

WHAT IS “ECONOMIC THEOLOGY”?

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For the past fifteen years, I have been writing on the subject of what I call “economic theology.”¹ When I use this term, I often encounter the reaction that it seems an oxymoron. Economics is the science of the mundane, my questioners suggest, while theology is the study of the transcendent. Two areas of inquiry could not be more separate.

My first response is often to point out that I have a great deal of company in seeing economics as having a large theological dimension. One of the most distinguished theologians of the twentieth century, Paul Tillich, once wrote that an economist, Karl Marx, was “the most successful of all theologians since the Reformation.”² Critics of the contemporary economics profession – many of them in the environmental movement -- often say that it is “theological.” Among a large number of examples that could be offered, Sallie McFague recently stated that the world needs to turn away from “the theology implied by the neoclassical model of economics. ... The neoclassical model assumes that God, like the human being, is an individual – in fact, the superindividual who controls the world through laws of nature. This God is like a good mechanic.”³

Admittedly, few current economists think of their profession as connected to theology. When I attended economics graduate school at Princeton in the late 1960s, none of my professors spoke in these terms. That does not mean, however, that theology was altogether absent. My main thesis advisor, and the most influential member of the economics department in those days, was William Baumol. When Baumol was asked a while ago to explain why he had entered the economics profession, his response was that “I believe deeply with Shaw, that there are few crimes more heinous than poverty. Shaw as usual, exaggerated when he told us that money is the root of all evil, but he did not exaggerate by much.”⁴

In the Bible, original sin in the Garden of Eden is the “root of all evil.” In Baumol’s new alternative form of theology, characteristic not only of George Bernard Shaw but many other progressives and socialists over the course of the twentieth century, there is a new explanation for the presence of evil in the world. Economic deprivation, or the dire poverty in which human beings have lived for most of human history, has driven people to lie, cheat, steal and commit other evil acts.

If poverty is the true explanation for evil in the world, the economic success of the modern age has created a radical new possibility for human beings. If poverty – indeed, all economic deprivation -- can be eliminated, it will be possible to “save the world” through human action alone. The Biblical God will no longer be needed. Economic progress will eliminate the old divisions among human beings grounded in resource scarcities and lead us to a new heaven on earth. Indeed, John Maynard Keynes once wrote that rapid economic growth would “lead us out of the tunnel of economic necessity into daylight.” In the new world of the future, perhaps only 100 years away, as Keynes wrote, we shall finally be “free, at last, to discard” the uninhibited pursuit of self interest, the obsessive accumulation of capital, and other “distasteful and unjust” institutions of our present-day economic system.⁵

At the annual meetings of the American Economic Association, the Richard T. Ely lecture is one of the most prestigious platforms in economics. Ely is remembered as the leading early American economist who in 1885 was a founder of the American Economic Association. Few economists today know much of this history but 20 of the 50 founding members of the AEA were former or practicing ministers. Ely was himself a leading member in the 1880s of the social gospel movement, better known to the American public in this capacity than as an economist. Ely then believed that

economics departments should be located in theology schools. Although he regarded himself as a devout Christian, the Kingdom of Heaven for him was to be achieved in this world, not in the hereafter. As Ely would write, “Christianity is primarily concerned with this world, and it is the mission of Christianity to bring to pass here a kingdom of righteousness.” As a “religious subject,” the teachings of economics should provide the knowledge base for “a never-ceasing attack on every wrong institution, until the earth becomes a new earth, and all its cities, cities of God.”⁶

The ideas of Ely and others in the American progressive movement (typically dated from 1890 to 1920) have been described by later historians as the “gospel of efficiency.”⁷ The attainment of higher and higher levels of efficiency was necessary to the economic progress that would lead to heaven on earth. At first the leading experts in efficiency were seen by progressive thinkers as the engineers and administrative scientists of society. With time, however, the key experts came to be seen as the members of the economics profession. As such, they had the essential knowledge to lead to a salvation in this world. The members of the economics profession would become, in short, the new priesthood of the progressive American gospel, replacing both the Protestant ministry and Roman Catholic priesthood in the affairs of state.

A Hidden Theology

A core theological purpose was thus explicit in the early days of the American Economic Association. The early founders of economics were part of the first wave of social scientists who were making the transition from the Protestant ministry to the social science professions. Another Princetonite, Woodrow Wilson, who served as president of the American Political Science Association in its early years, was the son of a Protestant minister and was in his youth interested in entering the ministry himself. The transition would occur in two key stages. At first, the Christian trappings would remain, but the focus of a new Christianity, as in the social gospel movement, shifted from heaven in the hereafter to the attainment of a heaven right here on earth.

There was a deep tension present, however. True believers could be confident that economics would lead the way to heaven on earth because it was a scientific field of study, capable of providing accurate scientific knowledge of the laws of economic growth and progress. But Christianity and science had often been at odds since at least the days of Galileo, and the discoveries of Charles Darwin had served to widen the separation. Hence, in a second stage, the outward appearance of Christianity was gradually abandoned altogether, as unnecessary to the whole enterprise.

New forms of secular religion – frequently one or another form of American progressivism – took the place of Christianity for many people. To be sure, the change in form was greater than the change in substance.⁸ There was no God explicitly mentioned but in other respects the American secular religions of economic progress followed closely in the Christian (and Jewish) traditions. Like Christianity, history was seen linearly as a transition from a humble beginning to a final glorious end. During most of history, human beings had lived in sin and deprivation. A new age would soon be arriving, however, as human beings could be sure from the revelations of an authoritative priesthood. All men and women of good faith must work together for the looming salvation of the world, based on the good news recently and astonishingly revealed to mankind – now being delivered by the experts in the ways of economic progress.

Thus, as one historian writes, “the social gospel ... was, in a sense, the religion of the progressive movement.”⁹ Arthur Vidich and Sanford Lyman comment that leading social scientists were making a “shift from the old Social Gospel to the new statistical positivism.”¹⁰ The economic historian Robert Fogel (winner of the Nobel prize in economics in 1993) has recently reinterpreted the history of the United States in terms of the influence of four “great awakenings.” The progressive era was the third of these periods of intense religious expression, a time when there emerged among many Americans “a modernist enthusiasm for the imminent realization of God’s kingdom on earth,” based on the “new doctrine that poverty was the source of sin” – and thus that the elimination of poverty could mean the elimination of sin.¹¹

Dorothy Ross comments that progressive social scientists “still spoke in the idiom of Christian idealism” until World War I. The useless death of 8 million people on the battlefields of Europe then dealt progressive optimism a blow from which it would never fully recover. World War I marked the end of the third Great Awakening and the American progressive era.

The Economic Priesthood Today

A graduate student in economics is not required to study the history of the economics profession. I learned about it only long after I had completed my Ph.D. at Princeton. However, historians and other researchers in noneconomic fields have explored the origins of American professionalism, including economics, in great detail.¹² As they have shown, the rise of the economics profession was closely linked to a wider professionalization of American life and other important political developments of the progressive era. For the students of the early years of American social science, little that I have said above would be either new or controversial.

I will turn now to a more novel argument. I assert, and here I have much less company than before, that little has changed in the economics profession to the present day. That is to say, economists are still the modern priests of economic progress. Many of them still believe, like my Princeton thesis advisor William Baumol, that the elimination of economic deprivation will lead to a great improvement in the human condition, morally as well as materially. That is a main reason for entering the field of economics. The role of economists as the pre-eminent profession among the social sciences is justified by economists’ possession of the key scientific knowledge required to bring about a modern heaven on earth.

In support of this argument, it is possible to find additional revealing quotes, similar to those of Keynes and Baumol above. The economist Robert Mundell (another Nobel prize winner in 1999) recently argued that, if economic policy had been handled more scientifically, and as one can hope it will be in the future, “there would have been no Great Depression, no Nazi revolution, no World War II.”¹³ A better application of economic knowledge, in short, can prevent the kinds of horrible events that occurred in the world in the first half of the twentieth century.

Another leading economist, Charles Schultze, argues that economists serving in government should not be value neutral – in fact, this would be impossible -- but should serve as “partisan advocates for efficiency.” That is to say, economists should work diligently as partisan advocates for the economic policy measures that will in the end lead to a secular salvation of the world.¹⁴ Earlier Christian priesthoods advised governments on the commandments of a biblical God; the economics profession today advises on the necessary efficiency steps on the path of economic progress, the reigning faith of our day.

Paul Samuelson's famous introductory textbook, *Economics*, is now in its 16th edition (with William Nordhaus as a co-author in more recent editions). The first edition appeared in 1948 and was the model for other introductory textbooks in economics in the years to come. From the first edition, Samuelson advertised *Economics* as a value-neutral study of a technical field. Yet, it is more appropriate to regard *Economics* as a new bible of "economic theology," dominant in this role for the next few decades following World War II.

In *Economics*, whenever a political or economic institution infringed on the efficiency of the economic system, Samuelson was surprisingly prone to make an explicit moral judgment – indeed, to pronounce that this result was "evil." Thus, monopoly pricing results in "wastage of resources" which for Samuelson puts it in the category of the genuine "economic evils" of society. On another occasion, Samuelson says that "competitive advertising" is economically "wasteful," creating yet another of the unfortunate "evils" that continue to distort the efficient functioning of the American economic system.¹⁵ In Christianity, an evil action is something that distances a person from God and salvation; for Samuelson, an evil action is something that creates an obstacle to efficiency and economic progress – in other words, that separates human beings from the modern route of salvation according to the tenets of economic theology. In Samuelson's new economic bible, "efficient" and "inefficient" become the operative definitions of "good" and "evil."

Other evidence in support of my thesis is found in the behavior of many economists. Some individual economists such as Milton Friedman have shown an obvious messianic character. His fellow economist at the University of Chicago, Gary Becker, has written approvingly that throughout his career Friedman exhibited "a missionary's zeal in the worship of truth," dedicated to the improvement of public policy.¹⁶ The former Harvard economist, Albert Hirschman, has written of the actions of American economists – some of the most influential also found at Harvard – who sought to spread Keynesian economics in the aftermath of World War II. These Keynesians functioned as "a band of sect-like initiates and devotees." Driven by "an exhilarating feeling of possessing the key to truth," they undertook with great energy and commitment to "spread the message" and "to preach their gospel to a variety of as yet unconverted natives" – not only in the United States but throughout the world.¹⁷

I have known many economists personally over my 35 years as a member of the economics profession. Most of them, I am happy to say, have been hard working and dedicated to the improvement of public policy. Belonging to the economics profession creates a sense of common bonds and solidarity.

In his remembrance for the Chicago economist Harry Johnson, Edward Shils noted that, even though Johnson died before he was 55, he produced 20 books and 525 articles. Shils relates the story of encountering Johnson still working at his hospital bed in Italy, after suffering a stroke. For Johnson, "economic analysis" was not merely a practical tool but something he "believed in" in a fundamental way. The study of economics was essential to his basic "intellectual integrity" in the pursuit of the truth. Indeed, like other saints, Johnson "gave his life" to this cause; Shils relates that Johnson himself considered it all part of his "missionary" commitment in life.¹⁸

Many economists thus do not behave like the economic maximizers of their models. It is true that a university life as an academic economist offers a decent salary, a great deal of personal freedom, and the opportunity to enjoy intellectual pursuits. But most of the economists I have known – especially the top economists who are the leaders of the profession – work much too hard to take full advantage of

the opportunities for personal enjoyment and pleasure. Given their talents, and if they worked so diligently, they could make much more money on Wall Street or in other business pursuits. Many – perhaps most – of them, I would submit, have chosen to enter the profession of economics because they had a basic commitment to economic progress as the essential route of the common good.

I know that, when I entered economics graduate school in 1966, that was my own view. It was also, I believe, the view of many of my Princeton professors, even though few of them had any great interest in formally discussing such subjects. The central importance of economic progress to society was considered so obvious in those days that there was no real need to talk about it (now that environmentalists and others often attack economists, this circumstance has changed somewhat).*

“Illegitimate” Costs

An economist would say that my evidence of an important theological element in economics is thus far “anecdotal.” It is far from meeting any standard of “proof,” as an economist would expect to see a formal analysis developed. If the arguments thus far have been “soft,” I propose next to make a “hard” argument. My claim is the following: Without certain theological assumptions, some of the most important conclusions of economic theory could not be sustained. It is as though a mathematician had developed the proof of a theorem in which some of the key steps in the proof had been left out. On close inspection, moreover, the omitted steps in this case turn out to have a special feature – they are theological in character. Their omission, I further submit, reflects an implicit understanding among economists that these steps can not be defended in “scientific” terms, and an unwillingness to defend them explicitly in theological terms.

Economists almost universally argue that a market system leads to an efficient allocation of resources. In making this argument, they compare one equilibrium state of the economy with another – the approach of “comparative statics.” The “efficient” states of the economy are characterized by the condition that it would be impossible to make any change to improve the welfare of one party without damaging the welfare of another party. So far, there is nothing theological here.

However, if we are not at present at an efficient state of the economy, it will be necessary to move from our current position. This movement will itself involve real transitional costs. In deriving the central theoretical and policy conclusions of economics, these transitional costs are in effect treated as nonexistent.

For example, if a new and more efficient firm moves into a market and displaces another firm, the owner of the losing firm will suffer some significant burdens, both financially and in all likelihood emotionally. Economics recognizes the financial side of this but does not enter it into the calculations of social welfare. It

* There may also have been a loss of economic faith among economists themselves. An economist today may be more likely to declare him- or herself “agnostic” with respect to economic progress. More economists today may say that they simply do economics as an “intellectual puzzle” or “mental game.” The idea that consumer demands may be insatiable – contrary to the core assumption of economic religion -- is also probably more widely held today among economists (perhaps as a result of the empirical observation that the extraordinary growth of incomes in the United States seems to have done little to curb the appetite for more goods and services). Although these views may be more widely held among current economists, the potentially radical consequences have not been much explored. I submit that, if the wider society came to share these views, or to realize that many economists hold such views, the current privileged role of economic professionals in American society would be endangered.

ignores the potentially large emotional burdens altogether. As an economics graduate student, you are taught to ignore – to treat as zero -- these kinds of costs. If they were actually given full account, it would be impossible to say in principle whether a market system is economically efficient or not.

In the real world, however, large resources are used up and other transitional costs incurred in getting to new equilibria. From a strictly scientific viewpoint, these costs demand some accounting. Why should they be implicitly treated as zero, as the main corpus of economic theory does? One might argue that they are small and thus need not be included in the analysis – as friction is typically ignored in working out the laws of physics. However, economists make no effort to offer evidence that this “economic friction” is in fact inconsequential. A priori, to me at least, it seems likely that the costs of economic transitions will be large. The big losers in the economic system are likely to feel bruised and battered – at least for the length of a “healing period” that could be several months or more.

I submit that the true answer – the only good explanation in fact for making such a strong assumption -- is theological. Economists justify their assumptions with respect to transitional costs by saying that they are focussing only on “the long run.” In the long run, as the message of “economic theology” tells us, a continuing high rate of economic growth will lead us to heaven on earth. Taking account of “short run” costs may improve the welfare of many people for a limited time – even the welfare of some people over their full lifetimes – but it will also delay the perfection of the economic system and thus the arrival of a new heaven on earth. Anything that stands in the way of the salvation of the world must not be given recognition and legitimacy – as the way of thinking of the economics profession normally does not give transitional costs any legitimacy.*

It is thus our religious duty as followers in the economic faith not to halt new technologies or to block other steps towards greater economic efficiency that might in fact displace large numbers of people. It would be an “economic sin” to stand in the way of progress. The sin will be all the more grave when it often serves to advance one or another “special interest.” The world of politics is in particular likely to be filled with such motives; although it will be difficult, the economic priesthood thus must be ever vigilant in seeking to hold politicians accountable to the commandments of a higher economic ethic.

In Christianity, the events of the world were to be regarded as trivial, at least as compared with the attainment of a heaven in the hereafter. A pleasure of the moment might be a great temptation to sin but no person would rationally endanger his or her eternal soul for a fleeting moment of satisfaction. So it is today with economic theology; the members of the faithful must not lose sight of the glorious destination in the future, even as they are tempted by “politicians” and others who offer short run pleasures and other diversions. In short, for clear theological, if not scientific, reasons, it is appropriate to pay no heed to the large stresses and strains of economic transitions.

* It is true that a “new institutional economics” has emerged since the 1970s that focuses on the central role of one form of transitional costs – “transaction costs” in the language of economics -- in shaping economic institutions. However, the most powerful policy conclusions of economics still require an initial assumption of perfect knowledge and perfect information (i.e., zero transaction costs) – the old neoclassical assumptions. Without these assumptions, economists might have to confess that they have “little to say” about many central questions in economics. Few economists have taken this radical step, even as they have been publishing more and more academic journal articles about the large economic complications introduced by considerations of transactions costs.

Leading economists have in recent years acknowledged that, as a matter of science alone, there are severe technical problems with Samuelson's static framework of economic analysis. Indeed, a former MIT student of Samuelson, Joseph Stiglitz (the winner of the Nobel prize in economics in 2001), comments that a new understanding has developed among his generation of economists of how "the analysis of how the economy allocates its resources is far more complicated, and far more interesting, than the engineering approach that prevailed in the decades following Samuelson's *Foundations of Economic Analysis*" – an approach that was offered in a simplified, non-mathematical form in *Economics*.¹⁹ By focussing only on equilibrium states of the economy, it was possible for economists to ignore issues of the availability and production of information that inevitably must be central in a more dynamic setting. As Stiglitz has stated,

The competitive paradigm [of *Economics* and other similar if more technical works] not only did not provide much guidance on the vital question of the choice of economic systems but what "advice" it did provide was often misguided. The conceptions of the market that underlay that analysis mischaracterized it; the standard analyses underestimated the strengths – and weaknesses – of market economies, and accordingly provided wrong signals for the potential success of alternatives and for how the market might be improved upon.

The fundamental problem with the neoclassical model [is that it fails] ... to take into account a variety of problems that arise from the absence of perfect information and the costs of acquiring information, as well as the absence or imperfections in certain key risk and capital markets.²⁰

The writings of Stiglitz and other "new institutional economists" have undermined the intellectual foundations of economics as Samuelson and other leading economists portrayed the field for many years.²¹ It is not that they have shown that these economists were making any serious errors of logic or reasoning. Indeed, many of them were skilled in the use of mathematics and such errors would have been most unlikely. Rather, they have shown that the assumptions made by the economists of Samuelson's day were so far from reality as to be economically "uninteresting." An economic analysis based on these assumptions could not illuminate the central economic questions that economists are expected to answer.

However, the assumptions were more interesting theologically. By assuming a highly simplified world of perfect information and perfect equilibrium, the economic models in effect made a strong statement that transitional costs were of no great consequence to society. Symbolically, the message was that the long run was the only object of real concern. In the long run, there would be heaven on earth.

Economic Commandments

There are other heroic assumptions in economic reasoning that most economists have not thought it necessary to defend. The basic framework of economic analysis assumes that human welfare is a product of the consumption of goods and services alone. The institutional arrangements of the economy that produce those goods and services, for example, are not to be included among the key matters that influence the welfare of individuals. Thus, the use of interest rates as a device for rationally allocating the use of capital is not in itself to be considered a part of the "utility" of

the members of society. This is a very strong assumption, however, in light of the deep moral disapproval of “usury” for most of the history of western civilization – an attitude that still exists today in parts of the Islamic world.

Economists of course are aware that usury historically has been prohibited in many societies. They reject such old attitudes not as a matter of rebutting the historical facts but as a matter of introducing “modern” attitudes that are not based on “superstition” and that take only “legitimate” factors of production into account. In *Economics*, Samuelson thus writes dismissively of anyone who would treat usury as “a philosophical question” that might be answered by studying “what Aristotle had to say about it.” Rather, for Samuelson the question of usury “simply boils down to” the practical role that interest rates must play in bringing the demand for capital into equilibrium with the supply of capital.²²

Medieval Christians, as one might say, saw usury in light of the commandments of a biblical God; Samuelson now sees usury in light of the commandments of an economic god. The reality is that these were two forms of value judgments, although Samuelson claimed the exclusive authority of “scientific truth” for the moral commands of his god.

Samuelson is equally dismissive of more recent “reactionary beliefs” such as the old thinking that “that government governs best which governs least.” Writing in 1948, he is contemptuous of Friedrich Hayek (who would later win the Nobel prize in economics in 1974, four years after Samuelson received his prize), declaring that “no immutable ‘wave of the future’ washes us down ‘the road to serfdom.’”²³ Samuelson here makes yet another powerful value judgment. If there is a conflict between economic liberty and economic efficiency, the efficiency considerations must trump the liberty considerations. There is nothing scientific about Samuelson’s view in this respect – which is admittedly shared by most other economists. Science in itself does not reveal anything about whether economic growth is more or less important than individual freedom.

Rather, Samuelson is affirming the message of economic theology which tells us that economic progress is the correct route of the salvation of the world. Abolishing economic scarcity will abolish sin. And Samuelson may be correct to argue that an undue emphasis on liberty might impede the rate of economic growth. The degree of efficiency, by contrast, is the operative measure of the contribution of an economic action to the advance of progress – and thus commands the highest obedience of all.

Samuelson makes other powerful value judgments throughout his economic analysis. Indeed, like many other economists of his generation, Samuelson was very much a product of the values of American progressivism. Whatever his frequent claims to being value neutral, the progressive “gospel of efficiency” lay just below the surface of his work. Like other progressives, Samuelson sought to advance the “scientific management” of American society. This depended on the existence of a powerful government to oversee the application of scientific knowledge. Any undue deference to property rights might well crimp the efforts of economic and other social science professionals, the future social engineers of American life.

It is an ideology – a theology – of tight social control by a new priesthood of experts. Society is like a well crafted computer or other finely tuned machine. Even when advocating the old fashioned pursuit of self interest in the market place, as he does for ordinary goods and services, Samuelson introduces a new “scientific” way of describing all this -- the socially engineered “use of the market mechanism,” spurning any use of the old *laissez faire* terminology of “the free market.”

Samuelson of course had a great deal of progressive company. Progressive ideas created the intellectual foundation for the development of the American welfare and regulatory state of the twentieth century. American universities in those days were filled with many heirs to the progressive tradition. A large number of Americans in fact “believed in” the goal of economic progress as a matter of their own basic faith. Samuelson did not create this faith but his and the work of other economists served to ratify and affirm it. They gave it a new symbolic and rhetorical expression. Whatever its deficiencies as science, these efforts of economists did in fact work very well for a time as a form of modernist religious art. It is possible to draw compelling pictures with a mathematical brush as well as the kind used by Picasso.

To be sure, Samuelson, and many others like him, defended the “gospel of efficiency” as a matter of scientific truth. Christianity is a monotheistic religion; there can not be plural religious “truths.” The Greeks may have had multiple gods fighting on Mt. Olympus but the one God of Christianity is omniscient and omnipotent. As in other respects, economic theology has followed in the path of Christianity. If only one truth were possible, the methods of science alone were capable of revealing an exclusive route to economic progress in the modern age. Samuelson and his generation converted the entire economics profession to the emulation of modern physics and chemistry – a style of doing economics that continues to the present day.

Nevertheless, as noted above, the verdict of Stiglitz and many other leading economists today is that Samuelson failed scientifically. As a theologian, however, he was a greater success. His bible of *Economics*, and its many textbook imitators and other related writings, dominated American thinking about the proper workings of the economic system for several decades. If the conclusions of his economic “science” depended on a host of matters of faith, the invocation of scientific authority served effectively to give these particular faith claims a special place in the American halls of power.

Presidents and members of Congress indeed routinely listened to the members of the economic priesthood, leaving the priesthods of old to deliver Sunday morning sermons, to officiate at marriages and funerals, and to fulfil other “traditional” functions. Old fashioned religion, in the words of the contemporary theologian Richard Neuhaus, was effectively excluded from “the public square.”²⁴

America as a Church

Thus far, my comments concerning economic theology have addressed mainly the contents of some economic arguments and the sociology of the economics profession. I propose now to visit briefly a broader sociological arena– the role that economists play in the workings of the American economy and society.

The political task of holding together a nation as large as the United States is bound to be a great challenge. It is compounded by the fact that America is a nation of immigrants from all over the world. A nation such as Japan is bound together by common bonds of ethnic origin that go back millennia. In this country, lacking any such ties, it is ideas and beliefs that must hold the United States together as a national community. For much of American history, they were the ideas of a Protestant clergy. With a much more diverse immigrant mix, and with the authority of Protestantism under challenge from modern scientific influences, the central unifying ideas in the twentieth century would have to come from new sources of orthodoxy – from secular forms of religion. The progressive era not only initiated the American

welfare and regulatory state but also was the decisive moment when the unifying religion of American no longer said anything explicitly about a God.

Almost every society in the history of the world, from ancient to modern, has had a priesthood. Since the religious claims of these priesthoods are often in conflict, and yet most of them appear to have been important to the functioning of their societies, it is evident that the practical usefulness of a priesthood is not strictly dependent on the exclusive “truthfulness” of the religious message. A belief that is widely held can for this reason alone can be a powerful instrument of social stability and harmony, and indeed of economic advance.

As the priesthood of the church of economic progress in America, the economics profession has thus had an important sociological role in the workings of American society. If every opinion were equal, social and intellectual chaos would ensue. With respect to traditional Jewish and Christian religion, however, the modern tendency has been to regard matters of religious belief as determined by “subjective judgment” – that is to say, every opinion is equal. It was thus important that a common church of America should be grounded in a more exclusive claim to authority.

Whatever one might say of the genuine “truth value” of economics as a science, the practical reality is that the economics profession was successful in asserting its scientific status. The economic priesthood could effectively police the theological territory of America. Modern America fortunately no longer burns its heretics but economic censors functioned almost as effectively to dismiss the policy ideas of the many “cranks” always seeking to press their ideas in the policy arena.

The Market Paradox

A central problem for any society, as I describe it in my recent book *Economics as Religion*, is the “market paradox.”²⁵ The free market is, I have no doubt, the most powerful instrument of economic advance ever conceived by human beings. As everyone knows, it is based on the pursuit of self-interest. However, the very success of a market economic system depends on the existence of powerful restraints on self-interest as well. If there is too much lying and cheating among market participants, if there is too much rent seeking in politics, if too many judges can be bought off, the market will lose much of its advantage. If it was possible to ignore such issues in the past, recent developments in the former Soviet Union and the rise of a governing kleptocracy over much of Africa have served to remind us of these realities.

There needs, in short, to be a legitimate pursuit of self-interest in some domains of society but self-interest should be illegitimate in others. Economic theology, as preached by Samuelson and other economists, filled the bill – again sociologically speaking. Samuelson advocated a market system but assumed that economists and other professionals would oversee the workings of the market. The economic priesthood would have the responsibility to engineer “the market mechanism.” Moreover, economists would not be guided by an ethos of self interest. Rather, the social obligation of an economic professional, like a member of a priesthood of old, would be to serve “the public interest” (as progressives had relabelled the “common good”). Other professions in other areas of society such as public administration in government would similarly be guided by the social service ethic of a priesthood, as opposed to the self-interested ethic of a market. If the positions of high command in society were all filled with narrowly self-seeking individuals, the overall results would obviously be disastrous.

Many – perhaps most – societies have failed to resolve the market paradox. In most of them, the uninhibited pursuit of self interest is regarded as ethically offensive, even in commercial areas, and the role of the market is tightly circumscribed. In my opinion, the results are often quite undesirable. Sociologically and theologically, the efforts of the American economics profession (along with other social scientists) have managed to avert this fate. The economists of Samuelson’s generation preached a dual ethic of self interest in the market and professional service to society in government and other domains. The heyday of progressive economic theology may have passed (a bit more on that later) but American society should perhaps express a debt of gratitude for the services of American economists in this special priestly role – resolving the market paradox for the United States -- in the twentieth century.

Economist are also in my experience capable of demonstrating high practical skills in the affairs of society, often unrelated to their theoretical work. More economists have been cabinet officers than any other profession except the law. There was a moment recently when the presidents of Harvard, Yale and Princeton simultaneously were all professional economists. Part of the practical success of economists in worldly affairs derives from their mastery of the language and rituals of the dominant economic religion of America. It also derives from their pragmatic awareness of the limitations of economic “science” in the real world, and their practical ability to find workable solutions. In short, among other important sociological roles, American economics has produced a disproportionate share of the top leadership of American society.

Creating Social Capital

I am not, I am happy to report, entirely alone in making many of the arguments I have developed thus far, odd as they may well seem to many current economists. Many social scientists in recent years have emphasized the importance of “social capital” to the effective workings of society – political, economic, and otherwise. It is an economic element emphasized in the writings of the economic historian Douglass North (winner of the Nobel prize in 1993).²⁶ A particularly effective contributing factor in generating a high level of social capital can be the common bonds of a widely shared religion. It seems that a powerful religion in a society can be economically “efficient,” and this desirable quality will be independent of the actual “truth value” of the religion.

The Harvard political scientist Robert Putnam has been among the most influential in making such arguments. Employing various methods of statistical analysis, Putnam found that different levels of social capital largely explained the divergent economic results in northern Italy and southern Italy. Throughout Italy, the presence or absence of civic commitment could go far to explain the level of “norms of generalized reciprocity and networks of civic engagement [that] encourage social trust and cooperation because they reduce incentives to defect, reduce uncertainty, and provide models for future cooperation.” Startling as it was for any economic true believer to hear, Putnam found that it was initial trust that produced later economic success, not a healthy economy that produced a later climate of trust. As Putnam reported, in Italy “the contemporary [strong] correlation between civics and economics reflects primarily the impact of civics on economics, not the reverse.”²⁷

Chesterton once remarked that the United States is “a nation with the soul of a church.”²⁸ In America, following Putnam, we might conclude that the economic success of this nation is attributable in significant part to a very high level of social

capital, based on the bonds of a powerful shared national faith. In the twentieth century, that common faith revolved around the twin convictions I have been describing – that sin is a product of economic deprivation, and that economic progress will finally end economic shortages, and thus bring a new heaven to earth. If the early Puritans saw Massachusetts as a “city on a hill” offering a Christian beacon for all mankind, twentieth century America was the place where modern economic progress achieved its greatest triumphs, a new kind of beacon for the world.

Conclusion: The Future of the University

As suggested above, however, the time of American economic religion may be passing. Much as has been argued above, the Nobel prize winning economist Robert Fogel argues in his recent book on *The Fourth Great Awakening* that “a secular class of experts has usurped the monopoly that theologians once had” on the contents of intellectual life in America.²⁹ Fogel thinks that our current period represents the fourth of his great awakenings. For him the genuine shortages in our day – the key scarce resource at present in producing human happiness – are now spiritual. I think that Fogel is correct in the following views, which amount to an announcement of the pending demise of economic theology.

Failure to recognize the enormous *material* gains of the last [20th] century, even for the poor, impedes rather than advances the struggle in rich nations against chronic poverty, whose principal characteristic [now] is the spiritual estrangement from the mainstream society of those so afflicted. ...

The proposition that material improvement would ennoble the masses, so widely embraced by modernist reformers, did more to promote the consumerism of the 1920s and 1930s than to produce spiritual regeneration. ...

Realization of the potential of an individual is not something that can be legislated by the state, nor can it be provided to the weak by the strong. It is something that must develop within each individual on the basis of a succession of choices. ...

The quest for spiritual equity [among the members of society] thus turns not so much on money as on access to spiritual assets, most of which are transferred and developed privately rather than through the market. ... Some of the most critical spiritual assets [are] ... a sense of purpose, self-esteem, a sense of discipline, a vision of opportunity, and a thirst for knowledge.³⁰

Although Fogel does not characterize his efforts in these terms, he is writing in such passages as a theologian as well as an economist – as a contributor, as I would say, to “economic theology.” The old progressive economics was also concerned with spiritual themes, believing that spiritual advancement was the product of economic advance. Fogel, along with many other people, has now come to believe that the sources of individual growth and well being actually lie elsewhere. The economic god is yet another in a long list of false gods in history. The God of the Bible does not make things easy; he apparently enjoys testing the Christian faithful with numerous temptations to false truths and idols.

It is not as though economics is becoming altogether irrelevant, however. The new view is perhaps aptly characterized by the economic journalist Robert Samuelson (no relation to Paul): “Prosperity is a necessary – but not sufficient – condition for solving most serious social problems.”³¹ The inability of prosperity alone to solve the

problems of society has been a painful lesson learned by the generation that was born after World War II; as (Robert) Samuelson writes, “every age has its illusions. Ours has been this fervent belief in the power of prosperity. Our pillars of faith are now crashing about us.”³²

A great university such as Princeton is created to teach the truths of human existence. For much of its history, those truths were Christian – specifically in the case of Princeton they were Presbyterian. Theology was once central to the curriculum, reflecting the essential place of Christian teachings in the understanding of human nature and society, and ultimately the meaning of history. Like most American universities, and influenced by the powerful modernist trends that swept through American society in the progressive era, Princeton reorganized itself in those days to become the current university of social science and engineering departments and professional schools.

Outwardly, Princeton abandoned the Christian framework that had dominated its first century and a half. The teaching of Christian religion was no longer part of the core mission of Princeton and was left to a professional school, the school of theology. It was only superficially true, however, that Princeton abandoned a religious mission. It is more correct to say that Princeton turned from one religious mission to another.³³

If Fogel (and I of course agree with him) is correct in his assessment of our fourth great awakening, however, much of the structure of the modern apparatus of social science will soon be fading. At Princeton today, for example, economists seek to answer questions such as: “how much more income would result from a greater level of capital investment or from a new improvement in the quality of the labor force?” Deprived of the transcendent importance of economics, such questions would no longer be of major intellectual interest.

They were extraordinarily important in the twentieth century because the application of economic knowledge was an essential element in saving the world. But without the theological justification, there is little reason to include them in the curriculum of a world class university that must in the end be devoted to the pursuit of the fundamental truths of the world. The practice of economics, as Keynes famously said, should in the long run (Keynes foresaw about 100 years which would bring us to 2030) become more like the practice of dentistry. And Princeton does not have a dental school.

In the 21st century the religious mission of Princeton may change again; it may turn away from the economic gospel of efficiency towards more old fashioned forms of theological inquiry. Theology has always been is about the most fundamental questions that human beings have occasion to wonder about. What is the meaning of human existence? What is the relationship of man and nature? Where is the history of human beings on earth leading? As intelligent and intellectually curious individuals, Princeton students today no doubt learn quite a bit about these subjects, but perhaps more by accident than in the explicit content of their courses. Talking among themselves in late night “bull sessions” may teach many of them more theology than their professors.

This should change. I think Princeton and other top universities will have to address theological issues with a new explicitness and I suspect they will. Theology is a much deeper and in the end far more interesting subject than the mastery of economic laws of production and distribution in hopes of a future arrival at a new heaven on earth of complete material abundance.

Endnotes

¹ See Robert H. Nelson, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Lanham, MD: Rowman & Littlefield, 1991); and Robert H. Nelson, *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, PA: Penn State Press, 2001). See also, for example, Robert H. Nelson, "Economic Religion versus Christian Values," *Journal of Markets and Morality* (October 1998); Robert H. Nelson, "Does 'Existence Value' Exist?: An Essay on Religions, Old and New," *The Independent Review* (March 1997); Robert H. Nelson, "Sustainability, Efficiency and God: Economic Values and the Sustainability Debate," *Annual Review of Ecology and Systematics*, Volume 26 (1995); and Robert H. Nelson, "Economics as Religion," in H. Geoffrey Brennan and A.M.C. Waterman, eds., *Economics and Religion: Are They Distinct?* (Boston: Kluwer Academic Publishers, 1994).

² Paul Tillich, *A History of Christian Thought: From Its Judaic and Hellenistic Origins to Existentialism* (New York, Simon and Schuster, 1967), p. 476.

³ Sallie McFague, "New House Rules: Christianity, Economics, and Planetary Living," *Daedalus* (Fall 2001), p. 8 (web download).

⁴ William J. Baumol, "On My Attitudes: Sociopolitical and Methodological," in Michael Szenberg, ed., *Eminent Economists: Their Life Philosophies* (New York: Cambridge University Press, 1992), p. 51.

⁵ John Maynard Keynes, "Economic Possibilities for Our Grandchildren," (1930) in Keynes, *Essays in Persuasion* (New York: W.W. Norton, 1963), pp. 369, 371-72.

⁶ Richard T. Ely, *Social Aspects of Christianity and Other Essays* (New York: Thomas Y. Crowell, 1889), pp. 15, 53, 73.

⁷ See, for example, Samuel P. Hays, *Conservation and the Gospel of Efficiency: The Progressive Conservation Movement, 1890-1920* (Cambridge, MA: Harvard University Press, 1959).

⁸ This is a main theme of Nelson, *Reaching for Heaven on Earth*.

⁹ Sidney Fine, *Laissez Faire and the General-Welfare State: A Study of Conflict in American Thought, 1865-1901* (Ann Arbor: University of Michigan Press, 1964), p. 381.

¹⁰ Arthur J. Vidich and Sanford M. Lyman, *American Sociology: Worldly Rejections of Religion and their Directions* (New Haven: Yale University Press, 1985), p. 134.

¹¹ Robert William Fogel, *The Fourth Great Awakening and the Future of Egalitarianism* (Chicago: University of Chicago Press, 2000), pp. 122, 124.

¹² See Dorothy Ross, *The Origins of American Social Science* (New York: Cambridge University Press, 1991); John Rutherford Everett, *Religion in Economics: A Study of John Bates Clark, Richard T. Ely and Simon N. Patten* ((Philadelphia: Porcupine Press, 1982 – first ed. 1946); and Robert M. Crunden, *Ministers of Reform: The Progressive's Achievement in American Civilization, 1889-1920* (Chicago: University of Illinois Press, 1984).

¹³ R. A. Mundell, "A Reconsideration of the Twentieth Century," *American Economic Review* (June 2000), p. 327, 331.

¹⁴ Charles L. Schultze, "The Role and Responsibilities of the Economist in Government," *American Economic Review* (May 1982), p. 62.

¹⁵ Paul A. Samuelson, *Economics* (New York: McGraw-Hill, 1948), pp. 127, 602. (McGraw-Hill reprinted the original *Economics* to celebrate its 50th anniversary.)

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- ¹⁶ Gary Becker, "Milton Friedman," in Edward Shils, *Remembering the University of Chicago: Teachers, Scientists, and Scholars* (Chicago: University of Chicago Press, 1991), pp. 145-146.
- ¹⁷ Albert O. Hirschman, "How Keynes Was Spread from America," *Challenge* (November/December 1988), p. 6.
- ¹⁸ Edward Shils, "Harry Johnson," in Shils, *Remembering the University of Chicago*, pp. 201, 209.
- ¹⁹ Joseph E. Stiglitz, *Wither Socialism?* (Cambridge, MA: MIT Press, 1994), p. 201.
- ²⁰ *Ibid.*, p. 5.
- ²¹ See Eirik G. Furubotn and Rudolf Richter, *Institutions and Economic Theory: The Contribution of the New Institutional Economics* (Ann Arbor: University of Michigan Press, 1997).
- ²² Samuelson, *Economics* (1948 edition), p. 482.
- ²³ *Ibid.*, p. 153.
- ²⁴ See the magazine, *First Things*, edited by Richard Neuhaus..
- ²⁵ See the Introduction to Nelson, *Economics as Religion*.
- ²⁶ See Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990).
- ²⁷ Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993), pp. 155-57, 178.
- ²⁸ Observation of G. K. Chesterton, quoted in Michael Novak, "The Nation with the Soul of a Church," in Richard J. Bishirjian, ed., *A Public Philosophy Reader* (New York: Arlington House, 1978), p. 92.
- ²⁹ Fogel, *The Fourth Great Awakening*, p. 72,
- ³⁰ *Ibid.*, pp. 3-4.
- ³¹ Robert J. Samuelson, "It's Not the Economy, Stupid," *The Washington Post*, January 7, 1994, p. A19.
- ³² Robert J. Samuelson, "How Our American Dream Unraveled," *Newsweek*, March 2, 1992, p. 32.
- ³³ George M. Marsden, *The Soul of the American University: From Protestant Establishment to Established Nonbelief* (New York: Oxford University Press, 1994).