



Can ‘Religion’ Enrich ‘Economics’?

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[LINK TO ABSTRACT](#)

I have protected the two nouns, *religion* and *economics*, with quotation marks because we can make no progress in addressing the question without a clear understanding of what we are going to mean by them. But first, dutiful Anglican that I am, I shall answer my catechism (see Klein 2014, 102-103). Next I shall say what I understand by the primary terms; and then explain why the answer to the symposium question must be “No.”

Catechism

Q: Can you tell us about your own religious background and biography? What is your own religious outlook?

A: Yes: I will do so, for it is relevant. I was trained in economics at Cambridge, where Joan Robinson was my supervisor. Later I studied theology in which I have a degree, and was ordained to the priesthood. My bishop determined that I should have an academic ministry *as an economist*, and directed me to take a doctorate. I conducted research on the Australian business cycle at the Australian National University under T. W. Swan and Noel Butlin, and my doctoral thesis became my first book. In 1979–80 I was Maurice Reckitt Fellow at the University of Sussex where I began my research on Christian social thought—which was what my bishop had hoped I should study. In general, my work since that time has addressed various aspects of the relation between theology and economic theory in

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Christian thinking. I resigned my orders in 1982: chiefly because by then I realized that I had no vocation to the pastoral ministry, though also because a layman has more freedom of opinion than a cleric. But that has made no difference to my research program or to its motivation. As my bishop correctly discerned, my Christian vocation is to be a theologically trained economist.

Q: What does your faith bring to your economic thinking that is otherwise lacking in, or even precluded by, mainstream economics?

A: Nothing.

Q: Does your faith inform the kinds of questions you choose to research?

A: No, but there is no reason why it need not. And in fact I study the relation between economic theory and Christian theology because I am a Christian and want to think clearly about my faith and my profession. But the agnostic Jew, Jacob Viner (1972), was working on this topic decades ahead of me (alas, I shall never catch up with him!) simply because of its intellectual interest.

Q: Do you use religious sources, such as the Bible, as a resource for economic understanding, instruction, or research? For example, for gaining economic insights, for illustrating economic ideas, or for evaluating economic ideas?

A: No, but it is possible that some might get what Joseph Schumpeter (1954, 41-42) called “preanalytic” insight from biblical or other religious literature. For in science, “anything goes” (Feyerabend 1988, 14, 249).

Q: Do you feel that the economics profession exhibits biases against religion generally or against your faith in particular?

*A: No. Though Paul Samuelson—who was proxy for “the economics profession” for much of the twentieth century—once told me that his Protestant wife (his first wife) used to say to him, “When anyone mentions ‘religion’ you reach for your gun.” But like all true scientists he had a genuinely open mind. He also said to me, “I never bother to talk to anyone who agrees with me: I learn nothing from them.” (We were arguing about whether Adam Smith was a Christian when he wrote *Wealth of Nations*.)*

Q: Has your career as an economist suffered in any way on account of your religious faith?

A: Certainly not: if anything, the reverse.

Q: Why are very few prominent economists openly religious? Is it because prominent economists who are religious have chosen to be reticent about their faith, ...

A: No.

...or because there simply are few prominent economists who are religious?

A: Yes, this is more plausible. Twenty-five out of 74 Nobel laureates in economics have been Jewish, few if any of whom have been observant. And in general, very few scholars and scientists nowadays are religious believers of any kind. But relatively few are militant atheists like Richard Dawkins or the late Christopher Hitchens. Tolerant agnosticism is the default position.

Q: What is your take, as a person of faith, on Max U?

A: I regard it as an element in the Lakatosian “hard core” of economic analysis, against which we should not direct our negative heuristic (Lakatos 1970, 133).

Q: What is your interpretation of Adam Smith's invisible-hand clause in The Wealth of Nations? Is it just a metaphor or is it a reference to divine providence, with God as the being whose hand is invisible?

A: It could be either, or even part of a quasi-Augustinian theodicy (Waterman 2002). But whatever Smith may have had in mind when he wrote the clause is now both unknowable and irrelevant. All we need to understand is that this is a memorable statement of a key idea which has been at the heart of economic analysis since Boisguilbert: that the private, self-regarding actions of individuals have unintended social consequences, and that those consequences may be benign (Faccarello 1999). We may, like the Jansenists, draw theological inferences from this, e.g., the invisible hand as an example of St. Augustine's *remedium peccatorum*. But we must be careful to note in this case, as in all other examples of natural theology, it is the science that motivates the theology, never the other way round.

Religion

Religare means to bind or to fasten together (cf. *ligature*, *ligament*, etc.) Whatever else *religion* means in modern English its etymology implies it is that which binds human social groups together. Modern Israel, and Islamic states like Iran, are bound together by a common set of cultic practices and traditions, and a common belief in their divine authority. Until recently this was also true of Christian nations. As late as 1906 the Attorney General of Canada could inform Parliament that Christianity was part of the law of the British Empire. There was no dissent. Even in the USA, the world's first secular society, subsets of the population were and still are held together in this way. Roman Catholics, Orthodox Christians, and Episcopalians recognize one another, and are held together, by the fact that they go to mass on Sundays. Members of various Protestant societies recognize one another in cognate ways: abstaining from alcoholic liquor, not playing golf on Sundays, attending Bible classes, etc.

In all save the most anti-intellectual fringe groups, religious practice—including Christian practice—is rationalized and underpinned by certain cognitive claims construed as ‘beliefs.’ Virtually all Christians for example believe in a single, Creator God, understand the risen Christ as a unique, God-man hybrid, and feel that Christ is still present in this world through the operation of what they call the “Holy Spirit.”

Cognitive claims count as ‘knowledge’ until falsified. The question is, what kind of ‘knowledge’? Is religious knowledge the same kind of animal as scientific knowledge? The latter, as Karl Popper (1945; 1963; 1968) put it, is tentative, provisional, fallible, and corrigible. It is only a slight caricature to say that scientific knowledge, generated by the method of “conjectures and refutations” (Popper 1963) is the current body of as yet unfalsified theory. And what counts as ‘refutation’ is hard evidence—accessible in principle to all the world—that the refuted theory has been superseded by a more successful one (Lakatos 1970, 116). The implication is that nothing can count as scientific knowledge unless it is falsifiable. Popper had lots of good clean fun with the Marxians and Freudians about that. They were not doing ‘science’ as they pretended: they were simply constructing myth—which of its nature is unfalsifiable.

Some theologians and philosophers think that religious knowledge, or at any rate Christian religious knowledge, resembles scientific knowledge to some extent. Many would agree, for example, that if incontrovertible evidence came to light that Christ did not rise from the dead, then Christianity would be false and we should have to abandon it. But most of what we call religious knowledge is not falsifiable in this way and therefore has more of the nature of myth. The Genesis account of Creation and Fall, without which Christian belief is pointless, cannot possibly be falsified. Its truth can only be known by faith. What does that mean? It means that we come to *know* through what we *do*—as in “Adam *knew* Eve his wife” (Gen. 4:1). St. Augustine taught that it was through practice of what the Church later identified as the ‘theological virtues’ that we come to know God. Hence “a man supported by faith, hope and charity...does not need the Scriptures except for the instruction of others” (Augustine 1958, I.xxxix). He has come to knowledge *of*, rather than merely knowledge *about*, God.

Can religious knowledge, direct and experiential as it is, be falsified? Ultimately yes, but not in the same way as scientific knowledge. Believers sometimes lapse because their faith—however reinforced by hope and charity—no longer makes sense for them, no longer explains their experience of what they used to think of as ‘God.’ This is a subjective and private falsification which has no necessary consequences for the faith community they have quitted. But in science falsification is objective and public, and it commits the scientific community to a revision of what is to count as knowledge. Moreover, falsification is an ever-present possibility. Religious ‘knowledge’ therefore is certain and infallible for those who still believe. But scientific ‘knowledge’ is always tentative and provisional for those who understand and produce it.

Economics

Economie politique began life as a recipe book for running the state as a manorial fief of *le roi soleil*. It was redefined by Adam Smith (1776/1776, IV.ix.38) as an open-ended, scientific study of the nature and causes of the wealth of nations. His successors of the English School (Waterman 2008)—Malthus and Ricardo down to the mid-Victorians—defined the subject of their inquiry “as that of the laws which regulate the production and distribution of wealth” (*Edinburgh Review* 1837, 77). By contrast with the “foreign school,” their “study is purely a science” (*ibid.*). But over the nineteenth century, as the implications of diminishing returns—a consequence of scarcity, central to the analyses of Malthus and Ricardo—were generalized by the marginalists to all possible factors of production, the science of *wealth* gradually mutated into the science of *scarcity*. Political economy became *economics* as later defined by Lionel Robbins (1933, 16).

When individuals ‘economize’ they act purposefully, in the face of scarcity, to achieve some private goal sought by themselves. But as Boisguilbert was perhaps the first to note, their economizing actions have unintended social consequences. It is these consequences, and the question of whether they are benign or malign, that have attracted the attention of most economists since Adam Smith. And because unintended consequences of private goal-seeking acts are evident in a wide range of social phenomena, it is impossible to put a boundary around ‘economics’ and define its subject matter. As Maynard Keynes (1922, v) observed, economics is not “a body of settled conclusions,” it is “a method rather than a doctrine, an apparatus of the mind, a technique of thinking.” This was perfectly illustrated by the late Paul Heyne in his world-famous textbook, *The Economic Way of Thinking* (1st ed., 1973). He described our method of thought as “the presupposition that all social phenomena result from interactions among the choices that individuals make after calculating the expected benefits and costs to themselves” (Heyne 1998, 8).

Now it is obvious that we “individuals” often appear to act without “calculating the expected costs and benefits” to ourselves. We fall in love, volunteer for dangerous missions, perform acts of pure, disinterested charity, sacrifice ourselves for our country or our creed. Some economists explain such things on the assumption that “individuals maximize welfare *as they conceive it*, whether they be selfish, altruistic, loyal, spiteful or masochistic” (Becker 1997/1993, 38, italics in the original). They have enlarged the range of ‘economic’ explanation and deserve their Nobel prizes. Yet the fact remains that we do not always conceive our ‘welfare’ with sufficient clarity to override all other sources of human motivation. St. Paul admits that “what I would, that I do not; but what I hate, that I do” (Rom. 7:15),

and many of the rest of us feel the same. It may be difficult to maximize what one conceives as one's own welfare if one is locked into a Prisoners' Dilemma. We may defer to ethical imperatives which oblige us to subordinate our own welfare to that of another. And even if we do clearly perceive our own best interest, the paradox of hedonism may hinder our realizing it. Explanations based upon the assumption of any kind of rational self-interest, therefore, can never be complete. Where does this leave the scientific status of our discipline?

As in all scientific inquiry, the "research program" of economics is based on a "hard core" of primitive assumptions, from which "meaningful theorems" are deduced (Lakatos 1970, 133; Samuelson 1947, 4). If these afford explanations or predictions that fail to correspond with what we observe, what do we do? Either we go back to the drawing board and start with a new "hard core" or we can protect our theorems with a body of supplementary assumptions and theory—leaving the hard core intact—by means of which we can deal with the anomalies produced by the first draft. But further inquiry with our revised program may continue to encounter anomalies. Has our theory then been falsified? No. Not until we can put something better in place: where "better" means giving all the right answers and avoiding the anomalies the old theory produced, and also enlarging the range of possible explanation and prediction. Only at that point do we throw out the old program with its now useless hard core of protected assumptions.

No one will pretend that present-day economic analysis, based on the assumption of rational self-interest, can explain or predict everything we want to know about human societies. But it seems that our assumption is true enough of most people most of the time. Hence although anomalies abound, the explanatory range of our science continues to increase. Game theory, information theory, public choice theory, the "economy of esteem" (Brennan and Pettit 2005), behavioural economics, New Classical macroeconomics, etc., have been rich in supplementary hypotheses. A number of heterodox traditions of analysis persist in which explanations other than individual welfare maximization have been offered. But in recent decades the most influential and coherent of these has given birth to a rational-choice Marxism. For the time being, it would appear we are stuck with Heyne's understanding of 'economics' as enlarged by Gary Becker and enriched by recent discoveries of what might count as individual rationality.

The relation between religion and economics

When religion is regarded simply as an heuristic enterprise—and of course it is far more than that—its relation to economics is a particular case of its relation to

science in general. That relation is asymmetric. Science can be of service to religion, but religion can be of no service to science.

Christians and other strict monotheists believe in “One God, the Father almighty, maker of Heaven and Earth, and of all things visible and invisible.” To use Adam Smith’s terminology, the God that they know by faith is not only the “Supreme Being” but also the “Author of Nature.” Believers may therefore supplement and enrich their knowledge of God by a study of Nature (e.g., Ps. 19:1). Sir Isaac Newton published his *Principia* in 1687—the most far-reaching scientific account of the created universe to that date—with “an eye upon such Principles as might work with considering men for the belief of a Deity” (Newton 1756, 1). For a century, the *Principia* was required reading for Cambridge undergraduates as part of their *theological* education (Waterman 1991, 66, 87-88). ‘Natural theology’—which Adam Smith taught at Glasgow in the 1750s—provided the intellectual underpinnings of Anglophone Christianity throughout the eighteenth century. This was sustained until the mid-nineteenth century by the immensely influential *Natural Theology* of William Paley (1802), which presented overwhelming biological evidence of seeming (i.e., pre-Darwinian) ‘intelligent design’ in the adaptation of species to their environment.

The significance of natural theology for economics was not lost on Richard Whately, one of the most powerful thinkers in nineteenth-century Oxford and the only economist in history to move directly from a professorial chair in political economy to an archbishopric without intervening stages. In his *Introductory Lectures* Whately illustrated the market mechanism with an example later incorporated in Samuelson’s textbook: “the problem of supplying with daily provisions of all kinds such a city as our metropolis” by individuals “who think each of nothing beyond his own immediate interest” (Whately 1832, 93-94, 96; cf. Samuelson 1958, 37-38). In light of such economic phenomena, Whately considered “making a sort of continuation of Paley’s ‘Natural Theology,’ extending to the body politic some such views as his respecting the natural” (Waterman 2004, 123-124). But he never carried it out, and the task of using economics to enrich or at any rate support religion fell to Frédéric Bastiat.

It is obvious from this account of natural theology that whereas science—including economics—can be of service to religion, religion can be of no service to science. For in order for the knowledge that comes by faith to be enriched by the knowledge that comes from science, two conditions must obtain. First there must be prior knowledge of God available by faith alone; and secondly *scientific knowledge must be completely independent of religious knowledge*. For if it were not, it would be useless as evidence in support of faith. To infuse (certain) knowledge derived from faith alone into a system of (tentative and provisional) knowledge derived from the

observation of Nature, and then to use the result to buttress the knowledge derived from faith, would be either confused or dishonest.

This too was not lost on the perspicacious Whately, who like his contemporary J. S. Mill was first and foremost a logician. As part of his strategy to defend the study of political economy at Oxford from his reactionary colleagues who deplored it as godless, Whately developed a distinction made by his former pupil, Samuel Hinds (1831, 4-5) between secular knowledge known by “our own natural faculties” on the basis of “proper evidence,” and sacred knowledge which comes by faith, through which we can see God’s self-revelation in Scripture. Thus “Scripture is not the test by which the conclusions of Science are to be tried”; its purpose rather is “to reveal to us religious and moral truths” (Whately 1832, 30, 32). Political economy is scientific inquiry based on theory and observation, and it neither depends on nor encroaches upon the authority of divine revelation. The ostensible purpose of Whately’s demarcation was to defend political economy from an illegitimate assertion of scriptural authority; but he was also concerned to prevent it from being hijacked by the atheistic radicals of that day, associated with the *Westminster Review*, whose strident pretensions had alarmed Tory, high-church Oxford (Waterman 1991, 206-215).

It would appear from the foregoing that not only does economics *not* “need an infusion of religious or quasi-religious formulations” (Klein 2014), but also that any attempt to supply such an infusion would be to misunderstand the nature and purpose both of economics and of religion. This does not mean that some ‘pre-analytic’ insight derived from religion could not be tried out within the existing methodological framework of economics. If it were, and if as a result one or more of the anomalies which afflict current economic theory were resolved, all would cheer and the author would get a Nobel prize. But it would not be the infusion of any *religious* formulation, for science must exclude all faith-knowledge, which is necessarily private, and rely solely on publicly available evidence. In order to be useful, the pre-analytic insight would have to give rise to some theoretical formulation that could contribute to a new meaningful theorem.

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