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## Character Issues

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# Scholasticism versus Pietism: The Battle for the Soul of Economics

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[Abstract](#), [Keywords](#), [JEL Codes](#)

*[E]conomic ideas—ranging from new but unelaborated concepts through isolated propositions about causality, all the way to full-blown theories—arise in the highbrow part of the economics profession and then diffuse first within the profession and then sometimes outside it to journalists, bureaucrats, politicians, and other citizens.*

—Robert Solow (1989, 75)

**SINCE THE 1930S ECONOMICS HAS BEEN FREQUENTLY CRITICIZED** for being irrelevant and, when possibly relevant, unintelligible. To characterize this failing, critics have often used the term “scholasticism.” Indeed, that term is generally used, as *Webster’s Revised Unabridged* (1998) holds, to mean “characterized by excessive subtilty, or needlessly minute subdivisions; pedantic; formal.” Such scholasticism, moreover, is generally a product of a certain *structure* of discourse and exploration: a top-down hierarchy based on a public means of support. Here I distinguish between *topical scholasticism*, meaning irrelevancy and pedantry, and *structural scholasticism*, meaning a social structure based on hierarchical validation and involuntary financing. Topical scholasticism usually depends on structural scholasticism, but structural scholasticism can in principle strive to avoid being scholastic; it can strive to be oriented toward meaningful issues and relevant public

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discourse. That goal would likely be better achieved, however, by undoing the scholastic structure.

### **KNOWING GOD: SCHOLASTICISM VERSUS PIETISM**

How does a person know God and his ways? In the history of western theology there have been two opposing views. In one view—which I call the “scholastic” view—a church hierarchy interprets the ways of God to the faithful. An official priesthood transmits the results of a long history of internal church discussions and debates. In this process, great legitimacy is given to having an exhaustive knowledge of past religious documents, historic writings, and other relevant materials. The most skilled in the use of these materials often claim that the results demonstrate human “rationality” at its highest levels. In the Middle Ages, the Roman Catholic Church conducted its internal discussions in Latin, thus precluding the possibility of participation or comprehension by the ordinary people. Paul Tillich, perhaps the most distinguished American theologian of the twentieth century, has said of this tradition that “the Roman system is a system of divine-human management, represented and actualised by ecclesiastical management” (Tillich 1967, 228).

In a contrasting view—which I call here the “pietistic” view—there is a more direct relationship between the individual and God. Protestantism in general preaches that salvation is “by faith alone”—without any essential intermediary role for a church hierarchy. In the sixteenth century the Protestant Reformation disbanded the large church land holdings and other properties and abolished the priesthood of the Catholic Church. Protestantism instead preached a “priesthood of all believers”—every person should be equally devout and committed to the dedicated pursuit of God’s truths.

Many of the knowledge claims of the Catholic priesthood were dismissed by the Protestant Reformers as the self-serving manipulations—empty “scholastic” exercises—of a corrupt church that sought thereby to maintain a religious monopoly. Protestants were instead encouraged to study on their own the original source materials, especially the bible, as a central element of their religious life. The absence of an intermediate church hierarchy led to a new individual intensity in the relationship of each Protestant faithful with God. As Tillich wrote, it is a “person-to-person

relationship” which is “unconditional” and in which “one is not a bit nearer to God if one does more for the church” (Tillich 1967, 229).

The division of the [church] faculty into “experts” is a very unwholesome state of affairs, where the New Testament man tells me that I cannot discuss a certain problem because I am not an expert, or I say that I cannot discuss a matter because I am not an expert in Old or New Testament. Insofar as we all do this, we are sinning against the original meaning of Luther’s attempt [to reform the Christian methods of doing theology]. ... These are very real problems [even] today, and students can do a great deal about them by refusing to let their professors be merely “experts.” (Tillich 1967, 244-245)

Yet, even the Protestant Reformers found it necessary to develop a systematic body of theological writings. Both Luther and John Calvin wrote many volumes of biblical and other theological exegesis and both they and their followers sometimes were dogmatic in insisting that the faithful subscribe to these views. Although it was in many ways inconsistent with the main reform thrust of Protestantism, over time such writings could easily become an official orthodoxy, and scholastic tendencies arose within Protestantism as well. Some branches of Protestantism such as the Anglicans in England maintained a hierarchical structure of church practice and teaching. At the same time, there were some important reform movements within the Roman Catholic Church that attacked the sterility of existing scholastic methods and tendencies. Given the absence of a single source of church authority, however, it was easier for powerful new reform movements to arise among the Protestant faithful, which happened on a frequent basis in the next few centuries.

By the middle of the seventeenth century many of the established churches of Protestantism were showing signs of what the historian of theology Gerald Cragg calls a new “aridity of theology” and a “lifeless and unbending orthodoxy.” The radical Puritans in England offered one challenge. In Germany a movement of religious revival, Pietism, was led in the later part of the century by Phillip Jakob Spener. Critical of developments in the Lutheran church, Pietism elevated the role of the laity in the life of the church and emphasized that religion should not be a matter of the learning of formal theology, but must be lived on a daily basis—that “Christianity was not an intricate system of abstruse doctrines

but the practice of a transforming way of life” (Cragg, 1970, 101). The pietist faithful were committed to their own intensive study of the Scriptures in order that they could commit their lives better to the teachings of Jesus. In this manner, pietism “broke the paralyzing hold of Lutheran scholasticism” (Cragg 1970, 103). As Cragg comments, “in its resistance to control of religious opinion, Pietism represented an outspoken assertion of individual rights in the face of the entrenched prerogatives of the civil rulers” and their religious backers (Cragg 1970, 105). Pietism stands in contrast to scholasticism in relying on the common sense judgments and actions of the individual person, as against the collective authority of any established clerical hierarchy.

### **RELIGIOUS ENLIGHTENMENT AND ECONOMIC ENLIGHTENMENT**

Today, there is an analogous tension. Instead of knowledge of God, the issue is economic enlightenment. The members of the economics profession who practice and affirm the formalistic genres of economics are like the scholastics of old. The economics profession is hierarchical. It works by internal processes based on a well established ranking of prestige in the application of “rational” methods. The most authoritative economists have formed their own exclusive society, validate each other’s station, replicate their kind in PhD programs, and maintain control over the whole field by means of appointments, publications, and so forth. Professional economists communicate in a language of mathematics—the “Latin” of our time—that similarly excludes ordinary people. A true understanding of economic processes is said by economic professionals to be possible only within a framework of formal economic analysis.

The official keepers of the faith of the new “church” of this modern scholasticism are found in the leading university departments of economics and at the “top” journals (which are almost always edited at one of the elite departments). Other supporting institutions of the modern scholastic church of economics include the American Economic Association (whose leadership is usually from the prestige departments); the Economics Division of the National Science Foundation (which relies heavily on reviewers from these same departments); the National Bureau of Economic Research; the National Academy of Sciences; and still others who act to

filter out any “heretical” tendencies. The economic miscreants are no longer burned at the stake, but they are still effectively excluded from power and influence within the economic priesthood.

The economic priesthood is mostly a product of the twentieth century and the rise of the professional classes. Adam Smith—of Protestant Scotland—worked outside the academic world and was writing in the eighteenth century for the full literate population of Britain. Indeed, Smith saw the universities of his time as an obstacle to the advancement of intellectual understanding.

The improvements which, in modern times, have been made in several different branches of philosophy have not, the greater part of them, been made in universities, though some no doubt have. The greater part of universities have not even been very forward to adopt those improvements after they were made; and several of those learned societies have chosen to remain, for a long time, the sanctuaries in which exploded systems and obsolete prejudices found shelter and protection after they had been hunted out of every other corner of the world. (Smith [1776], 1937)

In reading *The Wealth of Nations*, ordinary people could well enough understand that a free market system would affirm their liberties and ensure their future prosperity. No official body of priests was required to validate this message. Today, there are heirs to Adam Smith, although seldom found in the highest ranks of the economics profession. A new body of economic writings is found in “pietistic” organizations that depart from the official “Latin” of professional economics.

Organizations such as the Foundation for Economic Education, the Cato Institute, and the Institute of Economic Affairs do not appeal to priestly authority, and do not lobby the powers that be to impose their doctrines on others (they oppose the government production of schooling). They appeal to the common understandings of interested lay observers.<sup>1</sup>

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<sup>1</sup> The three examples given are libertarian examples, and certainly other examples from other ideological quarters could be given. However, I would argue that the more mainstream “liberal” and conservative organizations and periodicals tend to approach issues politically rather than economically; they appeal more to the sporting nature of the political contest. As for the leftist periodicals outside the center, I would argue that their emphasis on elucidating economic principles is very weak. Thus, in endeavors of economic pietism, I see a certain prominence to libertarian ideas.

They would dispute any suggestion of an exclusive monopoly of economic knowledge possessed by a limited body of professional “experts.” They call on ordinary people to ponder and assess the merits of rival claims to economic enlightenment.

These issues concern the character of economics, raising such questions as the following: How technical is economic knowledge? Is valid economic knowledge mainly developed through the workings of a priestly or professional hierarchy? When economists appeal to a scientific status, is this mainly a means of asserting a special claim to a priestly control over the development and use of economic knowledge? How much real addition to economic knowledge has been achieved as a result of the professionalization of economic inquiry in the twentieth century? Or perhaps has this professionalization instead inhibited the advance of greater economic understanding (as was the case in some earlier eras of scholastic inquiry)? Do we in fact know much more than Adam Smith about the economy, or has the greatest change been in the manner of presentation of much the same economic knowledge? Might the scholastic discourse even tend to eclipse or avoid truths that Adam Smith long ago already appreciated? Are the scholastic preoccupations harmful movements for the overall advance of economic knowledge?

To address these questions systematically would require an effort that would extend well beyond the scope of any one article—or perhaps any one book.<sup>2</sup> I propose instead to examine these tensions as they have been raised in some contemporary writings of leading economists.

### A CRISIS OF ECONOMIC FAITH

Long before the Protestant Reformation, there were many within the Roman Catholic Church who saw the failings of scholastic theology and preached the necessity of reform throughout the Church. Erasmus, a contemporary of Martin Luther, saw many of the same problems in the Catholic Church that Luther would condemn. However, as Tillich writes, Erasmus approached religious questions with an attitude of “detached

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<sup>2</sup> See, for example, Robert H. Nelson, *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, PA: Penn State Press, 2001); and Robert H. Nelson, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Lanham, MD: Rowman & Littlefield, 1991).

analysis.” He was critical of the established church but it was “criticism ... of a rational kind, lacking in revolutionary aggressiveness.” The criticisms of Erasmus and earlier writers had largely failed to have much impact. By contrast, Luther “could not stand this skeptical attitude.” He “was a radical, in political as in other respects” (Tillich 1967, 238). It was Luther, of course, who eventually moved the world, overcoming a longstanding church inertia. The Pietists would later follow and, in some respects, move farther down the path originally blazed by Luther.

The economics profession today has its followers in the tradition of Erasmus. They see the problems of the profession and the need for reform, but approach this with an attitude of detachment and lack any real revolutionary commitment to change. Nevertheless, their criticisms, like those of Erasmus, are working to undermine the legitimacy of the established priesthood. Even many leading economists today no longer show much faith in the methods and character of contemporary economics. Indeed, William Davis recently surveyed economists about whether they believed in their own profession, and the findings showed a truly high degree of dissatisfaction and disillusionment (Davis 2004).

### **REFLECTIONS ON THE CONDITION OF ECONOMICS: *EJS* CENTENNIAL ISSUE**

The internal crisis within economics at the end of the twentieth century was evident in a 1991 special issue of *The Economic Journal*. As a commemoration of its first hundred years of existence, the journal published a series of 22 articles on “The Next 100 Years” by leading economists. The articles provided an occasion for reflection on the record of the economics profession over the previous 100 years. Some of the articles were optimistic about the future of economics, even as they had significant criticisms to make. The great majority of the articles suggested that economics had become too narrow and that a widening of professional methods and a firmer empirical grounding for the discipline would be desirable.<sup>3</sup>

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<sup>3</sup> Besides the writers reviewed in this article, the centennial issue of *The Economic Journal* also included contributions by James Buchanan, John Kay, John Pencavel, Nicholas Stern, Joseph Stiglitz and Stephen Turnovsky. Agreeing in many respects with the authors whose critical views are examined in this article, these economists all expressed significant concerns for the current directions of the economics profession and stated the need for major

A considerable number of the articles, however, offered still stronger criticisms, showing a deep concern about scholastic tendencies that had emerged within the economics profession—occasionally even using the term “scholastic.” Few of these economists went so far as to advocate what I term pietism. Many of them suggested greater integration of economics with psychology, sociology, history, and other fields of study.

Here I review several of the articles and suggest that the complaints about topical scholasticism can be well understood as problems arising from a structural scholasticism that dominates contemporary economics.

### Andrew Oswald

Dartmouth economist Andrew Oswald begins his contribution to the centennial forum of *The Economic Journal* by describing a sense of malaise concerning the directions of the profession.

Is Economics going in the right direction? Some people think not. Wassily Leontief has argued that our discipline has deteriorated into a second-rate branch of applied mathematics in which, unscientifically, researchers eschew empirical investigations. James Heckman says that the subject is “widely perceived to be discredited because it has so little empirical content and cares so little about developing it.” John Pencavel concludes that economists do not want applied work to be done, because it is likely to reveal the irrelevance of their hypotheses and undermine their ability to derive sweeping implications from theoretical models. (Oswald 1991, 75)

Oswald states that he is at least sympathetic to, if not in complete agreement with, the critics of the profession. Professional economics is in a “downward spiral” that reflects the influence of a “post-war generation of

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changes. Less critical but still seeing the need for significant changes in the future practice of economics were Jagdish Bhagwati, Partha Dasgupta, and Richard Schmalensee. By contrast, the “true believers” in current economics among the centennial contributors were Peter Fishburn, Charles Plott, and Alvin Roth. Another contributor, J. Johnston, was also generally optimistic about the path of economics today. Finally, one contributor, Austin Robinson, had little to say about past or future economic methods; his article instead provides a survey of economic history.



mathematicians [who now] hold power” in the ranks of the profession. Among this group, “formal analytical ability,” as opposed to empirical and other more useful knowledge, “is the criterion for advancement.” Furthermore, young economists are being molded to fit this model because, “believing themselves to be an elite, the ruling class [in economics] aim to create future generations in their own image.” Their manner of exercising control over the activities of the economics profession is “by accepting for publication only certain kinds of articles, by recommending for promotion young mathematical economists, and by changing graduate courses to stress technical skills at which they excel” (Oswald 1991, 75). The medieval priesthood as well maintained its scholastic orthodoxies by asserting rigorous controls over admission to its ranks.

Investigations by Oswald and others showed that about half of the articles published in leading journals by economists had no data. The economics profession sees itself as following in the path of physics and chemistry, but only 12 percent of physics articles and almost none of the articles in chemistry had no data (Oswald 1991, 75). The difference might be explained partly by the fact that the subject matter of economics is much broader than physics or chemistry and appropriate data simply do not exist. Oswald concludes, however, that much of the work of the economics profession is a disguised “kind of mathematical philosophy,” engaging in abstract reasoning of doubtful utility, a trend he finds “hard to believe . . . a desirable state of affairs” (Oswald 1991, 78).

Oswald’s description sounds much like the criticisms of scholastic writings at the low points from which the negative connotations of “scholastic” are derived (the high points of the scholastics included the writings of Thomas Aquinas and others among the great medieval philosophers). As the intellectual historian John Herman Randall comments, there came a time when “the medieval intellect had . . . built as large an edifice as it could hope to with the materials at hand, and had commenced those fine drawn distinctions which have given its debased form so evil a name” (Randall 1926, 213). There was in such scholastic thought a “preoccupation with mere forms of knowledge” that worked well for “expounding and developing an authoritative body of principles.” However, “it could teach little that was not already known” (Randall 1926, 214). As Francis Bacon complained, the scholastic manner of argument “brings forth indeed cobwebs of learning, admirable for the fineness of thread and work, but of no substance or profit” (quoted in Randall 1926, 214). Nevertheless, it did offer, as Randall states, “a means of increasing man’s power over his fellow man, enhancing his reputation and his purse by

victory in disputation” (Randall 1926, 214). It all sounds very much like the current economics profession, as described by many of the writers in *The Economic Journal*.

### **William Baumol**

Writing in this same issue, some of the best known names in economics—members of the profession whose reputations were partly based on technical forms of exposition—show deep concern about scholastic tendencies within the field. William Baumol finds that a “peril” facing economics is that “few specialized students are allowed to proceed without devoting a very considerable portion of their time to the acquisition of mathematical tools, and they often come away feeling that any piece of writing they produce will automatically be rejected as unworthy if it is not liberally sprinkled with an array of algebraic symbols.” If they engage in “the pursuit of alternative approaches,” their work will “not [be] respected” by the leadership of the economics profession (Baumol 1991, 2). In looking towards the next century, Baumol states that “it should by now be obvious that I am hoping that the future will bring some decrease in the display of technique for its own sake, with models constructed so as to increase what they tell us about the workings of the economy rather than just displaying the properties of some analytical procedure” (Baumol 1991, 6). The church of economics, as Baumol is saying, is straying farther and farther from the real world into elaborate displays of mere technical competence in mathematical reasoning.

### **Milton Friedman**

Milton Friedman is generally supportive of the turn during the twentieth century of the economics profession towards greater use of mathematical and statistical methods. However, much like Baumol, he finds that things have gone too far. Indeed, Friedman declares that the “reliance on mathematics and econometrics” has reached “the point of vanishing returns.” The use of mathematics is no longer making a contribution to economic understanding, but has become an end in itself. As Friedman comments, “again and again, I have read articles written primarily in mathematics, in which the central conclusions and reasoning could readily have been restated in English” (Friedman 1991, 36). One of the

revolutionary changes of the Protestant Reformation was to translate the Bible and other religious writings from Greek and Latin into the language of the ordinary people. Among the reasons for Luther's great fame, he was the first to translate the Bible into ordinary German. Friedman, it would seem, sees a similar need in economics for translations, when there are worthwhile ideas, into the common language of today.

Friedman finds that, even in 1930, under the editorship of John Maynard Keynes, the entire volume 40 of *The Economic Journal* contained one page that included mathematical symbols. But mathematics after World War II became the language by which economists in the twentieth century sought to assert their priestly prerogatives. Unfortunately, as Friedman concludes, this has not led to corresponding increases in economic understanding. "[T]o summarize," he writes, "there has been little change in the major issues occupying the attention of economists: they are very much the same as those that Adam Smith dealt with more than two centuries ago. Moreover, there has not been a major sea change in our understanding of these issues." In physics and chemistry the writings of 200 years ago are a mere historical curiosity. But it is still possible to "read the *Wealth of Nations* and David Hume's essays *Of Money* and *Of Interest* with pleasure and intellectual profit" (Friedman 1991, 37). In re-examining old volumes of *The Economic Journal*, Friedman is struck by how "the substance of professional economic discussion has remained remarkably unchanged over the past century" since the first volume was published. If the substance was not much different, to be sure, "the language" has changed "drastically" (Friedman 1991, 33). Displays of virtuosity in the new language of mathematics have become more important for many economists than the development of real economic enlightenment.

Friedman also is pessimistic in seeing little gain in the quality of economic understanding from the nineteenth to the twentieth centuries; it is poor in both periods. He quotes a statement of an economist W.J. Ashley in 1907 that "when one looks back on a century of economic teaching and writing, the chief lesson should, I feel, be one of caution and modesty, and especially when we approach the burning issues of our own day. We economists . . . have been so often in the wrong!" Friedman declares that this conclusion from 1907 "can serve as mine in 1990" (Friedman 1991, 39). The great commitment to formal quantitative rigor in economic methods of the twentieth century, as Friedman concludes, has done little to improve economic judgments.

### **Michio Morishima**

Other economists who contributed to *The Economic Journal* reviewed the status of general equilibrium theory (GET), once considered the highest grounds of theoretical development within the economics profession. Despite its great prestige, the reviewers find evidence of the spread of scholastic tendencies in the work of general equilibrium economists. GET theorists, Michio Morishima finds, have “sunk into excessive mental aestheticism” (Morishima 1991, 70). Economists poured great resources into analysis of “the world of GET [which] is in fact a dream world” (Morishima 1991, 71). Yet, it is possible to achieve the highest levels of professional prestige in economics by developing the full contours of this fantasy story. There are many economists who “expend their energies on competing with each other in demonstrations of intellectual and theoretical ability.” For those who are successful in this manner, they often “regard as their inferiors those who contend [that there exists] the need to observe the real world.” For Morishima, however, all this is “a palpable symptom of scientific degeneration” within the community of high economic theory (Morishima 1991, 74).

### **Frank Hahn**

Frank Hahn, a leading economist who himself gained fame as a general equilibrium theorist, is equally skeptical. He predicts the “demise” of GET, although he does not necessarily agree with the view of others that in every case “pure theory is scholastic and so by implication bound to be irrelevant to the world.” The method of pure theory involves “the activity of deducing implications from a small number of fundamental axioms.” Despite its current problems, Hahn thinks that this effort in the past often led “to beauty and to surprise.” The work of general equilibrium theorists, Hahn suggests, has been “crucial to our understanding of decentralized economies” (Hahn 1991, 47).

The problem for Hahn is that general equilibrium theory now will be much less useful in addressing “the next crucial questions” for economics. Indeed, “almost none of them,” Hahn declares, “can be answered by the old procedures.” In future economic research, it will be necessary to introduce “psychological, sociological, and historical postulates.” The

“axiom of rationality” will have to be significantly relaxed. Economics will have to become “a ‘softer’ subject than it is now” (Hahn 1991, 47). There will have to be an embrace of the concerns and methods of the fields of “history and sociology and biology” (Hahn 1991, 50).

The language of mathematics, as Hahn believes, will probably be less helpful in any such eclectic effort to integrate so many fields. Indeed, ordinary English might be required to bring together the insights from a wide range of scholarly sources. Professional credentials in any one specialized body of expertise might count for little; any intelligent person might be as qualified as any other person in synthesizing diverse areas of knowledge. It might require a modern “Economic Reformation” in which the voices of the professional priesthoods no longer carry special authority.

So far, however, the economics profession is resisting the transition to any such new world. Hahn sees this resistance as characteristic of a religion under challenge: “one often encounters increased orthodoxy among some just when religion is on the decline.” For the current economics profession, “it is clear that this sort of thing heralds the decadence of endeavor just as clearly as Trajan’s column heralded the decadence of Rome. It is the last twitch and gasp of a dying method.” The scholastic thinkers of a later Christian era in Rome had also been swept aside in the end by the tides of history. By continuing to focus on “the maximization of a representative agent’s utility over an infinite future,” the result is that economists are “ignoring every one of the questions now pressing for attention” from the profession (Hahn 1991, 49). They might well also soon end up as losers in the intellectual tides of their own times (see Nelson 2001).

### **Edmund Malinvaud**

Another leading technical economist, Edmund Malinvaud, offered yet another pessimistic view. In assessing economics since World War II, Malinvaud declares that these years “were obviously marked first by a wave of optimism, then by the painful realization that most of the initial beliefs were the product of delusion. This applies whether one considers the broad development issues or the more modest current problems of industrial countries.” In the 1950s large numbers of economists believed that their work would “lead to international economic order; it will gear development in the Third World; it will show the way to good socio-economic performance in alternative systems to capitalism.” As the events of the

second half of the twentieth century unfolded, however, these optimistic beliefs were not realized. “[T]he beliefs appear to have been mainly unwarranted, following from wishful thinking and from bold or loose extrapolations of what economics really knew” (Malinvaud 1991, 65).

In the later decades of the twentieth century, economists shifted their optimism towards the management of the market system. Yet, as Malinvaud assesses this more recent history, “the same sequence of confidence and disappointment occurred with respect to the role of economic management in market economies, whether it concerned allocation of resources, distribution of welfare or macroeconomic stabilisation.” Part of the problem has been the failure of economists to understand that “public management is never a purely economic matter and cannot be immune from political interference, if only because the notion of an objective to be achieved can seldom be precisely defined beforehand.” Another problem is that “side effects that had been taken as negligible turned out to be determinant.” On the whole, there has been a demonstrated “inability to solve the real problems” that has acted to undermine the earlier high hopes of the profession (Malinvaud 1991, 65).

Despite the failures of the past, Malinvaud is optimistic that a new and better economics will emerge in the future. Like Hahn, he believes that this will require the introduction of new assumptions and ways of thinking from other fields of study. Economists will have to incorporate the insights of “psychologists, sociologists, political sciences” and other areas into their work. There will be a need for “supplementary information on physical, technological, institutional, or social constraints.” It will be necessary to “recognize the limits of the dominant concepts of economic rationality and economic equilibrium” (Malinvaud 1991, 68). The result might look more like the old subjects of political economy or moral philosophy, rather than the current efforts of economists to emulate the physical sciences. “[A]fter a period of doubts the usefulness of economics as a normative science will again be recognized” (Malinvaud 1991, 67).

To be sure, it will depend on the future actions of economists themselves. Malinvaud acknowledges the risk that “seriously exists that the discipline progressively loses touch with real problems, develops on its own into a scholastic [exercise] and becomes less and less significant for layman’s concerns.” Indeed, there are warning “signs of such an evolution” in the current activities of economists. There are “great efforts ... being spent [at present] for solving problems whose ultimate relevance can only be very indirect” (Malinvaud 1991, 66).

### Interlude: How to Avoid Topical Scholasticism

Admittedly, even if members of the economics profession accept the necessity to widen the areas and the methods of economic inquiry, it might not mean the end of priestly prerogatives. Economists might not use as much mathematics, but the use of other professional jargon might still be required in order to be taken seriously within the ranks of the profession. In other areas of professional activity such as the law, this verbal method of defending professional “turf” has long been employed. Nevertheless, if economists are expected to write in plain language, and to incorporate the ideas of various fields of scholarship into their work, it will be more difficult to assert a professional monopoly on economic knowledge. Interested members of the general public will have a greater ability to assess the relevance of what economists write and the merits of their arguments. Thinkers outside the economics profession will be able to compete on a more equal basis.

If such a “reformation” of economics takes place, it may well turn in the direction of a new pietism. As one theologian comments, the followers of Pietism in the late seventeenth century, and for much of the eighteenth century, were “reacting against an elite, remote, self-satisfied professionalism” among the established clergy. In the small communities in which they gathered, the “priestly functions were [instead] practiced by laity.” The theology of Pietism “was oriented toward the practical implementation of behavioural change rather than its theoretical aspects”—as one might say today, towards real world policy argumentation rather than formalistic exercises. A main feature of “pietistic faith and practice” was that it “exhibited a broad spirit of tolerance and a primitive ecumenism” (Oden 1972, 80). Pietists did not impose strong theological preconditions for participation in their community discussions; they were willing to draw from many religious traditions in their intense search for a proper individual relationship with God. Economists, as many contributors to *The Economic Journal* were suggesting, might similarly have to widen their sources of information and thinking in the development of their own economic ideas.

### Jack Wiseman

Most of the contributors to *The Economic Journal* were leading economists whose work fell within the mainstream of economic research. The *Journal*, however, opened its pages to two longstanding economic critics. As Jack Wiseman noted, “I have long preached that mainstream economics is fundamentally flawed.” Although his message had not yet been accepted, Wiseman (who died soon after in 1991) was confident that time was on his side. He believed that “the heretics grow in numbers” and he was “increasingly confident that they will be tomorrow’s priests” (Wiseman 1991, 149).

As Wiseman saw trends within economics in 1990, “the need for a new paradigm is coming to be more generally accepted.” There is “growing dissatisfaction with the dominant neo-classical orthodoxy” (Wiseman 1991, 150). Among a group of “evolutionary economists,” for example, they “dismiss the behavioural assumptions of neoclassical economics as destructively simplistic.” There were many “dissident groups,” also including the Austrian school, the new institutionalist school, the public choice school, behavioural economics, and the “radical subjectivists personified by Shackle.” For Wiseman, the various criticisms of the economic mainstream demonstrated that “adaptation” would not be enough: it would be necessary to have a “fundamental reappraisal” of the work of professional economists (Wiseman 1991, 151). As it seems, the great need today is for a new Luther or Calvin of economics.

### John Kenneth Galbraith

Only one economist who was asked to contribute to *The Economic Journal* might have been so bold as to entertain any such personal ambitions. Since the 1950s, John Kenneth Galbraith has been writing with great success for audiences of mostly non-economists. He has been an economic heretic not only in this respect, but in the many fierce attacks he has long directed at the work of mainstream economists.<sup>4</sup> He continues in that vein in his *Economic Journal* contribution, declaring that current members of the profession devote their main efforts to scholastic work that “allows of an infinity of technical refinement within an unchanging context.” Economics

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<sup>4</sup> See for example, Galbraith’s *Economics in Perspective: A Critical History* (Boston: Houghton Mifflin, 1987).



has developed an ingrown culture in which the successful feel “a rewarding sense of superiority as compared with those who have not similarly penetrated the complexities.” Some of these economists are so absorbed in their own imaginary creations that they fail even to recognize the drastic departures from the real world economic circumstances. Yet, in looking to the longer run, as Galbraith believes, it is inevitable that they will face “intellectual obsolescence” and “increasing irrelevance” (Galbraith 1991, 41). It has not happened yet, however. Galbraith has long advocated a revolution in economic methods, but his personal crusade has made little impact on the economic mainstream.

### **PIETISM AS BOTTOM-UP ENLIGHTENMENT**

A pietistic approach to the search for knowledge offers no guarantees of the final economic and policy outcomes. There are “left” economists such as Galbraith and libertarian economists such as Henry Hazlitt who have written in plain language and whose main influence has been felt outside the mainstream of professional economics. The Protestant Reformation earlier had opened the discussions of theology to a much wider range of participants, thus giving a new life to religion. Protestantism did not, however, yield religious closure. To this day, Protestant denominations compete fiercely with one another for followers—a “free market of religion” that replaced the tight control of the Catholic Church on the acceptable bounds of religious expression. A pietistic approach to economic knowledge today would similarly offer a “free market in economic ideas” in which the efforts of professional economists to assert powerful priestly privileges would be significantly curtailed. Getting down to policy brass tacks, as Protestantism long ago abolished much of the edifice of clerical privilege, this might mean ending academic welfare as dispensed today in support of the priestly hierarchy and in other government subsidies to the scholastic apparatus.

To be sure, the history of the Protestant Reformation illustrates the potential hazards of the pietistic approach as well. Lacking central authority, intellectual confusion may result. The Protestant Reformation led to religious warfare covering much of Europe for more than a century—at great cost in lives and property. There is a balance required between the scholastic and the pietistic approaches to the search for religious and

economic truth. In professional economics today, however, the scholastic mode has become, in my judgment, much too powerful. It will be necessary to find a better compromise by turning towards a more pietistic approach to economic learning.

### **Robert Solow: Champion of the Existing Structure**

About the same time that the contributors to *The Economic Journal* were offering their commentaries on the state of economics, another group of economists were reflecting on the economics profession in an edited book collection, *The Spread of Economic Ideas* (1989). The writings there were often consistent with the many pessimistic views expressed in *The Economic Journal*. For example, the editors, A.W. Coats and David Colander, note in the introductory essay that the economics profession engages in many internal controversies “at times resembling medieval theological disputations” (Coats and Colander 1989, 4). In a later chapter, David Colander suggests with respect to the research efforts of the profession that “the emperor has no clothes” (Colander 1989, 36).

However, one contributing author was Robert Solow, the MIT economist and winner of the Nobel prize in economics in 1987. Solow’s views departed significantly from those described above. As Solow notes, most of the other chapters in the book reflect “a sense that our profession is marked by utter confusion and loss of confidence and bearings.” However, “I do not share that feeling, not at all, nor do most of the functioning economists I hang out with” (Solow 1989a, 37). Solow does lament that economic knowledge is often ignored in the political process. However, this is not due to the failings of economics. Overall, Solow portrays, instead, a world of economic priests whose valid economic truths are simply unwelcome and unheard in a sinful world.

Solow believes that economics, properly done, can and should be value-neutral—even though many would question that this is a possibility, even in concept. As he states, it is true that “the positive and the moral aspects of economics are very much intertwined. But honesty and clarity require that in talking about economics we try our hardest to separate them” (Solow 1989a, 38). Solow has a clear model in his mind of how the world of economic policy making should work. First, economic scientists will commit themselves to objective research to discover the theoretical structures that underlie the workings of an economic system. Many economists will try, but most of the deepest thinking will be produced by a

select few—those who are the best trained, and have the highest scientific skills, and are mostly located in the leading universities.

In the next step, their discoveries will be absorbed within the economics profession itself. From there, the ideas somehow must trickle down and filter into the public mind and the political process. As Solow describes this overall process, “economic ideas—ranging from new, but unelaborated concepts, through isolated propositions about causality, all the way to full-blown theories—arise in the highbrow part of the economics profession and then diffuse, first within the profession, and then sometimes outside it to journalists, bureaucrats, politicians, and other citizens” (Solow 1989b, 75). Religious—and now economic—truth originates in the highest levels of the church, is then communicated to the wider priesthood, and finally reaches the laity.

In the medieval development of scholastic theology, and now in the economics profession, the ordinary person has very little to contribute to improved knowledge. Solow’s vision is strictly top-down. He says that “there is also a backflow of ideas from the World Out There to the economics profession, but those are hardly ever economic ideas. They are rather social beliefs, priorities, or ideological conceptions” (Solow 1989b, 75). The public ideas, moreover, often unfortunately influence the reception to the scientific knowledge being offered by economic theorists.

Here, Solow confesses to his own feelings of pessimism. The public distorts what it hears from economists. “[O]ne’s fear, of course, is that this distortion [of the economic message] is often substantial and systematic” (Solow 1989b, 75). The result is that the public understanding of economic theories may “bear little resemblance to the original ideas, the ‘real’ ideas.” It may even mean that “what is finally transmitted is merely false” (Solow 1989b, 76). Solow offers an example from the development of the 1986 tax law, one of the most important pieces of U.S. economic legislation of the 1980s. In listening at the time to an influential member of the Congress explain this law, Solow finds that the Congressman is speaking “meaningless drivel.” What had begun as a valid economic principle was now only the “residue of economic ideas,” and in the thinking of a leading Congressman amounted to “nonsense” (Solow 1989b, 79). The application of economic science could make for a far better world, but all too often the higher learning that economic experts have to offer is ignored by the politicians.

Thus, it turns out that, while Solow largely exempts the economics profession itself from the blame, he shares the sense of confusion and uncertainty of purpose felt by many of his colleagues concerning the policy

role of the economics profession. How can valid technical economic concepts be put to practical use, when the political leadership is typically incapable of understanding these concepts? As Solow laments, “good economics is bound to be complicated. Good economics is also bound to be uncertain” (Solow 1989b, 82). One option would be for the politicians simply to trust the economists—as a patient trusts a heart surgeon. At one time, that was the hope of the economics profession, but it was not to be.

The political leaders who are the intended audience for economic knowledge, as Solow finds, are “rarely interested in narrow economic policy for its own sake.” They are unwilling to listen to “the complexities and uncertainties of economic analysis.” The politicians want simple answers. Some economists, anxious to be heard and to please their audience, are in fact willing to bend to political pressures. As Solow laments, in such cases “the result is that we [economists] pretend to answer questions far beyond the capacity of our observational material to provide credible and reliable evidence” (Solow 1989b, 82).

I find much truth in Solow’s reflections, of course. Indeed, the problems Solow notes are a main reason why I generally favor a much smaller government, especially at the national level in the United States. But still, Solow sounds somewhat like the Pope in the Vatican confronting a world where abortion, sexual license, and other sinfulness reigns triumphant. The high priests of economics have the knowledge to improve the world but few will listen. Heresy reigns over much of the earth. Rather than compromise with evil, Solow suggests that perhaps it will be necessary to withdraw to the monastery. If their theories must be complicated, and yet the world demands simple answers, he says that perhaps the best response is “a little more silence” among economists (Solow 1989b, 83).

### **CONCLUSION: TOWARD A MORE PIETISTIC ECONOMICS**

Economists such as Solow implicitly held to a model of the political world for much of the twentieth century. They disavowed being “political” yet had a strong normative vision of the proper workings of the political system. In this political theory, economists produce objective economic knowledge. Politicians make the value judgments for society in separate arenas and then seek the definitive advice of economists in

realizing these values and the associated social outcomes. It all assumes that there can be a separation of the political process into two distinct domains—one of scientific expertise and the other of the determination of social values.

However, this model was always doubtful and few subscribe to it any more, including most economists. If the world had worked according to the political ideals professed by past economists, the result would have been, in practice, to turn over the making of government policy to the economists themselves (which is probably part of the model's appeal to many of those economists). The problem is that it is typically impossible to separate value decisions and technical decisions. Indeed, the very distinction between fact and value is murky at best: Important realms of fact concern the values that people in fact cherish. In the real world, "social values" typically emerge incrementally, the outcome of a large number of administrative and other small decisions. If economists and other experts are given significant control over these decisions, they will end up, in effect, determining much of the direction of social values. Economists will truly be the moral priesthood of society.

Economists like Solow should reconsider the political model that has long existed in the back of their minds. They should reconsider the manner of doing economics. Economics that is not widely understandable, whose insights cannot be incorporated directly into plain language that is accessible to public discourse, may be close to useless for public purposes. If economists continue to produce work that has such limited public utility, the political process may turn against the funding of economists with tax-dollars. In the longer run the support is not likely to continue indefinitely for a large commitment of resources that is directed mainly to the satisfaction of the aesthetic tastes of economic model builders and statisticians.

In terms of actual economic understanding, the costs of a more public-discourse orientation are likely to be minimal. Indeed, a new model of economics in plain language may well improve the quality of future economic knowledge. Economists in the second half of the twentieth century turned away from wider empirical inquiries to explore the logical deductions from a small set of "simplifying" assumptions and whether the world actually conformed to the resulting abstract predictions. However, many important influences on the economic system do not lend themselves to such a simplified mathematical expression. Rather than adopt less formal methods of inquiry, economists often chose simply to ignore these influences.

When outside critics complained that many important economic factors were being left out of the analysis, the economics profession dismissed these critics as lacking professional standing. Like any group that is permitted to exclude competitors, an isolated and autonomous economics profession often produced materials of little use or interest to the rest of the world. In a word, they had become another generation of scholastics who mistook the applause of fellow scholastics for real accomplishment.

These tendencies within the contemporary academy admittedly are not limited to the members of the economics profession. Much as Adam Smith said of the wider university world more than 200 years ago, the intellectual historian Alan Kors now observes of our own time that:

I don't think we yet know what would happen if, in addition to standing up within our own institutions, we made the broader public aware of how many areas of the social sciences and the humanities have become intellectually marginalized, and of how much better educated their children would be from reading things Left, Right and Center produced by think tanks rather than from studying the social sciences at a university . . . . In the social sciences, and in many of the humanities, the most interesting things are occurring outside the university. In some ways it reminds me of the relationship of the universities to the physical sciences in the seventeenth and eighteenth centuries. There was an ideological commitment to a certain Aristotelian scholasticism in the seventeenth century that forced the new experimental scientists to find homes outside the universities. As a result, the most interesting science in the seventeenth century was not done at the University of Paris or at Oxford, but in the Royal Society or the Academy of Sciences in France, or in diverse private societies throughout western Germany, northern Italy, and, indeed, France and England . . . . That's the case now in the social sciences. What happens in the American Sociological Association is trivial. But what's coming out of certain think tanks and certain foundations and certain institutes is very exciting and much more central to the real debates about the problems of American society. (Kors 1988, 88-89)

Whether the result of internal forces within the economics profession or external pressures, the scholastic economics of the present cries out for a new reformation. It would require a turn in economics in a pietist direction. In the Protestant churches of Pietism, the leadership was required to speak the language of the laity. The old distinction between an authoritative priesthood and the ordinary people was abolished.

Ordinary people in the future may also have to be able to understand economic arguments, as Protestants once argued that they must study the bible for themselves. As theologian Thomas Oden writes, "Protestant pietism [was] . . . profoundly instrumental in liberating the western tradition from the strictures of scholastic orthodoxy and in helping to introduce . . . [this tradition] to the modern world" (Oden 1972, 66). The economics of the future will have to incorporate, as one might say, a new economic pietism that will help to liberate the twenty-first century from the scholasticism that came to dominate the practice of professional economics over the course of the twentieth century.

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