it did an abundance of faith in an overriding authoritative institution that would do right by the people. Samuelson and company were the "priests" of the new order, trustworthy to navigate disinterestedly the choppy waters of public opinion. As with the Catholic Church, Nelson says, such unsubstantiated "heroic assumptions" were simply begging for reformation.

Well, they got it, courtesy of the renegade economists of the University of Chicago. Frank Knight, Milton Friedman, George Stigler, Ronald Coase, and others argued relentlessly that the government interveners were just as self-interested as anybody else and that they were, in fact, quite likely to impede, not increase, efficiency. Democratic governments (as the leaders of what would come to be known as the "public-choice school" pointed out) are often held hostage by various interest groups. These economists replaced the static picture Samuelson had drawn of the market mechanism--Nelson calls it "mathematical poetry"--with a more dynamic model, firmly locating rational self-interest at the center of their analysis.

Elevating self-interest to the sine qua non of economic analysis was nothing new. In perhaps the most quoted passage of The Wealth of Nations, Smith wrote, "It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own self-interest." In practice, however, there had always been limits, set by the preferences or squeamishness of the reigning economic "priesthood."

As the Protestants had learned, reformations tend to take on a life and logic of their own. Second-and third-generation Chicago scholars such as Gary Becker and Judge Richard Posner have carried their analyses to new heights--or ridiculous extremes, depending on your point of view. These men have scrutinized everything, from consumption patterns to religious devotion to marriage, with the intent of divining what was in them for rational human agents. Even charity had to be explained in terms of self-interest: Mother Teresa, apparently, derived some measurable benefit from helping the poor expire in peace.

While the Chicago School took issue with what they viewed as a lack of rigor on the part of their more squeamish peers, Nelson argues persuasively that all of them (with the exception of Knight) bought into the same basic methodology and progressive economic goals. Though Friedman, for instance, dogmatically endorsed freedom for its own sake, all of his arguments turned not on moral principles but on mathematical demonstrations of the economic benefits to be had by loosening the reins of self-interest. To understand how Friedman and Samuelson could end up on the same side of any debate, it is worth pondering a passage from the early 1990's cult classic, An Incomplete Education:

> To get a firm grasp on profit and its counterpart, loss, you might want to consider the Biblical quotation, "What does it profit a man if he gain the whole world but lose his soul?" For an economist, the correct way to answer this question would be to calculate the revenues received from gaining the whole world and subtract the costs incurred by losing one's soul. If the difference (known as "the bottom line") is a positive number, you have a profit.

Indeed, in their dogged pursuit of rational self-interest to the exclusion of much practical information, most of the economists discussed in Nelson's book come across as extremely odd characters. When Stigler turned Chicago-style analysis on the Chicago School itself, he determined that its members were either tools, advancing the interests of the wealthy by stealth, or were prey to an irrational belief, trying to convince others of that thing for reasons that would forever remain beyond the scope of economic analysis. Moreover, when we set the supposedly singular analytic achievements of Adam Smith in the context of his time, we discover them to be not original insights at all but simply brilliant reiterations of previous ideas.

Who were the thinkers who first stated those ideas? No other than Catholic theologians, from St. Thomas Aquinas to Duns Scotus to Dominique Banez. After examining the idea of "just price," Joseph Schumpeter explained that, for the theologians, when the abstractions were boiled away, it was "simply [the] normal competitive price." Theological consensus generally prescribed only three criteria under which interventions in the market were justified: price discrimination, collusion, and gouging. As Nelson comments dryly:

> What is remarkable is that these three conditions of medieval "injustice," as derived from natural-law theological reasoning of the times, prescribe almost exactly the same sets of policies for curbing self-interest in the market that have been widely recommended by leading economic and other defenders of the welfare and regulatory state in the twentieth century.

In the ongoing argument over whether economics should be ranked as an empirical or a social science, Nelson situates it much closer to the latter. No one economic model, for instance, has come anywhere close to accounting for the economic choices of modern corporations. All talk of ceteris paribus glosses over the fact that there are simply too many variables, even in the most transparent of corporate cultures, for economics to be of much analytical use.

While he finds the discipline valid, Nelson refuses to locate the utility of economics in its predictive powers. Most economic truths, he believes, are too obvious (man is selfish, prices help us to decide between things, we do not work as hard without incentives, etc.) to grant the profession the scientific mantle that it covets. Rather, the strength of economics has come historically in the form of the advantage provided--from Adam Smith to Paul Samuelson to celebrity economists of the present day--by a secular clergy whose job it is to bless the market, day in and day out, with the reigning economic spirit of the age.

Jeremy Lott is the 2002 Burton C. Gray memorial intern for Reason magazine.

Book Review

The Washington Times, September 25, 2001

THEOLOGY IS THE ROOT OF MONEY
Doug Bandow (a senior fellow at the Cato Institute and the author of *The Politics of Envy: Statism as Theology*), book review of *Economics as Religion: From Samuelson to Chicago and Beyond* (Penn State University Press).

Economists have long argued about whether theirs is a value-free science. Robert Nelson, an economist at the University of Maryland, emphatically says that it is not.

Yes, he admits, economists provide technical knowledge. But, he contends, "another basic role of economists is to serve as the priesthood of a modern secular religion of economic progress that serves many of the same functions in contemporary society as earlier Christian and other religions did in their time."

In certain ways it is an astonishing claim. And, indeed, Mr. Nelson pushes the comparison too far - while theology has not hesitated to pronounce judgment on matters of everyday life, it has linked itself to a transcendence far beyond the most extravagant claims of the most ambitious economist. But "Economics as Religion" nicely explores the often unstated philosophical assumptions behind supposedly objective economic analysis. While the economic analysis itself often is value-free, it has almost always been enlisted in the service of political and philosophical values.
As "priests," argues Mr. Nelson, economists defend and propagate a series of market norms - the importance of private property, efficiency, honesty, economic self-interest and political selflessness. But the bulk of the book is devoted to the proposition that modem economics has as its core a theological conception of the value of economic progress. In Mr. Nelson's view, "The religious purpose of the market is to ensure maximal efficiency in the use of the material resources of society, and thus rapid movement of American society along a route of economic progress in this world."

Mr. Nelson's framework seems contrived, yet it is analytically useful. For instance, in his view, Karl Marx had a salvation message: The laws of history would act as God to deliver mankind from alienation or sin. Marx is thus "best understood not fundamentally as an economist at all, but as another Jewish messiah - like Jesus - with another message of salvation for the world."

John Maynard Keynes offered "a modest variation on Marx." Capitalism would bring about the end of history, but the millennium would come not through apocalyptic explosion but government intervention. Paul Samuelson's "Principles of Economics," contends Mr. Nelson, "was meant to instill, and to a considerable extent succeeded in instilling, a religious commitment to the market - now depicted as the 'market mechanism'- and a commitment to the priestly authority of economists to manage this marvelously productive instrument for the general social benefit."

Mr. Samuelson substituted a vision of scientific economic management for populist political control of the market. An important aspect of this approach was to downplay noneconomic costs - so-called "soft considerations," such as the psychic pain of economic transitions. Measuring them would impede the world's economic salvation so, explains Mr. Nelson, "It is instead the religious duty of all good citizens of our time to bear the sacrifices of economic progress without complaint."

In Mr. Nelson's view, succeeding economic schools offered new interpretations of existing dogma. Frank Knight emphasized that self-interest marred the behavior of economic managers, thereby marking "the beginning of a fundamental break of the Chicago school with the Progressives of Samuelson's ilk." Milton Friedman and George Stigler warned of the corrupting influence of interest group liberalism, which constantly seeks to manipulate the market.

More refinements followed, through Gary Becker, Ronald Coase and others. But recent challenges to the value of material progress have created a theological crisis. One of the threats is posed by environmentalism, where, writes Mr. Nelson, economic skeptics "found a new gospel often actively hostile to technology, economic growth, and the long-standing claims for the transforming benefits of material progress."

As Mr. Nelson documents, economists have long endorsed the importance of economic development and growth. People believed that "If the market (or any other economic system) could guarantee continuing rapid economic growth, it would be the route to salvation in this world." But the noneconomic disasters of the 20th century have undercut the promise of economic growth. As a result, argues Mr. Nelson, "society is less inclined to recognize the religious authority of the economic priesthood." He posits a possible environmental/Libertarian synthesis, reached through the writing of Frank Knight.

In the end, a belief in economic progress looks more philosophical than theological, a logical assumption for people who spend their time studying economic systems. Economists have little to say about the truly transcendent, particularly the meaning of the human person. However, economists are not objective technocrats, applying a value-free science, and in developing this argument Mr. Nelson makes an important contribution.
