When Bad Books Happen to Good People: Robert Nelson's Economics as Religion

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Bob Nelson is a nice guy. And a smart guy—Ph.D. in economics from Princeton. So what possessed him to write this book?

I. ECONOMICS

Nelson’s principal claim is that economists are often more advocates, or preachers, than they are scientists. He begins his story with Paul Samuelson’s *Foundations of Economic Analysis*, carries on with discussion of the “Chicago school” of economics, and then the so-called New Institutional Economics (NIE) identified with various economists. Bits and bobs from other strains of economic thinking, such as public choice, float around in the book’s various chapters.

Nelson likes almost none of what the economists writing from these different perspectives have to say. In a lengthy career as a government economist, he says, he learned that “formal economic calculations had little to do with most policy decisions” advocated by economists. Rather, economists have a set of beliefs that they urge upon the rest of the world under the pretext that economics is science:

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1. Northwestern University: Class of 1967 / James B. Haddad Professor (Law School); Professor, Department of Management & Strategy (Kellogg School of Management).


3. *Id.* at xvi.
Like others before them, current economists have a framework of thought and a set of presuppositions that define their basic outlook on the world. Most of them, for example, are among the true believers in the potential for a rational world. Many economists believe in economic progress in a religious way, as something that is significantly improving the basic human condition for the better. Yet, on the whole, they are remarkably unreflective on such foundational matters. One of my aims in this book is to offer some preliminary explorations in these theological domains, as labeled here economic theology.4

Nelson hammers home his basic point throughout the book. He refers to economists as “the latest class of priestly deliverers of authoritative blessings.”5 He further writes, “The most vital religion of the modern age has been economic progress,” and economists “have been the modern priesthood of the religion of progress.”6 Few economists reading about economics à la Nelson will recognize it as the discipline they studied and practice. A lot of “economics” set out in the book is just weird. The weirdness starts in the book’s Foreward, in which Max Stackhouse of the Princeton Theological Seminary states that, according to economists, “Economics can deliver us, bring about a redeemed state of affairs on earth, and lead us to abundant living—the materially incarnate form of salvation.”7 In all my years as an economist, I have never heard about any “materially incarnate form of salvation” as part of my discipline. Indeed, were I to start talking in these terms among my colleagues, claiming that I was doing economics, I would be laughed out of the room.

Stackhouse continues, “It has, as everyone who has been paying attention knows, become fashionable to see every theory as a social construct, as a weapon of the winners in life to justify their own dominance and to keep the losers in a situation of subordination or marginalization.”8 This is pure theo-sociological babble. It has nothing to do with economics.9 In the same vein, Nelson then presents the “essence” of his argument.

4 Id. at xix-xx.
5 Id. at 301.
6 Id. at 329.
7 Max L. Stackhouse, Foreward to NELSON, supra note 2, at ix.
8 Id. at xiii.
9 I also find it hard to believe that Professor Stackhouse, the Stephen Colwell Professor of Christian Ethics, with no apparent background in formal economics, could understand the work of the economists discussed in Nelson’s book, even if he has read them.
In economic religion, the existence of a market economic system itself serves a religious purpose. Hence, while perhaps objectionable in other contexts, the full expression of self-interest within the setting of the market is therefore blessed by a religious cause. . . . Economic progress is so important because progress is seen as the path to the attainment of a new heaven on earth, to a secular salvation. . . . 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. Because the market in this gospel has such an exalted function in society, it is the duty of every follower in the faith to defend the market system.10

Economists reading this can only be stunned, all the more so because it is written by an economist. No economist that I know (except for Bob Nelson) thinks that economics claims to show a way to “salvation,” or to a “new heaven on earth.” To the contrary, any economist worth his salt would steadfastly maintain that no such thing is possible. The best economics can do is point out better ways to achieve what we poor—not yet saved—m Mes of life, liberty, peace, and pursuit of happiness for ourselves and our families.11

Buoyed by his general notion of “economic theology,”12 Nelson’s discussion of specific economists is likewise out of step with what economists actually do. For example, in his discussion of the Chicago school, the largest single group of economists that Nelson considers, he largely ignores the seminal economic ideas and research that brought that premier group to the fore in their discipline.13 From this book, one would conclude that Chicago economists are mere proselytizers, mounting a pulpit, who have never done anything except prepare sermons. To him, they are just “economic missionaries.”14

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10 Nelson, supra note 2, at 9.
11 Id. at 1. He points to post-communist Russia as an example that “a market economy may function very poorly.” Id. But no one who is familiar with the Russian economy today would possibly mistake it for a market system. State control of various economic sectors remains tight, property rights are very uncertain, and the rule of law has yet to establish itself.
12 Nelson, supra note 2, at xviii & n.*.
13 Id. at 119-207. Strangely, Nelson repeatedly refers to the work of University of Chicago economists collectively as the “Chicago project,” as if there was some master plan or agenda, with complementary parts assigned to individual economists. E.g., id. at 168-70.
14 Id. at 163.
Take Nelson’s analysis of Milton Friedman. He views Friedman as a preacher\textsuperscript{15} because of *Capitalism and Freedom*, a book written for the general audience.\textsuperscript{16} Among economists, *Capitalism and Freedom* is respected as a book written for noneconomists, one that “liberated the study of market economics from its ivory tower and brought it down to earth.”\textsuperscript{17} Perhaps the most important argument in *Capitalism and Freedom* is that in favor of education vouchers,\textsuperscript{18} an argument that Friedman has advanced passionately ever since as well.

So, in that sense, admittedly, Friedman is a preacher. But the preaching is based, not on some religious mysticism, but on rock-solid economics. Public schools in America have a monopoly on education, and economists generally accept that a monopoly obtained for reasons other than providing a superior product is bad. As Friedman wrote recently, “Just as the breakup of the Ma Bell monopoly led to a revolution in communications, a breakup of the school monopoly would lead to a revolution in schooling.”\textsuperscript{19} The public-school product is not superior—indeed, it is typically inferior. But public schools maintain their monopoly by underpricing it and making up the revenue shortfalls through coercive taxation. If a private company priced like public schools, it would be subject to a predatory pricing suit. Bob Nelson may choose to regard an economist’s protest against a predatory monopolist as “preaching,” but few economists would view it that way because they have a scientific basis for their conclusion that such predation is harmful.

Nelson’s focus on *Capitalism and Freedom*, written for a lay audience, rather than on Friedman’s monumental contributions to economics that led to Friedman’s Nobel Prize, also lessens the persuasiveness of his thesis. The Prize was awarded “for his achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.”\textsuperscript{20} One would never know this from reading Nelson’s account of Friedman’s work, which cites none of the truly path-breaking work that Friedman has undertaken.\textsuperscript{21} In particular, Nelson ignores Friedman’s

\begin{itemize}
\item \textsuperscript{15} *Id.*
\item \textsuperscript{16} MILTON FRIEDMAN, CAPITALISM AND FREEDOM (1962).
\item \textsuperscript{17} THE FORTUNE ENCYCLOPEDIA OF ECONOMICS 786 (David R. Henderson ed., 1993).
\item \textsuperscript{18} FRIEDMAN, supra note 16, at 91-98.
\item \textsuperscript{19} Milton Friedman, School Vouchers Turn 50 but the Fight is Just Beginning, THE SCHOOL CHOICE ADVOC. (Milton and Rose D. Found., Indianapolis, Ind.), Nov. 2005, at 13.
\item \textsuperscript{21} E.g., MILTON FRIEDMAN, ESSAYS IN POSITIVE ECONOMICS (1953); MILTON FRIEDMAN, A THEORY OF THE CONSUMPTION FUNCTION (1957).
\end{itemize}
coauthored *Monetary History of the United States*, which revolutionized thinking about the role of monetary policy in macroeconomic stabilization and growth. It continues to exert profound influence over the monetary policy pursued by government today.

Had Nelson discussed Friedman’s *Monetary History*, Nelson still would complain about economists’ preaching. As with vouchers, Friedman has never stopped preaching about the importance of stability in monetary growth. But his preaching grows out of a study that, in both theory and quantitative evidence, is pure economic science. Nelson may call it religion if he likes, but Friedman goes to the pulpit only when he has verified scientifically what his sermon will proclaim.

Dismissing policy advice as preaching, when the “preaching” is based primarily on science, is an incorrect characterization. Having ignored the principal scientific contributions of Friedman, for example, Nelson labels him as a religionist because he “went public” to try to convince the world of the soundness of his ideas. The fundamental problem with Nelson’s thesis is that he views preaching and science as necessarily antithetical, rather than complementary. Preaching and science are not mutually exclusive: one can do science from Monday to Friday and write sermons over the weekend, based on that science.

If Nelson were right, doctors also must be preachers, not scientists, when they publicly denounce smoking and warn the public of the dangers of cigarettes. Everyone in the medical profession, from the Surgeon General of the United States to your local general practitioner will (and does) preach against smoking cigarettes. But the preaching is based on a mass of scholarship showing the effects of smoking. The preaching is based on the science. Indeed, without the science, the preaching would be unpersuasive.

To make the same point in the context of economics, when economists “preach” the value of private property versus common ownership, it is not because they learned it at some seminary. Rather,

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24 Friedman & Schwartz, supra note 22, at 676–700.
25 Nelson also quotes Gary Becker’s writing in a “personal tribute” to Friedman, of Friedman’s “missionary[] zeal in the worship of truth,” as evidence that Friedman is some sort of economic missionary. Nelson, supra note 2, at 163. One would think that zeal in the pursuit of truth would be viewed positively, not negatively.
they learned it by reading empirical literature about the effects of common property, and because they have looked around at what happens (for example, in Communist countries) when property is not owned privately. What economists then do is not preaching—it is teaching. Teaching is not the same thing as religion.

There are other curious aspects of Nelson's description of Chicago economics. He wonders why, in terms of personal interest, these economists do what they do. The endowment of the University of Chicago is smaller than that of, say, Harvard or Yale, where economic opinions are "closer to the mainstream of professional opinion," and so Ivy League universities are better funded. Ergo, to Nelson, the entire Chicago school is one big self-contradiction: they could make more money if they just acted like those guys at Harvard and Yale.

Within the standard framework of thought of the Chicago school of economics, it thus seems difficult to understand its own existence. It is another example of a certain degree of intellectual confusion at Chicago . . . . Indeed, there may be little alternative to turn to ideas and motives outside the normal framework of Chicago thinking in order to find a way of explaining the behavior of Chicago economists. Many of them may not be responding to price and other economic incentives but may simply believe in what they are doing. They may be willing to sacrifice to continue doing it, even when such efforts may come at some professional cost, and perhaps at some personal loss (as in a life in which some normal pleasures are foregone in an ascetic dedication to scholarly pursuits). . . . Outside the economics profession, most people assume that such motivations are commonplace in the world, in the most extreme cases producing people such as Mother Teresa and other candidates for sainthood. Indeed, this hypothesis does an adequate job of predicting many features of the behavior of Friedman, Stigler, and other Chicago economists.

It does? Friedman, Stigler et al., paid healthy six-figure incomes by the University of Chicago (not to mention outside consulting fees), working at most nine months a year, and winning Nobel Prizes.

26 Id. at 162-63.
27 Id. at 162.
28 Id. at 163.
should be viewed like those who take vows of poverty? I don’t think so. Neither, I think, will anybody else. Nelson also commits the mortal sin of confusing positive with normative economics. By definition, positive economics is anything but preaching. It is simply an attempt (maybe successful, maybe not) to describe the way the world works, with no judgments about whether what is observed is good or bad. Economic models start with the notion (perhaps unfortunately named) that individuals are “utility-maximizers,” that they are largely motivated by self-interest. Nelson finds this notion—which most people would accept simply as a matter of common sense—unacceptable. Throughout the book, he rails against economists’ fundamental assumption that people do act to further their own aims, contrasting that assumption with the religious principle that we should act to help others. But when economists work with the utility-maximization assumption, they are describing, not prescribing, human behavior. There is no normative judgment as to whether furthering one’s welfare is a good or a bad thing, only a claim that such an assumption is useful in describing how people behave.

To take one example, Nelson complains of Nobel laureate Gary Becker’s analysis of crime. Becker attempts to present an economic model of why people commit crime, and how optimally (from an economic point of view) to deter it. Nelson summarizes Becker’s bottom line: “The real scientific issue is thus the ‘optimal’ amount of crime a society should plan to tolerate.”

To any economist, this is self-evident. Crime is bad, but preventing it is costly. And so the decision is how many resources should be devoted to deterring crime. The local bank hires more

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29 Contrary to what Nelson is writing here, economists do not dismiss or discount non-pecuniary forms of satisfaction (“utility,” to use the economic jargon). Those with strong beliefs, held for whatever reason, derive satisfaction from espousing them publicly. One might well ask Robert Nelson whether he is making money on his book, published by the Penn State Press, or whether he instead wrote it for the satisfaction of advancing his points of view. If non-pecuniary motives are driving his work, he and the Chicago economists he discusses are pulling on the same oars.

30 On the role of assumptions generally, see, for example, Steven E. Landsburg, PRICE THEORY AND APPLICATIONS 653-55 (5th ed. 2002).

31 To use an example, an economist will present evidence that the death penalty lowers crime rates, with no claim that the death penalty is good or bad as a moral matter. Isaac Ehrlich, The Deterrent Effect of Criminal Law Enforcement, 1 J. LEGAL STUD. 259, 265 (1972). Other economists may disagree with the evidence presented. But the issue in the debate will be whether the evidence supports a conclusion that capital punishment lowers crime rates, not whether executing criminals is morally (religiously) correct.

32 NELSON, supra note 2, at 172-76.


34 NELSON, supra note 2, at 173.
security personnel than does the local 7-Eleven for economically obvious reasons: security is costly, and so more will be hired as the amount at risk increases.

Nelson, however, objects to this positive approach.

Becker’s treatment of crime highlights the absence of any absolute social concepts such as “justice” or “morality” in the framework of thought that he applies to human behavior. Individuals may constrain their behavior of their own accord (based on some concept of “justice” in their mind) but there is no place where “society” meaningfully says, “this is not allowed because it ‘is wrong.”

In the end, one is left suspicious that Nelson is not unhappy because economists practice “religion” (as he defines it), but just does not like economics, period. Economists admittedly have their models and their methods. Nelson does not like models; that is, constructs such as utility-maximization, thought useful in predicting behavior. These constructs do not claim to capture every single aspect of every single individual’s behavior—economics is a social science, not a one-on-one analysis of someone’s personal psychology. That is, in attempting to model a particular problem, to reduce it to tractable proportions, an economist tries to identify the major factors of importance in the behavior of society generally. Admittedly, this means ignoring other factors thought to be of minor importance.

But Nelson, like many noneconomists, criticizes economists’ models for not including every single factor of possible importance. For example, Nelson discusses Gary Becker’s work on the family, which resulted in recognition by the Nobel committee for his “having extended the domain of economic theory to aspects of human behavior which had previously been dealt with—if at all—by other social science disciplines such as sociology, demography and criminology.” Much of Becker’s work concerned “allocation of time within a family. He used the economic approach to explain the decisions to have children and to educate them, and the decisions to marry and to divorce.” Nelson pays little attention to this body of Becker’s ac-

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35 Id. at 173-74. Nelson’s criticism here is somewhat incongruous, as he complains of the absence of any morality in Becker’s work, not his use of economics to preach morality.
36 Id. at 176-79.
38 THE FORTUNE ENCYCLOPEDIA OF ECONOMICS, supra note 17, at 777.
complishments, but does criticize Becker’s omission of a particular variable in decisions to marry: sex.\textsuperscript{39}

[T]here is about Becker an element of prudishness. . . . Becker never gets down to brass tacks to discuss with any conviction something on the minds of many people entering into marriage—sex. It is as though sexual pleasure and the broader sense of personal identify [sic] of each marriage partner as a sexual being is just another “commodity,” like bread on the table, that comes from marriage and requires no further special elaboration.\textsuperscript{40}

Becker may or may not be prudish, but Nelson is certainly quaint. While he was growing up, marriage was perhaps the necessary condition for sex.\textsuperscript{41} Today, sex is a necessary condition for marriage. For better or for worse, sex has in fact become a commodity.

In that sense, why is Nelson picking on economics? All social science operates by using models of the issue or phenomenon under study, meaning some variables are included and some excluded. Nelson could just as easily have written a book called “Political Science as Religion”; one hears that the political process may entail sex as a commodity, but I have yet to see it included in any political-science models. Or the book could have been “Sociology as Religion.”\textsuperscript{42} Or how about “Law as Religion”? Lawyers work daily with models constructed by statutes and judicial opinions. We fervently believe, for example, that increasing fines and punishments reduces the amounts of unwanted behavior. And there are a lot more lawyers out there practicing their religion than there are economists.

II. THEOLOGY

Noneconomists writing about economics from a theological perspective seem confused as to the difference between the two disciplines. Reviewing Nelson’s book, the Catholic weekly magazine \textit{America} wrote: “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 deter-

\textsuperscript{39} NELSON, supra note 2, at 179-81.
\textsuperscript{40} \textit{Id.} at 179-80.
\textsuperscript{41} As the Beach Boys sang forty years ago, “Wouldn’t it be nice if we were older / Then we wouldn’t have to wait so long.” \textit{THE BEACH BOYS, WOULDN'T IT BE NICE} (Capitol Records 1966).
\textsuperscript{42} Gary Becker holds a joint appointment in the Department of Sociology at the University of Chicago.
mined by the ‘Invisible Hand’ of competition in the market.”

Surely, the extent of competition affects prices. But how is that a theological assertion? Would an atheist think otherwise?

Similarly, it is sometimes difficult to know what Nelson means by “economic theology.” For the most part, as best I can tell, he is referring to economists’ beliefs that certain laws of economics hold true, without requiring any real proof of their truth. If so, he is right. Economists—Christian, Muslim or atheist—believe that the market competition affects prices. Likewise, economists do not need proof each and every time they address a new problem, such as that demand curves slope down, that is, that as prices increase, quantities purchased decline, all other things equal. Next, they may well turn around and explain to the public that commodity (e.g., sugar) price supports raise American sugar prices, which will cause American candy companies to purchase less sugar in the United States, buy more sugar abroad, or even relocate their plants outside the United States.

So, in that sense, one could call what economists are doing “preaching.” But it is preaching on the basis of experience. On the basis of considerable experience, economists know that demand curves slope downward and that the extent of competition determines market prices. It is preaching on the basis of science, not in lieu thereof.

Perhaps the greatest deficiency in the book is that Nelson seems to regard economics and religion as substitutes. You cannot do economics and do religion. But in fact, they are complements. Both economists and theologians engage in similar searches for truth. Admittedly, the objects of interest are different for the two groups: economists seek to explain the natural, theologians the supernatural. But by definition, explaining life here on earth now and life elsewhere and hereafter do not conflict. Rather, one would like to use insights from both specialized disciplines (economics and theology) to arrive at the fullest possible understanding of God’s plan for us now and later, here and there.

But in both disciplines, the same fundamental questions arise. What can we know about God’s plan, including the way the world He has created works? The issue of human knowledge and our confidence in it has of course long been of interest to philosophers, principally those writing during the early Renaissance (or Enlightenment),

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43 John Omicinski et al., The God of No Return, AMERICA, Mar. 18, 2002, at 30, 30. Omicinski, who reviews Nelson’s book favorably, is described as a correspondent who, “in his more than 40 years” of newspaper work, “has covered defense, politics, foreign policy and the tenure of Pope John Paul II.” Id.
such as Descartes (\textit{cogito ergo sum}) and Montaigne (\textit{Que sais-je?}). How do we know what we know, and how sure can we be that what we think we know is true?

Among theologians, these questions arise under the heading of "revelation."\textsuperscript{44} How is God's presence and plan for us revealed to us? Just as economists seek to understand the world, revelation theology, in the words of St. Thomas Aquinas, seeks to understand "the truths necessary for our salvation."\textsuperscript{45}

Several more particular aspects of revelation theology relate to the points that Nelson raises about economics. For example, we understand the nature of God's promise and plan through experience. From the Biblical accounts of Abraham and Moses through the Resurrection of Jesus, revelation "may be understood as the promise of an ultimate meaning to history."\textsuperscript{46} So it is with economics. We may not know everything about capitalism, but we surely know that it is superior to other forms of economic organization just by looking around us. And telling the world that it is so, while perhaps viewed as "preaching" by some, is hardly based on opinions unrelated to centuries of experience.

At the same time, we cannot know everything about that promise: "The Bible does not specify in any completely clear way what this meaning is."\textsuperscript{47} As with economics and our understanding of the natural world, revelation underscores that we cannot know everything about the supernatural.

Revelation theology recognizes that science can help us understand God's plan. Because what we can know about God and His plan relies considerably on experience, revelation theology embraces the ability of science to help us understand Him.

\textit{[T]he revelatory and healing significance of the promissory events in the life of Israel and the church may not be obviously from the perspective of a purely external recital. ... Scientific history can shed much interesting light on the historical circumstances surrounding the great events upon which hope is founded, and critical historical work can even become a necessary ingredient in a community's recalling of

\textsuperscript{44} See AVERY DULLES, MODELS OF REVELATION 3 (1983) ("The Christian Church down through the centuries has been committed to this revelation and has sought to propagate it, defend it, and explain its implications."); John F. Haught, \textit{Revelation}, in \textit{THE NEW DICTIONARY OF THEOLOGY} 884 (J. Komonchak et al. eds., 1987) (describing how revelation has been known as a divine teaching or instruction).

\textsuperscript{45} Haught, \textit{supra} note 44, at 886.

\textsuperscript{46} \textit{Id.} at 889.

\textsuperscript{47} \textit{Id.}
its foundational moments. . . . Closely related to the historical context is the human struggle to bring about the “right” social order. . . . An attitude of trust in God’s fidelity must accompany our awareness of the seemingly irredeemable social, political and economic quandaries in which we find ourselves embroiled today.\textsuperscript{48}

In short, social science and religion are complements, not substitutes. “Science can provide helpful assistance in our attempts to understand the circumstances within which the mystery of God is disclosed.”\textsuperscript{49}

III. CONCLUSION

At the end of the day, I am left perplexed by Nelson’s thesis. Labeling economists’ policy advice as preaching provides a rhetorical flourish but does not illuminate. To those who do not understand the basis for economic advice, a group that does not include professional economists like Nelson, economists’ analyses of the operation of markets and the impacts of public policy may seem as much a mystery as the nature of the Trinity. But that does not mean economics and religion must be opposed. Rather, they are (or can be) self-reinforcing. Economics is rooted in empirically demonstrable truths about how the world operates. Theological statements depend on the acceptance of matters on faith. As complementary means of understanding the world, these two disciplines can combine to illuminate our place in God’s Creation. As a metaphor for understanding economic thought, however, theology falls short.

\textsuperscript{48} Id. at 890-91.
\textsuperscript{49} Id. at 898.