

# Keeping Faith, Losing Faith: An Introduction

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Although some of the early efforts of Western social and political theorists were made in opposition to religious interpretations of the world, religious belief held sway throughout the early modern period as the dominant means to interpret human experience.<sup>1</sup> Sometime in the nineteenth century, however, economics and the other social sciences began to develop analytical models that were completely severed from theology and religious belief. For example, in the late eighteenth century, Thomas Robert Malthus's famous *Essay on the Principle of Population* (1798) was animated by his religious beliefs, but by the late nineteenth century, Henry Sidgwick and Alfred Marshall were each working to develop an analytical apparatus that, while still focused heavily on social ethics, was completely secular.

Viewed from the perspective of the sociology of religion, as it first was being contemporaneously developed by Émile Durkheim and Max Weber, this secularization of economics would appear to be nothing more than

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1. Albert O. Hirschman's *Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (1977) may be the most well-known and accessible guide to the early efforts to create social and political thought not based in religious self-understanding.

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a specific instance of the broader secularization of developing societies, in which the increasingly specialized roles for social institutions increasingly marginalized religion, which they believed eventually would die out. Indeed, reflecting on the institution of his own Cambridge tradition in economics, John Maynard Keynes viewed this process as having been completed by roughly 1863, when Marshall started his career at Cambridge University. “Marshall’s Cambridge career came just at the date which will,” Keynes ([1933] 1972, 168) wrote, “be regarded by the historians of opinion as the critical moment at which Christian dogma fell away from the serious philosophical world of England, or at any rate of Cambridge.”

Of course, as events in recent decades have made clear—from the rise of Hindu fundamentalists in India to the Iranian revolution, from the Solidarity movement in Poland to the rise of evangelical Protestantism in the “new right” of the United States—religion and religious engagement with the polis is not going away any time soon. Accordingly, the recent trend in sociology has been to abandon the secularization hypothesis. But what then do we do with the fact that economics today clearly looks much more secular than it did in 1800? José Casanova (1994) has provided a particularly nuanced and helpful account of secularization. Casanova affirms that the increasing differentiation of social institutions has helped shape a world in which religious belief no longer informs the modern understanding of how economic and political institutions function. Consequently, even believers do not view religious understanding as a prerequisite for expertise in these arenas. On the other hand, religious belief has not declined in the modern world. Nor has religious engagement with the state and with broader networks of social relations declined. Thus, even while believing that the economy *functions* in theologically neutral ways, modern citizens have not abandoned their religious commitments when it comes to evaluating economic outcomes and behaviors.

Casanova also reminds us that all of these generalizations are historically contingent; some specific times and places will fit them well, others will not. In this vein, Robert Wuthnow (1992) has pointed out that the eruptions of religion into the public square during the 1980s were hardly unprecedented even if they did serve as a wake-up call to social scientists. In the United States, the 1970s saw the election of a “born again” president, the Jesus movement, and experimentation with Eastern religions. In the 1960s, it was the religiously inspired civil rights movement. The presence of so many revivals on so regular a basis suggests that religion has

been a regular visitor to the public square in America, whether or not social scientists have noted it.

If social scientists are now noticing the continuing salience of religion in politics and society in recent history,<sup>2</sup> might we, as historians of social science, also take note? Might it not be possible that *social scientists themselves* have developed their ideas in harmony, or in tension, with their religious beliefs and commitments?

Religious belief and economic reasoning have had a long and intimate history, and there is a substantial literature in the history of economic thought on these connections in premodern eras.<sup>3</sup> But with some exceptions, historians have implicitly agreed with Keynes, writing as if such connections were of no importance in modern times. Yet the period from the middle of the nineteenth to the middle of the twentieth century did not involve a sudden transition, or even a steady progression, to a secular economics.

Some historians of economics have begun to rediscover and reemphasize the importance of religion in the history of modern economics. For example, A. M. C. Waterman (1991) has argued that attempts to read the “economic” and the “theological” portions of Malthus’s *Essay* separately are misguided; the two are a coherent whole. In an ongoing project that includes a contribution to this volume, António Almodovar and Pedro Teixeira have shown how, in Catholic Europe, the “labor question” that arose in the last decades of the nineteenth century as a result of the Second Industrial Revolution posed problems that forced many economic theorists back to their religious beliefs. Some of this work was in dialogue with the official teachings of the church, as exemplified in the papal encyclicals *Rerum Novarum* and *Quadragesimo Anno*, which attempted to articulate a humane, Christian understanding of how to live in a seemingly inhuman capitalism. And one of us has recently emphasized how, at the same time in the United States, economists returning from their German graduate studies included many dedicated to Christian socialism and the Social Gospel. Like their European counterparts in the Catholic Church, these American Protestants felt that their religious beliefs were an indispensable part of their understanding of why it was necessary to

2. We have already discussed the case of sociology. We discuss such discovery in economics in some detail below. For an example from political science, see Philpott 2002. Philpott argues that if the events of the 1980s were not enough to awaken scholars to the fact that religious motives are as relevant for international relations as material ones, then the events of 9/11 certainly should.

3. See, for example, Gordon 1989 and Lowry and Gordon 1998.

ameliorate the social ills caused as millions of workers were drawn into factory work by rapid industrialization (Bateman 1998, 1999, 2001).

These examples are natural, even obvious, places to start an inquiry into economists' engagement with religion. (Malthus was, after all, an ordained Anglican minister.) When we began talking about the project that led to the volume in your hands, we started from the idea that the time was right to begin broadening this project of exploring the role of religion in economics.

### **The 2007 Duke *History of Political Economy* Conference**

The opportunity to seize that moment came in the form of a small conference hosted by Duke University Press and Duke's Department of Economics in April 2007, with generous support from the Lilly Endowment. We suggested a conference that would explore the complex history of the relationship(s) between religious and economic thinking in Europe and North America from the early nineteenth century to 1950. We were interested in describing, contextualizing, and interpreting the work of economists who were animated by their religious faith as well as those who had helped bring about the rupture between their discipline and theology. We were primarily interested in the work of those who could be considered professional economists (understanding the meaning of that concept to have changed over our period), rather than the social writings of theologians and religious leaders, except insofar as the latter have a direct bearing on the former.<sup>4</sup>

When we made the original call for papers, we suggested that proposals might address some of the following questions:

- Who were economists whose work was animated by a desire to keep religious perspectives in political economy? How did their work differ—in methodology, motivation, narrative, and area of inquiry—from the work of other contemporary economists and social theorists?
- What differences existed between these patterns in Europe and North America?

4. Such theological writings, of course, have a long and uninterrupted history. For a recent example of a theological critique of market behavior, see, for example, Stephen Long's *Divine Economy* (2000).

- Were there significant differences in the efforts of people from different religious traditions to keep religious perspectives in political economy?
- Did religious economists work together in formal or informal networks to integrate their faith and study, and if so, what was their form and how did they shape the history of economics?
- To what extent were the political economists who tried to keep religious perspectives in their work successful or unsuccessful at influencing public policy?
- How did the nature of the efforts to keep religious perspectives in political economy change through the period 1800–1950? Were these changes in response to clearly discernible events?
- How did secularization finally overtake mainstream economic analysis? Did this take place differently in different contexts? Was European secularization significantly different than North American secularization?

Two topics that we specifically were *not* interested in were the economic study of religion or religious organizations and economics per se as religion. The first of these approaches is surveyed nicely in Laurence Iannaccone's (1998) review essay; the second is well represented by Robert Nelson (2001). Both of these approaches make valid rhetorical points, but the points are different than those we wish to explore in this volume. In practice, the former ignores the fact that religious belief and economic reasoning have a long and intimate history, focusing instead on how the tools of traditional (secular) neoclassical economics can be used to analyze religious institutions. The latter, while recognizing the buried history of connections between economics and religious belief, focuses its analysis on the idea that economics *itself* is a religion.

The response to our call for papers was gratifying, affirming our intuition that the time was ripe for considering the *historical* relationship between religious and economic thought. We received nearly fifty proposals for the twelve to fifteen slots available for presentations. At least half of the proposals were of a very high quality, so we easily could have accepted twice the number of papers or held a second conference. It is our hope that this supply will be met by an equal or greater demand for more such work. This seems likely, for the essays in this volume, even when taken as a whole, are only a beginning. They lay out some of the most compelling chapters in the history of religious belief and economic analysis,

and they go a long way toward sketching out the parameters of that history. Nevertheless, many questions remain.

Some of those questions are raised by the essays in this volume; others were already apparent, but we excluded them in our planning to keep the project manageable; still others we had hoped to see addressed but by chance were not taken up. We purposely made the call for proposals for the conference as inclusive as possible, given our own ignorance about the set of potential topics. We specifically did not call for papers on Christianity and economics because we did not want to close the door to economics and other religion(s). That said, we understood that by restricting the geographic and temporal coverage of the conference to Europe and North America in the nineteenth and twentieth centuries, the proposals would be skewed to the Christian tradition, simply because those countries have had majority Christian populations. Still, we had hoped that we might receive proposals, for example, that would give us a window on the connections that emerged in the early twentieth century when Jews began to enter the economics profession in the United States, but none appeared.<sup>5</sup> In fact, nearly all the proposals we received, and all we accepted, were about Christians or people primarily operating within Christian traditions.

We did, however, receive proposals representing a broad geographic spread, including Continental Europe, Britain, and North America. One proposal we did not accept for the conference dealt with connections between Spain and Latin America but fell outside the time frame we had set; another one discussed Canada but did not obviously fit with the other proposals. We received numerous proposals about individual nineteenth-century European Catholic writers.

The proposals we accepted fell into three broad categories in the Christian tradition: Continental European Catholicism, British Protestantism, and American Protestantism. This diversity allows for some interesting comparisons and contrasts. As mentioned above, for instance, it is easy to see that the Second Industrial Revolution and the economies of scale that it wrought led to a religious response among economists in both Continental Europe and the United States, although it was largely a Catholic response in Europe and largely Protestant in America. And these responses varied greatly not only in the theological self-understanding of the econo-

5. David Hollinger's (2001) essay on secularization in the American academy is one of the few references we have to the early-twentieth-century entrance of Jews into the discipline of economics in America.

mists but in the ways that theory ultimately developed and the forms that economic analysis took. For instance, the Catholic economists in Europe were largely opposed to utilitarian analysis, while the Protestant economists in America introduced utilitarian analysis to American economics.<sup>6</sup>

Although pleased by this diversity, we are nevertheless aware of several holes in this volume's coverage. One of the obvious potential topics for the conference, never proposed, is the connection between Northern European Protestantism and economic analysis. There are clear possibilities in Sweden, Norway, Denmark, Germany, and the Netherlands to see how leading economists were animated by their Protestant beliefs. There was some irony in this lacuna, since we first formed the idea of the conference after attending a session together at the 2004 History of Economics Society meetings in Toronto, in which we heard a paper on the influence of Protestant social thought in Danish economics (Kaegard 2004).

Nor did we receive any proposals on economists' involvement in the different strains of the Christian Democratic parties emerging in Europe in the twentieth century and their late-nineteenth-century antecedents such as the Dutch Anti Revolutionary Party (primarily Reformed) and Germany's Center Party (primary Catholic). Nor, with the exception of a few passing references in the essay on France by Gilbert Faccarello and Philippe Steiner, did we receive any proposals about Continental European Protestantism in any other country, about the religious influences on the German historical school (except at one remove in Don Frey's paper on the American economist Richard T. Ely), or about Spanish Catholicism in the period 1850–1950.

One of the biggest lacunas is undoubtedly the absence of a full treatment of the effects of Marxism on the secularism of European thought, in general, and of economics, in particular. Marx's work in economics fits into a larger Continental tradition that includes Friedrich Nietzsche and Durkheim and that saw social analysis as a part of an inevitable secularization of society and human knowledge. The nature of that secularization effort and its impact across European economics is an important story that still needs to be explored. Almodovar and Teixeira's essay on European Catholicism (this volume) touches on some of the reaction against Marx among Catholic thinkers, but the main story about Marx and his influence on the relationship(s) between religious belief and economic analysis remains to be told.

6. See note 8 for references to the American side of this story.

Among the proposals we received about British economists and British economics, none directly addressed the work of Marshall or A. C. Pigou, two men who had been intensely religious when they were young but whose economics was secular. How and why these two great theorists evolved away from religious belief, and how that evolution affected their work as economists, is another untold story.

In the American case, everything we received dealt with American Protestantism. There was nothing on the Catholic Church in America and nothing, for instance, on Father John Ryan or on the formation of the Catholic Economics Association (now the Association for Social Economists) in 1941.<sup>7</sup>

All of this is by way of repeating that while this collection is the first attempt to deal with the history of the relationship between economic analysis and religious belief transnationally, it is only a beginning. There is much more ground still to be covered, and many stories waiting to be told.

These holes notwithstanding, the essays collected here raise several important themes, two of which in particular arise repeatedly: (1) the tension between Christianity and utilitarianism; and (2) secularization. Because of their prominence, we discuss these in the next two sections.

### **Christianity versus Utilitarianism**

The antagonism between Christianity and utilitarianism is immediately apparent in the opening essay by Faccarello and Steiner, on the debates in early-nineteenth-century French economics following the Revolution, and in the final essay, by Ross Emmett, on the work of the great American neoclassicist Frank Knight. Almost everywhere one looks at the fissures between religious belief and the emergence of modern economic theory, there is a tension between the principles of Christian faith and the utilitarian underpinnings of modern economics. This tension is evident in descriptive and normative accounts of human behavior. Unlike utilitarianism, Christian thought would never reduce the *description* of human behavior to simply utility maximization. Likewise, the normative *prescription* of Christians that humans should love one another is a far cry from utilitarianism's insistence that good actions are necessarily those that maximize material well-being or individual preference.

7. Elsewhere, Kevin Schmiesing (2004) has provided a valuable start to this inquiry.



In Europe in the eighteenth and nineteenth centuries, this tension was mirrored in the often explicit tensions between liberalism and the ancien régime or between modernity and tradition. As the Roman Catholic Church began to lose its authority, and as markets began to shape everyday life more and more, European social theorists realized the inherent tensions between the materialistic, individualistic ethic of the market and the religious, traditional ethic of the old order. In practice, as Almodovar and Teixeira's essay shows, this tension came to be expressed for many European economists in a battle between Catholic belief and utilitarian ideals. Catholics joined the battle at numerous points, but we note only two of them here. At the Catholic University of Louvain, Charles Périn (1815–1905) argued that liberal economics encouraged excessive self-gratification, to the point of being socially detrimental, a tendency that could be tempered only by the Christian virtue of charity and the discipline of renouncement. Second, as discussed by Daniela Parisi, at the Catholic University of Milan the economist Francesco Vito developed an economic theory centered on the concept of personalism, which had its fullest expression in *Rerum Novarum* and *Quadragesimo Anno*. Thus, even while bringing English blueprints such as the Beveridge Report to Italian welfare reform, Vito tried to reshape those blueprints into more holistic, humanitarian endeavors.

One finds this same tension in Britain. Harro Maas tells a story primarily about why Richard Jones and William Whewell objected to Ricardian-style deductive economics. Such an approach, they believed, led scientists to substitute their own axioms for God, in contrast to a humble discovery of God's laws as he reveals them in nature. Even within this broader methodological debate, however, it was the particular axiom of utilitarianism that was most in dispute. As Steven Medema shows, a generation later, Sidgwick adopted utilitarian imperatives while arguing that individuals' self-interested pursuit of their desires would not, in fact, produce the greatest good for society. On the other hand, Roger Backhouse tells the story of a group of early-twentieth-century welfare economists who rejected the utilitarian welfare economics that was emerging from the tradition of Sidgwick and was being further developed by Marshall and Pigou. R. H. Tawney, J. A. Hobson, and Sir Henry Clay all sought an alternative ethic to utilitarianism. They believed that there was more to human welfare than the mere acquisition of material goods or, for that matter, the fulfillment of any individual desire.

In the American case, Stewart Davenport explains how Francis Wayland and others commonly referred to as “the clerical economists” reinterpreted faculty psychology so that self-interest was part of one’s moral sense (or conscience) rather than a passion. Only by bestowing self-interest with this virtue could they prepare the ground in which political economy could take root in America. This ground would appear to have been one receptive to utilitarianism. This was borne out in the closing decades of the nineteenth century by the leading young American economists being schooled in Germany, the most prominent among them being John Bates Clark and Ely. Studying in Heidelberg under Karl Knies, one of the leaders of the older German historical school, they learned the rudiments of marginal utility analysis as well as a deep-seated suspicion of the applicability of utility analysis to *all* economic problems. Returning home, they introduced utility analysis to American economics, but they also kept it closely cosseted within a larger ethical context that included Christian principles and national values. Following the First World War, when their work was supplanted in the push to remove the Christian influence from American social science, the cossetting fell away, and the influence of logical positivism and scientism led to a stripped-down and straight-up utilitarianism that would underpin the dominance of modern neoclassicism after the Great Depression.<sup>8</sup>

### **Secularization**

The relationship between economics and religious belief is inevitably tied up with the general question of the extent and nature of the secularization of Western societies, and this points to some of the difficulties in trying to explain the disentanglement of political economy from religious belief. For example, as historians of economics, we must be wary of comparing across time a supposedly fixed subject matter, which is in fact constituted differently in different times. Thus, if we compare economics in the twentieth century to economics in the eighteenth century, the former appears much more secular. But, of course, the twentieth-century meaning of political economy is much more narrowly focused on academic economics than was the contemporaneous meaning of political economy in the eighteenth century. If we were to use a broader definition of political economy

8. For more on what Clark and Ely learned from Knies, see Bateman 2004. For a discussion of how logical positivism filled the vacuum created when Protestant Christianity was purged from American social science after the First World War, see Bateman 2008.

in the twentieth century that included the economic writings of contemporary theologians, priests, and rabbis, economics in the twentieth century would undoubtedly appear more religious. But that would be beside the point, for the narrowing of the definition is itself a manifestation of the kind of institutional differentiation that is the hallmark of secularization. Thus the story of the secularization of economics is inevitably tied up with the broader story of the secularization of the research university (see, e.g., Marsden 1994 and Reuben 1996), and the stories in this volume all follow the trajectory of the professionalization of economics and its evolution into a discipline inseparable from the academy.

As we have noted previously, such institutional differentiation plays a key role in the work of Casanova (1994). Casanova points out that in the nineteenth-century arguments about secularization, several components were conflated and confused. One component was the argument that as social institutions (e.g., the state, the economy, science) became more highly differentiated, specialization allowed people to understand how the institutions functioned without recourse to religious explanations. But attached to this part of the early social-scientific theories of secularization was one of two additional assumptions: either (1) that religious belief itself would wither away and disappear as people came to understand the world without reference to religious explanations of how it functioned, or (2) that religion would become greatly diminished and reduced to no more than a set of private beliefs for people who remained too superstitious or too weak to accept the nonreligious understanding of the modern world.

Those who look primarily at the European experience often argue that secularization, understood in one of these two ways, has indeed taken place, while those who look at the United States and much of the rest of the world often argue that the secularization predicted in the nineteenth century has not happened.<sup>9</sup> If we mean by secularization whether or not people believe in a god (or gods), then it seems clear that Europe is the only place in which widespread secularization has taken place; everywhere else in the world, religious belief permeates individual and social life.

As a matter of generalization, then, religious belief certainly has not withered away and died. Nor has it become a purely private sphere of

9. At the extremes in the debate over secularization would be Steve Bruce (2002), who insists that religious belief has declined everywhere in modernity, and Rodney Stark and William Bainbridge (1985), who insist that religious belief flourishes in modernity and will continue to do so.

human experience. Religiously based ethics and morals still anchor arguments about wealth, liberty, and policy in many places in the world. Religious institutions enter the public square to make such arguments. Yet, as Casanova points out, over the last two hundred years, many institutions have become autonomous spheres clearly differentiated from religious ones. Thus, “like modern science, capitalist markets and modern state bureaucracies manage to function ‘as if’ God would not exist” (Casanova 1994, 40). In this way, a fundamentalist Christian in the United States might have strong views about the ethics of personal business conduct and about the morality of the distribution of income, yet think that either Ben Bernanke or Alan Greenspan (neither of whom are Christian) could make an excellent chair of the Federal Reserve.

The title of our volume, *Keeping Faith, Losing Faith: Religious Belief and Political Economy*, reflects the general pattern of secularization in both economics and the academy. But because we felt that historians and social scientists have often overemphasized the “losing faith” side of this coupling and uncritically accepted the story of secularization, we were especially interested in the discontinuities in the story and in people who had held on to their religious beliefs as a part of their work as economists. Of course, we also hoped that these stories would shed new light on the trend toward secularization (understood as differentiation within these two important social institutions) between the middle of the nineteenth century and the middle of the twentieth. Several of them do so. In Medema’s account of Sidgwick, for example, we see how the psychological crisis of a personal loss of Christian faith, and the quest for a new faith, could drive an economist’s agenda—and help shape the future of economics. But the theme of secularization appears in some surprising, indeed ironic, places as well. For example, Faccarello and Steiner tell the story of social theorists who saw in the French Revolution the social evil of wiping away the moderating forces of religion. But by attempting to create new secular civil religions, one might argue that they contributed to marginalizing the Catholic faith in France by differentiating what it had to offer from what was needed in the public sphere. On the other hand, Neil Skaggs tells the story of Henry Thornton, a man who in belief was as orthodox, and who in life was as devoted, as any considered in this volume. Yet Thornton viewed monetary economics, his area of specialty, as purely a technical subject requiring no reference to Christianity or any religious principles. In this

way, Thornton, a man of deep faith, also helped differentiate economics from the world of faith.

Casanova's understanding of secularization raises interesting questions about the nature of the story explored in this volume. Has the disentangling of economics from religion followed from a gradual change in our understanding of how the world works? Is it the case that as the general population came to understand how markets function as an essentially human enterprise, economists followed suit in their own analytic explanations? If rather than disappear altogether or become a purely private matter, religion has maintained its public position, then why has the discipline of economics remained largely based in utilitarianism with little or no explicit acknowledgment of people's religious beliefs in its models of human behavior?<sup>10</sup> As the modern project of forcing a dualism between fact and value loses its force in a postmodern age, will the basis for disentangling social science from religion and (more broadly) ethics erode?

### **Contemporary Valences and Historical Questions**

It seems the answers to these questions may be just as relevant for understanding contemporary economics as for understanding its history. Several trends in economics today resonate with the themes of the following essays.

For example, economists who view their religious commitments as integral to their understanding of what it means to be a good economist have formed and continue to form mutual societies to facilitate interaction and mutual encouragement. We mentioned earlier the Association for Social Economists, organized largely by Catholic economists in 1941, and that group still thrives and publishes a well-respected journal, the *Review of Social Economics*. Although that association no longer has a strictly Christian identity, a new Society of Catholic Social Scientists was born in 1995. The Acton Institute, another group of Catholic economists begun the same year, is more Austrian and libertarian in orientation, but publishes the journal *Markets and Morality*, which covers

10. In his well-known survey of "religion and economics," Laurence Iannaccone (1998) argues that he is interested only in surveying how economists can use their tools to analyze religious behavior, not in analyzing how religious belief might shape economic behavior.

a range of perspectives. Articles often stress the humanist themes of personalism and a suspicion of hard-core utilitarianism.<sup>11</sup>

Groups of evangelical economists have also formed in both the United States (1982) and Britain (1980) under the same name: the Association of Christian Economists. Both groups also publish their own journals, *Faith and Economics* and the *ACE Journal*, respectively. The U.S. group has over three hundred members. It has two stated goals, the first simply to “promote interaction and communication among Christian economists.” At this level, it serves as a kind of fellowship group among Christians who happen to be economists. The other goal is “to encourage Christian scholars to explore and communicate the relationship between their faith and the discipline of economics.” The understanding of what this relationship entails is itself a matter of discussion within the group. At the mundane end of the spectrum, it may mean the virtue of performing services that are not well rewarded professionally, such as a referee report or preparation in teaching. Or it may mean applying the tools of economics, taken on their own terms, to the biblical commandment to love the poor. At the more radical end, it may mean questioning the utilitarian basis of neoclassical economics.

The question of the role of utilitarianism in economics, one of the most important for the relationship between economics and religion that emerged from the conference, may also be the one that resonates most strongly with contemporary trends in economics. As noted above, some religious economists have begun to question its consonance with their religious beliefs. Moreover, and perhaps more surprisingly, there is important work now being done in economics by people who declare no explicit religious intent but whose work nonetheless opens the possibility for the kind of serious ethical reflection that many people could ground only in their religious belief.

Consider recent work in neuro-economics. Douglas Bernheim and Antonio Rangel (2004) have recently argued that people may not be very good at choosing that which makes them happy, a point that Backhouse’s essay notes was also made by J. A. Hobson early in the last century. The failure to choose what makes one most happy is not only a failure of will but a failure of memory. Drawing on modern neuroscience, Bernheim

11. According to the journal’s Web page, its purpose is to promote “intellectual exploration of the relationship between economics and morality from both social science and theological perspectives. It seeks to bring together theologians, philosophers, economists, and other scholars for dialogue concerning the morality of the marketplace.”

and Rangel show, for example, that addicts' memories systematically overestimate the actual pleasure they received in the past from using alcohol, nicotine, or other substances. As a consequence, when they indulge their addictions, they are systematically disappointed.

Other examples come from work in experimental economics and its connections to game theory and behavioral economics. As these research agendas have arisen and flourished over the last two decades, they have begun to demonstrate the fallacy of assuming that people are simple utility maximizers. As economists have tried to bring the insights of psychology into their modeling and testing of human decision making, they have discovered that people's decisions are not easily explained by utility maximization.

Consider, for example, the case of the dictator game or the ultimatum game. In the latter, two players are given a pot of money (or other reward) to divide. Player 1 proposes a division; Player 2 can accept it or veto it, in which case neither gets anything. Standard theory would predict that Player 1 would propose taking nearly all the pie and that Player 2 would accept (something being better than nothing). But experimental and field evidence has shown neither player acts in this way: Player 1 is often much more generous, and if not, Player 2 will often sacrifice the (smaller) share to penalize Player 1. Moreover, in the simpler dictator game, the second player doesn't even have the veto option, yet the first player often proposes a fair division. James Andreoni and John Miller (2002) have shown that players are consistent across different forms of these games, so the explanation cannot be that people are confused or irrational. Moreover, the second player never punishes a first mover who is *more* than fair, so the explanation cannot be *simply* over preferences for *equity* in distributing the resource. Rather, preferences must be over players' behaviors and norms as well as over the actual distribution of the resource.<sup>12</sup> Matthew Rabin (1993), for instance, shows that people care about mutual kindness, which he models as a joint function of the generosity of each player.<sup>13</sup> This is

12. Amartya Sen (1977), using the terms *sympathy* and *commitment*, offers the following story to illustrate the distinction we have in mind. Two boys are about to share two apples, one bigger than the other. Boy A, going first, chooses the larger apple. Boy B objects, suggesting A did not act fairly. A asks, "Well, which one would you have chosen?" B replies, "The smaller one, of course." To which A replies, "Then what are you complaining about? That's the one you got!"

13. For a bibliography of Rabin's work and an interview with Rabin about how his work has created openings for others to question the models of simple utility maximization, see Colander, Holt, and Rosser 2004.

exactly the kind of opening that people of faith, many of whom would argue for the importance of values other than just utility maximization, need to reenter the debates about economic welfare.

The importance of such norms for explaining observed outcomes are not only important in such micro behaviors, they are becoming increasingly important at macro levels as well. The “new institutional” economics associated with Douglas North and others has given renewed emphasis to the importance of social norms like trust and integrity to support exchange. Although it is a theme that dates to at least Weber, the importance of a social system that organically supports these norms is increasingly being emphasized as a prerequisite for successful economic development (see, e.g., Platteau 2000).

Just as economists have discovered that ethical considerations play a role in shaping individual behavior and in economic outcomes, so too have they begun to acknowledge that such considerations must play a role in policy proposals. Working from the premise that inequity in distributing immaterial goods and “spiritual assets,” more than inequity in distributing resources, lies at the heart of social problems in the United States, Robert Fogel (2000) calls for a program of education that would inculcate the needed virtues (sense of purpose, self-discipline, etc.). Although he recognizes the importance of the private formation of these virtues, his public policy proposals look very similar to the kind of civil, secular religion discussed by Faccarello and Steiner. While agreeing with the broad premise that these virtues support prosperity, Deirdre McCloskey (2006) has recently reversed directions as well, defending capitalist organization of economies on the grounds that they can encourage virtuous living.<sup>14</sup>

Finally, such findings as those by Bernheim and Rangel in neuroeconomics have motivated economists to reconsider their approaches to policy evaluation (so-called welfare economics). In fact, the specific issue they raise of the addict making poor choices was a problem foreseen some one hundred years ago by the architects of modern utilitarian welfare economics. Sidgwick, Marshall, and Pigou all discussed the distinction between the motive force of desire and the actually experienced satisfaction, but in the end most such inconsistencies were ruled minor exceptions or inscrutable. Apparently, not all economists are still willing to dismiss the distinction. Consider two recent papers that both accept the premise

14. See also Novak 1982 for an earlier defense of this claim.



that individuals do not necessarily make consistent choices. The authors of both papers, when confronted with this dilemma, argue that normative economics should continue to be based on choice rather than realized or objective measures of utility. But if choices are not consistent, the question for the welfare economist is which of the individual's many preference orderings to regard as prescriptive. Bernheim and Rangel (2007) argue that when individual behavior is different under different choice contexts, so welfare economists should restrict their attention to a subset of preference orderings that have a claim for being more rational. Robert Sugden (2007) takes the opposite approach, arguing that economists should defer to the preferences in play at the moment of choice.

### **Closing Thoughts**

This recent renaissance of interest in looking at economic behavior through the prism of religious belief, and the openings for economists of faith created by experimental and behavioral economics, still leaves unanswered the question of how economics and religion became largely disentangled by 1950. And to tell that history, one must not be anachronistic. The contemporary manifestations of public religion, which Casanova has so nicely explained, do not provide an answer to the local and contingent stories that characterize the earlier period explored in this volume. And we know that this earlier story was predominantly one of disentanglement. We also know from the work in this volume and elsewhere that disentangling religion from most academic disciplines was not a simple story of people gradually discovering that they did not need religion to understand the institutions of modernity. Some scholars, such as Jon Roberts and James Turner (2000), have told a story of a slow, almost accidental, severing of religious outlooks from modern academic disciplines, and that interpretation would be very compatible with the idea that the secularization of economics simply reflected the secularization taking place as people came to understand human institutions without a necessary reference to religious understandings of the world. But the facts of the story in the social sciences do not bear out this interpretation. Those who built analytic models that removed religious perspectives from economics, for instance, did so deliberately.<sup>15</sup> Likewise, the story in America is

15. For a fuller treatment of the effort among American economists to remove religious perspectives from their work, see Bateman 2008.

the same in sociology and political science. And those who tried to hold on to their religious understandings of the world in their economic analysis also did so deliberately, although they ultimately were not successful, for by the mid-twentieth century, neoclassical economics, drawing heavily from the tenets of logical positivism, had swept the boards. And the elegant models of utility maximization at the heart of neoclassical economics had no place for religious belief or any other ethical or metaphysical framework.

With this volume, we take a step toward looking at the long history that preceded the rise and triumph of a secular neoclassical economics at the middle of the last century. It is an uneven story, and its outcome was by no means certain. But it will never be understood until the many separate pieces in many different countries are put together so that we can begin to see the larger picture. The essays we have collected here should help fill out the story of what happened in economics as a matter of historical fact, rather than as we might see that story theoretically or hypothetically.

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# **Part 1**

## **Continental Europe**

