

Is Value-free Economics Possible?

John Nevile*

H. Geoffrey Brennan and A.M.C. Waterman (eds), *Economics and Religion: Are They Distinct?*, Kluwer Academic Publishers, Boston/Dordrecht/London, 1994. Pp. 289. ISBN 0-7923-9443-7

The editors of this book took part, they tell us, in a small conference between economists and liberation theologians which was a "spectacular disaster". Instead of a dialogue, both economists and theologians would make points they felt demolished the arguments of the other discipline, but their opponents could see nothing of relevance in the arguments. "Tempers were lost. Insults were hurled. ... While the few in the middle willing to sympathize with both sides and able to appreciate the arguments of each were reduced to an appalled silence" (p.4).¹ There was no genuine intellectual discussion or disagreement, because there seemed no common ground on which to stand.

Was that necessarily so? The object of this book is to clarify the differences between economics and theology and to establish what ground they have in common. Even if it turns out that economics and theology are distinct activities, recognizing this will be valuable common ground in that then "one will not be led to respond to a theological objection with an economic answer or vice versa" (p.4). The relationship between economics and theology is of wider importance than the failure of one conference might suggest, because "Bishops and Ayatollahs, synods and councils, feel obliged to 'speak out' on issues of public policy: matters that depend increasingly on economic arguments for their public political justification" (pp.4-5). Moreover, they do so in ways that often bring them into conflict with many representatives of mainstream economics. In addition a discussion of the relationships between economics and theology can contribute to the discussion of methodological issues within the economics profession itself.

Thus, the discussion in this book is of interest, not only to economists with religious convictions, who are concerned about the relationships between their faith and their economics, but also to all economists interested in the nature of economics as a social science, and in consideration of the extent to which "a defensible and useful distinction is possible — and indeed necessary — between analysing and explaining social phenomena with the tools of political economy, and evaluating those phenomena in the light of religious belief" (pp.249-50), or for that matter in the light of any other system of values. The book contains a wealth of arguments, observations and *obiter dicta* on this question making it fascinating reading to any of the economists described in the previous sentence. By and large, despite the editors taking a contrary view, the majority opinion is that positive economics cannot be value free. More exactly, the majority view answers no to Brennan's question "whether what is left when the value element is carved out is anything that practising economists would recognize as their own" (p.168).

The method used in the book is to assemble seven case studies followed by seven interpretative essays. The subjects of the case studies were chosen because they could be expected to throw light on the extent to which economics is independent of the religious beliefs (or lack of them) of its practitioners. The authors of the interpretative essays were

asked to discuss, in the light of the case studies, the extent to which in fact economics and theology are distinct activities, with, for example, economics as autonomous, with respect to values, as is physics.

The discussion is restricted to a narrower context than that suggested by the title of the book. Replacing the word 'religion' by the word 'theology' is a sensible restriction given that the question is about the distinctiveness of two academic disciplines. However, the narrow definition of theology given by the editors — the intellectual exercise of criticizing and maintaining the tradition of faith transmitted in the sacred writings of "Western" religion — could have restricted the discussion unduly. Luckily, many contributors interpreted the term more widely to include the fundamental convictions about the way the world is and the ultimate values of people who are not religious in the usual sense of that term.

The editors also asked contributors to restrict the meaning of economics to economic analysis including theory, statistics and history (p.13). This excludes all discussion of economic policy, which is generally agreed to be the area where economics and theology have the greatest overlap. Rymes reminds us that Keynes regarded economic policy as "essentially a branch of ethics" (p.143). The editors would no doubt argue that they, like all other thinking people, agree that economics and theology are inevitably intertwined in most economic policy issues so that the significant question to be discussed is the relationship between economic analysis and theology. This may well be the case, but answering this question will do little to lessen the debate between religious authorities and many practising economists. The conflict is not usually about positive economics. Sometimes a case can be made that the religious authorities do not understand the consequences of the policies that they advocate, but more often the basic disagreement is about the priorities assigned to different goals of policy.

The seven case studies cover a wide range of economic writings. The first, by Barry Gordon, discusses theological positions and economic perspectives in ancient literature, particularly in sections of Hebrew Scripture, the New Testament, the writings of St John Chrysostom and St Augustine of Hippo and also in the poetry of Hesiod. It is followed by Waterman's discussion of how Whately and Senior, for religious reasons, aggressively advocated a methodology which focussed on the distinction between 'is' and 'ought', or between positive and normative statements.

Next are three studies of economists writing when the religious intellectual culture of the first half of the 19th century was still fresh in the minds of thinkers, but the secular culture of the second half of the twentieth century was already becoming predominant. In all three cases, writers' religious (or anti-religious) views are woven into their economics. The work of J.B. Clark is discussed by J.H. Henry, that of Wicksteed by Ian Steedman and Ross B. Emmett examines that of Frank Knight. In the final two case studies Richard E. Wagner discusses ORDO liberalism and T.K. Rymes considers the philosophical foundations of Keynes' economics and especially the influence of Moore's *Principia Ethica*.

The case studies are of interest in their own right as essays in the history of economic thought. Probably little of what they say will be new to specialists in each of the seven areas covered. But very few economists will be specialists in all seven, or even in the majority. Like this reviewer most economists will learn much from the case studies and enjoy their scholarship and attractive style.

The majority opinion among writers of the interpretative essays is that economics and theology are not distinct. The most forthright in asserting the opposite conclusion, the autonomy of economics, is Karen Vaughn. However, her argument rests on an even narrower definition of economics than that given by the editors, namely economic theory, and is summed up in the comment that "all propositions in economic theory must be open to acceptance or rejection by other economists who require arguments based on secular grounds"

(pp.245-246). Certainly, given the premises, the deductive analysis of economic theory must be value free, but economic theory is only part of economic analysis, as defined by the editors, or positive economics as understood by the vast majority of the profession. For most economists the main purpose of positive economics is to make "is" statements about the real world. Theology in particular and values more generally can and do influence economists' formal statistical inference and informal empirical judgements. Consider the question of whether market failure exists in Australia to the extent that it causes significant involuntary long term unemployment. Theology may lead an economist to give high priority to minimizing the risk of long term involuntary unemployment and the poverty that it usually causes.² Such an economist would place a high weight on avoiding the error of concluding that there is no market failure when in fact market failure exists. Another economist, with a different set of values, might put a high weight on avoiding the error of claiming that market failure exists when in fact it does not. Thus two economists could reach different conclusions with respect to a question of positive economics because of their values.³ While this often happens in practice, usually the influence of values on one's conclusion is subconscious and neither side recognises that the other's conclusion is valid given their values.

Goeff Brennan lists seven possible ways in which economists' theology might interact with their economics. Four of these cause no problems to his view that economics and theology are distinct intellectual activities in the sense used in this book. The fifth is that preferences or values are central to the domain of economics. This, in Brennan's view, does not rule out objective economics, but nevertheless it is often difficult to keep the analysis free from intrusion of the economist's own values. Brennan tries to overcome this by redefining economics not as what economists do but "what they strive to do when they are trying to do economics at its best" (p.170).

The sixth and seventh possibilities involve a direct conflict between theology and economics. The conflicts are differing views of rationality and the way God is believed to act in human affairs, including economic affairs. There is certainly a difference between the foundation stone of revealed preference theory, "that value is what is 'revealed' in behaviour" (p.171), and the gap perceived in some religions between what humans believe they ought to do and what they actually do do. Brennan points out that the issue is an empirical one which can be settled within the usual canons of scientific method. In any case he may have overstated the problem. Revealed preference can be held to relate not to agents' idealized values, but those values tainted by sin. Variations in the amount of sin would be just one more random factor.

Brennan's biggest problem is the apparent conflict between the orthodox Christian belief that God acts in this world through human agents and the absence of any reference to God in orthodox economics. "God" he says "ought to be a hypothesis one *cannot* do without" (p.175 emphasis in the original). Precisely! How can an economist, or anyone else, explain major economic phenomena, such as the 40 million dollar budget of Anglicare (N.S.W.), without the hypothesis that people believe in God and strive to do his will. True, economists usually do not mention God as a factor determining preferences but neither do they mention genetics or upbringing (or even, usually, more immediate factors such as advertising).

It is the possible relationships Brennan does not discuss, rather than the ones he does, that cause the greatest obstacles to accepting the proposition that economics and theology are distinct. A.B. Cramp and Sheila Dow set these out clearly and forcefully, howbeit in very different ways. Cramp argues, amusingly and passionately by turn, that one's world-view inevitably influences one's economics. Hence "all economics is inescapably normative. The pose of the detached scientist seeking knowledge and understanding simply of the facts, the

way things are, is essentially bogus" (p.184). "Ideas have legs. *Is* shades imperceptibly into *ought*" (p.186 emphasis in the original).

Sheila Dow spells out in more detail why economics, like all social theory, "is not autonomous of value systems" (p.193). She lists three major reasons. First the use of language and the understanding of what is said is a cultural thing. An economist with late 20th century values about the importance of the individual *vis-à-vis* society understands certain words and concepts quite differently from Adam Smith with his view of the importance of the cohesiveness of society, as shown in the *Theory of Moral Sentiments*. More generally neutral language is almost always impossible. Secondly, "the way [economic] theory is developed and understood depends fundamentally on an ontological judgement about the nature of the economic system" (p.194). Thirdly, any theory of a deterministic economic system depends crucially on assumptions about human nature and human knowledge. These inevitably involve at least an implicit theology.

In his interpretative essay Robert H. Nelson argues that, far from economics and religion being distinct, economics itself is a secular religion. Economists such as Adam Smith, Karl Marx and Maynard Keynes have had such a profound impact on modern societies "because their prescriptions have carried the authority of true religion for many faithful" (p.236). Economics is not just a religion of material things. "The American people have made economic growth the highest value in American life because growth has been expected to transform the emotional and spiritual condition of mankind" (p.236). The attempt to separate economics and religion makes no sense when economics takes on a religious character.

More than any other interpretative essay Heyne's chapter is a look at the evidence provided in each of the case studies. Heyne does not provide any general conclusion from this review of the evidence. However he does make his own position clear. He notes that Wagner would like to be able to distinguish "cognitive" and "valuational" judgements, and believes that however difficult in practice the distinction can be made conceptually. Heyne questions this. Using very similar arguments to Cramp and Dow, he queries whether even conceptually the distinction can be made when the "cognitive process occurs in human beings operating with particular histories, traditions, background assumptions and their own notions of importance, relevance and value" (p.224).

Geoff Harcourt's essay assumes interaction between economics and religion and discusses a fundamental issue, though not the one the editors asked contributors to discuss. He looks at the influence of economics on religion and bewails the effects of methodological individualism of modern neo-classical economics. In part this is because it reinforces a view of religion as something about individuals beliefs and actions and not about the people of God as a community. Also it distracts attention "away from the role that religion and moral precepts could play in bringing about co-operation and coordination in policy making at both national and international levels" (p.211).

Thus, one of the authors of the interpretative essays, Karen Vaughn, states firmly that economics and theology "must" be distinct.⁴ Another, Geoff Brennan, thinks that in fact they are, at least if economics is defined as what economists attempt "when they are trying to do economics at its best". The other five have no doubts that economics and theology are inseparably intertwined.

Let me finish with one last point, made by Heyne. It is sensible to look for any theological (or political, ethical or any other 'valuational') judgements that have influenced a proposition we are invited to accept. What is indefensible is the assumption that the discovery of any such influence discredits a scientific proposition. "Those who believe it does might well pause to ask what theological ethical or other 'valuational' judgements underlie that assumption" (p.255).

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Notes

¹ Page references refer to the book under review

² There is certainly a great deal in Hebrew and Christian Scriptures to support this view.

³ This is discussed more fully in Neville, 1994.

⁴ "Must" is her word (see p.244). It is not entirely clear whether the statement that economics and theology must be distinct is meant as a positive or a normative statement.

Reference

Nevile, J.W. (1994), "Economic rationalism: On throwing out the bathwater but saving the baby", *Australian Quarterly*, Vol.66, no.1.