

Snips from REACHING FOR HEAVEN ON EARTH, by Robert H. Nelson  
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**Donald N. McCloskey writing in the Forward:**

[ pp. xii-xiv ] The sole moral judgment an economist is supposed to be able to make is a wholly uncontroversial one: if every person is made better off by some change, the change (which is then called “Pareto optimal”) should take place. Even philosophers like John Rawls have adopted the notion of Pareto optimality, trying in the economist’s manner to pull a decently detailed moral theory out of a hat. Welfare economics has shown some stirrings of complexity in moral life, as in the works of the economist and philosopher Amartya Sen and a few others. But most economists continue working the magician’s hat. The hat does not contain a living theory of moral sentiments; mainly this welfare economics is Victorian utilitarianism stuffed and mounted and fitted with marble eyes.

Nelson’s book insists on giving the stuffed parrot back to the pet store. Nelson is what is known in the trade as a “policy analyst.” Though trained in economics, he uses the economics for practicalities. He therefore knows a dead bird when he sees one. Though trained technically like the rest of us, he is not concerned primarily with matters of pure theory, that is, what can be drawn out of the hat if you assume you have one filled with birds.

Economics and theology are opposites, right? Wrong, says Nelson, leaning against the European presumption since Goethe and Coleridge. Economics and theology look to modern eyes like strange partners. Nelson makes it work, showing in detail that theology has always had its economic double. Like Thorstein Veblen long ago he takes seriously a favorite turn of the newspaper columnist, that economics is mere religion. Voodoo economics. He takes it seriously by going further, knocking the “mere” out from the front end of the expression. Religion, he notes, is not mere. It is what we make of life. Economics, according to Nelson, is the religion of the ordinary.

Nelson detects two traditions in religion, which he calls the Roman (in both the ancient and the Catholic sense) and the Protestant (in both the Calvinist and the rebellious sense). The issue between them has always been the perfectibility of humankind. Moderation, prudence, courage, and justice, the four natural virtues, are especially admired by Romans. By their works ye shall know them. On the other hand the three theological virtues, faith, hope, and charity, are especially Protestant. Amazing grace, how sweet the sound, that saved a wretch like me. On Sunday even Catholic Americans partake of this Protestant spirit. But the rest of the week, surprisingly, we Americans are Roman citizens. As Nelson puts it, “Of all nations, the United States exhibits a characteristic national outlook that matches most closely the Roman tradition. Americans typically believe that reason guides the world, showing a deep faith in progress.” An American soldier in the Gulf, when asked whether he hated the Iraqi enemy, said, “No, of course not. I reckon I’m here to do a job and so is he.” A centurion standing uneasily between Jesus and the Pharisees could not have better expressed the attitude of Rome.

Rome under the Republic had a civic religion, consisting of the reading of entrails and other sensible precautions. The civic religion of the modern world is social engineering, which

depends on similar techniques of divination. The religion promises material salvation, restoring the Garden of Eden and yielding, as Nelson points out, a spiritual salvation. For better or worse, economics is the theology of the modern religion.

Though Nelson does not hold much with social engineering, he by no means disdains religions, spiritual or secular. Religion is not something that can be dispensed with. Nelson does not believe that religion is past. The popular notion is that modernization has overthrown religion. The notion is mistaken, though secular intellectuals from Voltaire to the average reader of the *New York Times* have believed it fervently. "Modernization theory" is among the less substantial achievements of the social sciences, claiming on no good grounds that medieval peasants were very different from you and me. We need religion just as much as our ancestors did. The most modern of nations -- I mean America -- is among the most religious, draping the exercise of national power in religious symbolism, going to worship on the Lord's day in numbers that would appall the average Frenchman. We moderns continue to need a religion of the Judeo-Christian sort, with its progress and its salvation. "The twentieth century has seen a revival of the wars of religion," says Nelson. Yes, and we fight under the banners of economic theologians.

Nelson believes that our civic religion needs renewal, and finds the renewal in a combination of left and right, the environmentalists and the libertarians. Both are suspicious of the established church. Nelson recommends a Protestant variety of churches in our secular religions. The variety would give people a free choice of economic regime. Unfashionably, he preaches "tolerance of diverse economic theologies."

[ p. xvi ] I do not know how much economics the average student of religion knows. Judging from the recent Bishops' Letter, not much. But I am sure that economists know nothing about theology. They need an education -- and have the characteristic flaw of the ignorant, which is to deny that becoming educated is worth the effort. After Nelson, no excuses. The theologian who thinks that a dimly remembered Marxism is all he needs to know of economics, or the economist who thinks that religion is merely what's left over when science has done its job, no longer has an excuse. Read Nelson, and repent.

### **Robert H. Nelson writing in the Preface:**

[ p. xix-xx ] Some years ago, I began writing about the advisory role of economists in government. I concluded, as a number of others have, that economists do not do in practice what they preach. Economists are not neutral technicians who provide a tool for implementing values and basic beliefs supplied by others. They do not keep themselves separate from politics, confining their efforts to matters that can pass a strict scientific test. To observe these rules would be extremely confining, precluding economic inputs in many areas where economists actively and routinely participate in current social debate.

Instead, as many others also have, I concluded that economists are actually strong advocates for a particular way of thinking about the world. Without some lens or filter, the events of the world would seem mere chaos and confusion. Economics provides a way of ordering, interpreting, and giving meaning to events. Moreover, economists do not offer their perspective from a disinterested and passive stance. Rather, many of the most accomplished are firmly convinced

and seek to persuade the rest of the world that the economic way of thinking is the best way. Economists over the past 30 years have in fact had considerable success in this regard, introducing the use of economic analysis into many new areas of government such as national defense, education, health, and the environment.

As economists have made contributions in areas such as these, they have often been surprised by a critical reception. Many of the fiercest policy debates have concerned matters not of economic detail -- where disagreements had been expected -- but of the basic acceptability of the economic view of the world. The influence of economics has been opposed by proponents of other outlooks who resist the invasion of the market, of efficiency, and of economic tests into particular areas of social concern. These opponents find that the way of thinking of economists violates beliefs that are dear to them.

This resistance raises a practical question for an economist: How might it be said that the economic understanding of the world is actually better than some other understanding? The old orthodox answer of the economics profession would be to deny the validity of the question, asserting that economics makes no such claims and limits itself to technical and value free matters. However, if this answer is rejected as both inaccurate in practice and flawed in principle (as I am far from alone in doing), the matter must be pursued further. A second answer might be that economics is a true science and that the scientific method -- if perhaps reflecting certain values -- has already amply proved its merits. Yet, aside from the question of whether science is value-free or not, the scientific accomplishments of economics to date must be rated as modest -- certainly a disappointment in comparison to the expectations of the past. There is today not only widespread public skepticism concerning the scientific claims of economics, but many doubters among economists as well.

Yet, if the scientific claims of economics are in question, why should society today regard with favor the strong conviction of many economists that they have a better way of thinking about and understanding the world? If economics is not so much a matter of providing practical answers to well-defined problems, and instead seeks to provide the very framework for social thought, why should society pay close attention -- as it often does -- to the advice of economists? From where or what does economics derive its legitimacy in social policy debate? These questions formed the starting point for this book.

[p. xxi-xxii ] Economics has been said by many observers to exhibit “scholastic” tendencies; economists are said to be a contemporary “priesthood”; and the assumptions of economics are said to be beyond refutation and more in the nature of a “divine revelation.” Regarding one heated policy dispute, a recent commentator asserted that “the best analogy I can suggest is to the clash between the established Catholic church and the Protestant dissidents in Reformation Europe” Still, while use of such religious metaphors is commonplace in describing the contemporary economics profession, it is rare to find the suggestion that economics literally offers a theology. To the contrary, economics is generally regarded as dealing with the mundane and the ordinary, rather than the spiritual and transcendent parts of life. Economics is -- most current economists would say -- merely the study of what works and what does not work in organizing society efficiently and in achieving various output and other practical goals that society might set. An economic theology in a literal sense might therefore seem implausible.

Yet, the possibility of an economic theology cannot be dismissed so easily. Even if economists do in fact devote most of their efforts to practical problems of economic organization, the possible existence of an economic theology is a matter of the theological significance of these efforts. If economic success is widely seen as playing an important moral and inspirational role in the affairs of man, then economic advice may become a form of theological prescription. There may be powerful faiths that are contained in the preachings of modern economists, even though these faiths may mostly be left implicit, and even though many economists may not be aware of them.

Indeed, as this book will explore, the history of the modern age (dating from the Enlightenment) reveals a widely held belief that economic progress will solve not only practical but also spiritual problems of mankind. Material scarcity and the resulting competition for limited resources have been widely seen as the fundamental cause of human misbehavior -- the real source of human sinfulness. For holders of this conviction, to solve the economic problem would be, therefore, to solve in large part the problem of evil. Karl Marx was only one of many social thinkers of the modern age to preach that, when the problems of food, shelter, and other physical requirements of life are solved, humanity will then finally be free to realize its full emotional and natural potential. In short, for many faithful of modern economic theologies, economic progress has represented the route of salvation to a new heaven on earth, the means of banishing evil from the affairs of mankind.

As guides to show the way along this route, economists then became logically the priesthood best suited to lead their fellow men and women. The answer given to questions concerning the legitimacy of the economic way of thinking has been the following: Since economists have been widely seen as the possessors of the knowledge to gain a heavenly future, for the faithful of this conviction economists have been the proper heir to the legitimacy of earlier priesthoods. Indeed, this book will argue that the prominence of economists in society today and the leading advisory role awarded to economists in government still depend on a widespread faith in the transforming powers of economic progress. Large numbers of average Americans continue to believe that economic growth offers an answer not only to the material but also to the much deeper needs of mankind.

To be sure, contemporary economists may to some extent be living off the borrowed capital to be found in the preachings of earlier social thinkers. Many economists, like many other American intellectuals, are no longer prepared to defend the redeeming consequences of economic progress, at least with any great enthusiasm. Instead, there are numerous signs that the environmental movement and an emerging environmental theology will in the future offer a powerful challenge to modern economic theology. Instead of a path of economic abundance, many people today are renouncing the products of modern science and economic organization and looking to the natural world as the valid source of renewal.

[ p. xxiii-xxiv ] The inquiry will reveal what at least for many economists may come as a distinct surprise. Economic theology is less novel in its tenets than most modern economists (including myself not so long ago) have supposed. The outward form of economic theology is, to be sure, a sharp departure from Judaic, Christian, and other theologies that preceded the modern age. But a

deeper examination reveals that the underlying contents of modern economic theology closely follow in the line of main theological traditions of the West.

These traditions originate in Judaic and Greek sources, which thus represent the real beginnings of modern economic theology. In the modern era, just as earlier faiths offered a number of competing paths of salvation, modern economic theologies have offered many competing routes of economic progress and hence of an earthly salvation. Indeed, in a number of areas the disagreements among modern economic theologies will be shown to reflect with remarkable fidelity specific points of theological disagreement that were fought out earlier among Judeo-Christian theologians.

[pp. 197-201 ] Thurman Arnold's assessment of the economics of his day was similar. Contending schools of economic thought were engaged in "theological dispute," he wrote. The role of economists was in large part ceremonial, being called on to dispense "priestly incense." Economists "regretted man's tendency to follow false economic reasoning, just as the preachers regretted man's tendency to sin." The only answer was "constant preaching, which had the weakness of all preaching throughout the centuries, in that sin and heresy were always rising against it." For economists, the greatest source of sin and of evil influences was the iniquitous domain of "politics."

Economists believed that, if mankind would only heed their message, men would find the path to the "laissez faire heaven." Economic progress to a heavenly future had replaced the "Heaven in the Middle Ages," leaving all else to be regarded "as temporary, shifting and ephemeral." Like all priesthoods, economists were more concerned with future salvation than with the conditions of the moment. Thus, as Arnold wrote, "the quaint moral conceptions of legal and economic learning by which the needs of the moment could be argued out of existence were expressed by 'long run' arguments." The meaning of the long run, in short, was the path along which the way to heaven was to be found.

When it came to the practical problems of managing society in the New Deal years, however, Arnold considered that the teachings of economists were virtually "useless." Modern U.S. industry had become so large and concentrated that it found its true antecedents in the Middle Ages, now compromising a system of "industrial feudalism." Society was in genuine need of "a set of observations about the techniques of human organization." By the 1930s, Arnold found that "men are beginning to realize their complete interdependence." What was needed was "a science of the diagnosis of maladjusted organizations in an age where organizations have replaced individuals as units." Instead, what economists were offering was a set of writings that were "no more descriptive of social organization today than the theology of the monarchy was descriptive before the French Revolution."

Yet while competition was not the real driving force, the modern business corporation was an "extraordinary, efficient machine" that had vastly increased the standard of living of the American people. American business with its "natural organizing ability" had developed a "productive plant which was the marvel of the modern world." As Veblen had argued that real control had passed to those who possessed the critical knowledge, Arnold now similarly found that the successes of U.S. industry were attributable to "the rise of a class of engineers, salesmen,

minor executives.... Current mythology puts them in the role of servants, not rulers.” But the truth is that “it is this great class of employees, working for salaries, which distributes the goods of the world.” American industry was large because “specialized techniques made bigness essential to producing goods in large enough quantities and at a price low enough.” American business thrived in “the most highly organized and specialized society the world has ever known” by mastering the techniques of organization, based on expert knowledge.

Arnold also followed Veblen in arguing that in twentieth-century America the distinctions between government and business had become artificial. Large business and large government required the same organizational methods, the same fields of expertise, and the same skilled personnel. Society was a large and complex system that required scientific planning throughout its parts. Moreover, the use of social resources by a business consumed the resources just as completely as the equivalent amount of use by a government agency. Pressing the logic of this view to its ultimate conclusion, Arnold argued that business use of the resources of society amounted to another form of “taxation” -- on a par with government taxation. Arnold’s was in essence a socialist vision, regarding all the basic instruments of production as part of the common property of society.

To be sure, in American business “any expenditures, however fantastic,” and however profligate in the use of limited social resources available to meet national needs, were not commonly regarded by Americans as a drain on society. But who could deny that “the great industrial organizations collected the money which they spent from the same public from which the government collected”? In point of fact, Arnold now argued, the different public attitudes with respect to government spending and industrial spending were merely an “emotional reaction” that could not be justified “by any rational process of argument.” It was another artifact of the “folklore of capitalism” —not a matter for economic analysis, but suitable for an anthropological form of inquiry.

Yet there was a great irony because the “pure fiction” maintained in the United States that large business was private was in fact essential to the success of the little recognized and de facto form of socialism that was practiced in the United States. The fiction of privateness gave business the great advantage that it was free to make full use of expert skills and thus to pursue its goals efficiently. By contrast, interest-group pressures, ideological demands, and other irrational elements of American political culture frequently immobilized American government, holding it far short of its productive potential. Arnold thus wrote that the United States had “developed two coordinate governing classes: the one, called ‘business,’ building cities, manufacturing and distributing goods, and holding complete and autocratic power over the livelihood of millions; the other, called ‘government,’ concerned with the preaching and exemplification of spiritual ideals, so caught in a mass of theory that when it wished to move in a practical world it had to do so by means of a sub rosa political machine.” Government was confronted by “a desperate spiritual need to impose impossible standards.” On the other hand, American mythology gave business -- in truth a public enterprise, even though regarded as private -- a freedom from such burdens, allowing it to achieve with great success the productive aims of the nation.

The members of the American economics profession, as Arnold contended, performed a vital practical role in maintaining this unique system of corporate socialism American style. It was

their role to prevent the American public from achieving a correct understanding of the actual workings of the American economic system. Economists instead were assigned the task to dispense priestly blessings that would allow business to operate independent of damaging political manipulation. They accomplished this task by means of their message of “laissez faire religion, based on a conception of a society composed of competing individuals.” However false as a description of the actual U.S. economy, this vision in the mind of the American public was in practice “transferred automatically to industrial organizations with nation-wide power and dictatorial forms of government.” Even though the arguments of economists were misleading and largely fictional, the practical -- and beneficial -- result of their deception was to throw a “mantle of protection ... over corporate government” from various forms of outside interference. Admittedly, as the economic “symbolism got farther and farther from reality, it required more and more ceremony to keep it up.” But as long as this arrangement worked and there could be maintained “the little pictures in the back of the head of the ordinary man,” the effect was salutary -- “the great [corporate] organization was secure in its freedom and independence. ” It was this very freedom and independence of business professionals to pursue the correct scientific answer -- the efficient answer -- on which the economic progress of the United States depended.

The progressives had earlier made the famous argument that there should be a strict dichotomy in government between politics and administration. Arnold was now arguing, in effect, that this progressive scheme had already been substantially realized in American society. However, it had been realized under false pretenses and in a deeply misleading way. Contrary to public belief, American business was in truth part of government. It was here that the scientific, expert, and efficient side of American government -- the part of government divorced from politics -- was actually to be found. If the United States had already adopted socialism without saying so, the business world was the vanguard of the de facto American system of corporate socialism.

If American socialism was in fact corporate socialism, it was in the world of U.S. business that the religion of humanity of Saint-Simon, the social gospel of Ely, and the Soviet of Technicians of Veblen were being realized. If the salvation of mankind was to be achieved on earth, following along a path of expanding productivity and growth of economic output, it was the managers and professional experts of the American corporate world who were leading the way to heaven on earth. Arnold’s mission was to enable the formal and thus far ineffective institutions of American government to make their proper contribution to economic progress as well. The official agencies of government should be allowed to operate like businesses, thereby further expanding the realm of scientific management in American life.

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If you want to really understand why there is such a violent reaction to the news that there are limits to economic growth, read: REACHING FOR HEAVEN ON EARTH, by Robert H. Nelson <http://www.amazon.com/exec/obidos/ASIN/0822630249>

Also see Thurow's DANGEROUS CURRENTS at <http://dieoff.com/page162.htm>

Jay

