

Economics As Religion: From Samuelson to Chicago and Beyond

Robert H. Nelson

University Park, Pennsylvania, Pennsylvania State University Press, 2001 (338 pages, with endnotes and index)

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

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

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

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

Another reason that this book should have wide readership is that it provokes rethinking of long-standing controversies. For instance, I do not share all of Nelson's

interpretation of the conflicts between the Chicago School and the Keynesian mainstream, but his paradigm forced me to rethink some of what is at stake in that old debate. Nelson's interpretation is that Samuelson's textbook played the role of a "sacred text" in the profession. Samuelson accepted the modern world's objective of creating "Heaven on Earth" through material progress. The role of the economist is to guide people's self-interest into socially useful channels, such as making money in the market while guiding them away from potentially destructive self-interest inside the family and in politics.

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

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

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

—Jennifer Roback Morse
Hoover Institution, Stanford University