

## Leithner Letter No. 179-183

### 26 October 2014-26 February 2015

*To put mankind on the path of economic growth is not merely a matter of satisfying personal urges and physical desires: it is to follow a route that leads eventually to the spiritual fulfillment of mankind. Indeed, in the message of modern economic faith, [material] progress is the mechanism by which sin can be eliminated from the world. To eliminate sin has been throughout Western history the path of moral behavior. In short, if what is rational is what yields economic progress, and if economic progress will eventually abolish human sinfulness, then it follows directly that to behave rationally must be to obey the highest moral commandment of mankind. Economists in this regard follow in a long line of priests and preachers in the history of theology.*

*... Many economists still commit their life work to discovering the keys to economic progress. A vast body of economic research is undertaken to probe the decision making of individuals and to investigate the workings of economic laws. Underlying much of this effort is still the implicit expectation not only that economic progress will make people feel better, but that it will bring closer a day when strife, conflict and other pervasive misdeeds of the past will have many fewer grounds for existence. Indeed, if economic rationality should actually come to prevail throughout the world, men and women everywhere could hope to share in a happy enjoyment of the earth's bounties – the Garden of Eden restored by the knowledge of modern economics.*

*... It is becoming evident that a large element of faith has sustained the social role of the economics profession. The message that mankind is rational and that reason will ultimately prevail in the world is no less grounded in faith. If science does not provide the answers, then to ask why someone should subscribe to these beliefs is to raise questions that are ultimately theological. ... This task may involve the study of the place of modern economics in the history of Western theology. It may require making arguments that are developed in theological terms and in a theological framework that is at present unfamiliar to most economists.*

Robert H. Nelson

*Reaching for Heaven on Earth: The Theological Meaning of Economics* (1991)

*[Frank] Knight's system of thought is so far outside the assumptions of the economics mainstream that most economists have simply chosen to ignore his moral philosophy, concentrating on the technical arguments at which he was also skilled. His preaching is for many economists virtually incomprehensible ... This failure of so many economists to better understand the direction of Knight's thought is powerful evidence – if any should be needed – of the secularization of American society and the lack of knowledge of old-fashioned Protestant theology. ... His thinking is easily seen as a secular version of Protestant Christianity, grounded in a conception of the ever present and powerful workings of sin in the world.*

Robert H. Nelson

*Economics as Religion: From Samuelson to Chicago and Beyond* (2002)

## A Reviewee Reviews a Reviewer – Part II

The examples are legion, but one will suffice. “The current economic situation is in many ways better than what we have experienced in years,” the Organisation for Economic Co-operation and Development (OECD) confidently prophesied in the *Economic Outlook* it published on 18 July 2007. Seers are usually wrong, and often egregiously so; but they seldom doubt their own prophesies:

Against that background, we have stuck to the rebalancing scenario. Our central forecast remains indeed quite benign: a soft landing in the United States, a strong and sustained recovery in Europe, a solid trajectory in Japan and buoyant activity in China and India. In line with recent trends, sustained growth in OECD economies would be underpinned by strong job creation and falling unemployment.

“Why,” asks [Ciro Scotti](#) in [Robert Shiller Explains Why Economists Won’t Help Fix the Economy](#) (*Business Insider*, 9 October 2011), “didn’t economists see the financial crisis coming? And why in the face of joblessness and a floundering economy are they, in the words of one top economist, ‘unable to be helpful?’” Scotti continues:

Yale economist Robert Shiller [one of the winners of the 2013 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, which is erroneously called the “Nobel Prize in Economics”] has a very simple answer – at least to the financial crisis question: His colleagues in the dismal science are wearing blinders these days, with most examining only narrow strands of data instead of taking a world view that encompasses other disciplines. Economists are no longer the “worldly philosophers” they once were, argues Shiller. . . . “The financial crisis that started in 2007 and that continues today is widely taken in the popular press as evidence of a lapse, moral or otherwise, in the wisdom and judgment of the economics profession,” Shiller and his wife, Yale psychologist Virginia Shiller, write in a paper presented to the 9<sup>th</sup> annual conference of Columbia University’s Center on Capitalism and Society.

“These days,” Shiller told the conference, which occurred in September 2011, “economists seem to miss things that are important because they’re so busy.” The Shiller-Shiller paper added:

Specialisation coupled with strong competitive pressures within academia leads to a situation in which academics often feel that they just do not have time to ponder broad issues and learn even basic simple facts outside [or even inside] their specialty. Their general knowledge may be embarrassingly limited, and so they may retreat into their own specialty and produce research which contributes in small ways to the development of the field, but fails to pay attention to the larger picture.

These blinders of academic specialisation, lapse of wisdom and judgment and embarrassing limitation of general knowledge don't just seem to underlie – they appear to epitomise and pervade – a [review](#) of *The Evil Princes of Martin Place: The Reserve Bank of Australia, the Global Financial Crisis and the Threat to Australians' Liberty and Prosperity* (CreateSpace, 2011) which appeared in the inaugural (Summer 2012) issue of *The Journal of Peace, Prosperity and Freedom*. In Part I ([Letter 167-170](#), 26 October 2013 – 26 January 2014) I explored one of the consequences of these blinders, lapses and limitations – namely Kates' criticism that “moral arguments” obscured the book's “main message.” In his review, Kates seemed at times to contend that “morality” has no place in economic or financial analysis. Yet claims about ethics, explicit as well as tacit, permeated his review. Part I of my review of his review concluded

If you think [as Kates appears to believe] that the morality or otherwise of a particular action depends not upon its consequences, but upon its perpetrator's purpose, that a bad motivation is a necessary condition of an immoral action and that a good intention is a sufficient condition of a moral action – or, at any rate, that a good intention will render you blameless if it unexpectedly begets bad consequences – then you hand an overwhelming victory to welfare-warfare statist.

In *The Evil Princes of Martin Place* and [Letter 167-170](#) I contended that the economic mainstream's<sup>1</sup> typically (there are, of course, exceptions) hyper-technical veneer obscures shallow, narrow and often naïve foundations; these unsound bases, in turn, lead to moral and material impoverishment. Kates objects not just to the fact that overtly normative foundations underpin *The Evil Princes*: in particular, he dislikes (and seemingly rejects) the Christian theology from which it reasons:

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<sup>1</sup> “Mainstream economics,” [says Wikipedia](#), “is widely accepted economics as taught across prominent universities ... It has been associated with ... the neoclassical synthesis, which combines neoclassical methods and Keynesian ... macroeconomics.” For our purposes, three of its characteristics are most important. The first is the assumption that actors (whether individuals in markets or politicians and bureaucrats making policy) are rational – that is, utility-maximisers. Secondly, the mainstream claims, broadly speaking, that its policies are practical and utilitarian – it seeks, in other words, to identify and pursue those policies which obtain the greatest good for the greatest number. Third, its methods begin and end with mathematical models and the consequent heavy use of calculus, optimisation, comparative statics and dynamics and various econometric methods.

Combining these characteristics, mainstream economists tend strongly to the view that, using mathematical and econometric methods, they can successfully “manage the economy,” e.g., mitigate and perhaps even eliminate its allegedly inherent instability. Indeed, not only *can* they do so: they *already have* done so. Mainstream macroeconomics, for example, “was born as a distinct field in the 1940s as a part of the intellectual response to the Great Depression,” said Robert Lucas, winner of the 1995 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel in his Presidential Address to the American Economic Association (2003). Moreover, “the term [macroeconomics] then referred to the body of knowledge and expertise that we hoped would prevent the recurrence of that economic disaster. My thesis in this lecture is that macroeconomics in this original sense has succeeded: its central problem of depression prevention has been solved, for all practical purposes, and has in fact been solved for many decades.”

The GFC temporarily punctured the mainstream's hubris. “The recent economic numbers have been terrifying,” said Paul Krugman (“Fighting Depression,” *The New York Times*, 4 January 2009), another winner of the Bank of Sweden Prize, “not just in the United States but around the world. Manufacturing, in particular, is plunging everywhere. Banks aren't lending; businesses and consumers aren't spending. Let's not mince words: this looks an awful lot like the beginning of a second Great Depression.”

Moreover, the arguments of the book are built on a foundation of Christian theology and Roman jurisprudence which may not be everyone's cup of tea and which might also put some people off. It does take some effort to see the point because of this context. But in many ways the historical journey through Roman law, and the distinctions that were important these couple of thousand years ago, provides a basis for seeing that there are other ways of looking at these issues that once did exist and are now lost. I found this discussion fascinating.

But really, the context in which [Leithner] puts his economic arguments are guaranteed to ensure that hardly anyone at all will pay attention to what he says. What sense can it make to discuss any part of our economic system under the heading, "The Central Bank: Mere Idol or Agent of Satan?" (p. 527). He may wish to discuss economic policy and the proper theory behind it, but once he decides to indulge himself in that kind of rhetorical overkill he is ensuring that no one pay the slightest attention to anything he says. Even though there are major moral issues involved which are properly part of any such discussion, theological arguments are not economic arguments. There will be no converts based on such arguments. This kind of statement loses the battle even before there is any engagement at all.

In one respect, this criticism is surely correct: in contemporary Australia, a 650-page book which reasons from "a foundation of Christian [actually, Judeo-Christian] theology and Roman jurisprudence" will surely "not be everyone's cup of tea and [probably also] also put [most] people off." Just as clearly, however, this criticism is as superficial as it is revealing: Kates effectively concedes that mainstream economists don't regard (never mind use) truth, logic and evidence as criteria to assess conjectures: instead, their acceptance or rejection is a matter of popularity and personal taste! *The Evil Princes*, Kates rightly contends, is unpalatable and thus unpopular (it certainly hasn't scaled *The New York Times* best-seller list); for *this* reason – and *not* because he identifies significant errors of fact or reasoning (at least he doesn't mention any) – he rejects it.

Probably unintentionally, Kates lets the cat out of the bag: ultimately, economists, like many academics, are at best ambivalent about and at worst actively hostile to reason and evidence. In one critical respect (albeit for very different reasons, and as we'll detail shortly), this stance is sensible. The trouble is that on campus today emotion trumps cognition and faith; in other words, it's not what you *think* or *confess* – it's what you *feel* and the authority to whom you feel it – that counts. Specifically, what's all-important is that your sentiments conform to those of a relevant group (such as powerful academics, editors and referees of journals, members of tenure and promotions committees, etc.). Academics live in herds, hunt in packs and thus find strength in numbers. Is it *true* that central banks (and democratic institutions more generally) are and foment evil? *The Evil Princes* raises and, using unorthodox assumptions, classical patterns of reasoning and quite standard evidence, mostly official government statistics, attempts to answer this question. Perhaps its premises are false, its reasoning is invalid and its evidence unreliable. Yet Kates refuses indignantly even to consider these possibilities, i.e., to analyse; instead, he simply emotes.

Further, and a fundamental respect, Kates is simply, demonstrably and diametrically wrong: contentions about economics ARE, at their heart, contentions about theology.<sup>2</sup> Economics and finance, considered as a whole, are inherently theological; properly conceived, economics is a branch (albeit an undeveloped and indeed a rather primitive one) of theology. What's more – *The Evil Princes* provides many examples, and recall Robert Shiller's telling point about contemporary economists' narrow and shallow training – contemporary contentions about economics reflect debates that Judeo-Christian theologians considered centuries and sometimes millennia ago, and far more rigorously than economists do today. The claim that economics and theology are completely separate activities, which virtually all contemporary economists routinely assume and regularly assert, is false. When mainstream economists sneer that they are “above theology” and “don't do ethics” they're not simply deluding themselves: they're parading their ignorance. Falsehood, conceit and unawareness have led them into egregious error and (to the extent that they wish to describe and explain real-world phenomena) irrelevance and absurdity. Their utter failure before 2007 to diagnose the GFC – or since 2009 to prescribe an effective prescription – is simply the latest major example.

Economists routinely criticise Christian theologians' lack of expertise about economics; yet economists are oblivious to the fact that their knowledge of their own field is often risibly deficient. Today's mainstream economists have replaced their forefathers' explicitly Judeo-Christian theology with a tacit but equally-devout and above all stridently secular one (in the sense that they have removed a non-human God from its heart). But to a considerable extent this new religion of secular materialism is merely a pale shadow and weak echo of the previous spiritual one. That the theology of economics is – from an orthodox Judeo-Christian standpoint – false and indeed blasphemous doesn't alter the fact that, however strenuously they deny it, today's economists are simply bad theologians. In the Preface to *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Rowman & Littlefield, 1991), Robert Nelson – who, it's worth adding, is an academic economist with a respectable mainstream pedigree<sup>3</sup> – states

... for many faithful of modern economic theologies, economic progress has represented the route of salvation to a new heaven on earth, the means

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<sup>2</sup> By one strict definition, theology must explicitly address mortality and matters of life after death. By such a definition, economics clearly isn't a branch of theology. In a looser sense, however, theology is a set of principles which give (or whose logically-derived consequences give) meaning to, define a purpose for and significantly frame the perception of life and human existence. A number of theologians have understood theology in this sense (for an overview, see Willis B. Glover, *Biblical Origins of Modern Secular Culture* (Mercer University Press, 1984). By this conception, says Robert Nelson, “one's religion is whatever serves as one's ultimate source of meaning.” In this sense, and by Nelson's analysis, economics is clearly a secular and materialist religion. Much more than the term “philosophy,” theology denotes a system of thought that is a source of fundamental purpose and meaning.

<sup>3</sup> It's also worth adding that mainstream economists in prestigious institutions have in respectable mainstream journals reviewed Nelson's thesis favourably. Jennifer Roback Morse of the Hoover Institution at Stanford University, for example, wrote (*The Journal of Markets & Morality*, September 2002): “Robert Nelson's *Economics as Religion* offers a unique set of insights into the social role of the economics profession. ... [It] should be assigned reading for undergraduates in intermediate microeconomics and first-year graduate students in economics. ... It will change the way in which we view economics, and it might change how economists think about their work – if we can get enough of them to read it.”

of banishing evil<sup>4</sup> from the affairs of mankind. As guides to show the way along this route, economists then became logically a priesthood best suited to lead their fellow men ... Indeed, ... the prominence of economists in society today and the leading advisory role awarded to economists in government still depend on a widespread faith in the transforming powers of economic progress [driven by the interventionist governments whom economists advise]. Large numbers of average Americans continue to believe that economic growth offers an answer not only to material but also to much deeper needs of mankind.

... Economic theology is less novel in its tenets than most modern economists (including myself not so long ago) have supposed. The outward form of economic theology is, to be sure, a sharp departure from Judaic, Christian and other theologies ... But a deeper examination reveals that the underlying contents of modern economic theology closely follow in the line of main theological traditions of the West. ... Indeed, in a number of areas the disagreements among modern economic theologies ... reflect with remarkable fidelity specific points of theological disagreement that were fought out earlier among Judeo-Christian theologians.

It's important to distinguish the contention that mainstream economics *per se* is merely poor theology (see footnotes 1 and 2) from mainstream economists' analysis of Christianity. Although over the past decade or two the Church has interested a few economists, not only do they regard it solely as an institution: to them it's simply another institution whose behavior economic incentives drive (see, for example, Douglas W. Allen, "Order in the Church: A Property Rights Approach," *Journal of Economic Behavior and Organization*, vol. 27, June 1995).<sup>5</sup> To demonstrate, as does Nelson, that economics is a branch of theology (or, if you prefer, a sect of the secular Western religion) is not to claim, as leftists (who seek to tar both economics and Judeo-Christian faith with the same brush) typically do, that economics is "mere religion." *Quite the opposite: economics is worthy of attention not because it's a science (its claims to status as a science are dubious at best and laughable at worst)<sup>6</sup> but precisely because it's theology.*

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<sup>4</sup> Mainstream economists regard evil not in spiritual but in material terms. Accordingly, they tend to ignore non-material causes and thus ineffectually to treat material symptoms.

<sup>5</sup> See Laurence R. Iannaccone and Brooks B. Hull, "The Economics of Religion: A Survey of Recent Work," *Bulletin of the Association of Christian Economists*, issue 18 (Fall 1991) pp. 7-13 and Laurence R. Iannaccone, "Introduction to the Economics of Religion," *Journal of Economic Literature*, vol. 36 (September 1998) pp. 1465-1496.

<sup>6</sup> Some mainstream economists have long recognised, and others are increasingly recognising, that their explanations of key phenomena such as economic growth, the business cycle, etc., are often poor. In particular, some admit that their "scientific" efforts have fallen well short of expectations. They were once confident that they could model an economy and thereby predict its development with reasonable accuracy. A decade before the GFC, and reflecting a broader loss of confidence among educated laypeople in the technical capabilities of economists, mainstream economists' repeated and egregious failures of prediction had already yielded a public attitude of deep scepticism toward such efforts. Economics writer Steven Pearlstein, for example, catalogued some of the follies of "hapless forecasters" ("An Economy That Just Keeps On Growing," *Washington Post*, May 2, 1998). Advising on the usefulness of economics to investors in the stock market, the former head of the Fidelity Magellan Fund, Peter Lynch, famously de-

Nor am I contending (as, for example, Max Weber erroneously did in *The Protestant Ethic and the Spirit of Capitalism*) that Roman Catholicism retarded the rise of commerce and capitalism, and that Protestantism boosted them. And I'm claiming far more than the commonplace that economists routinely make value judgments and as a result that contemporary economics inevitably reflects numerous moral judgments (including the confession of Christianity). So what am I saying? *Contemporary mainstream thinking about economics and finance is simply a secularisation of the Judeo-Christian tradition in the sense that it – usually unknowingly and sloppily – recreates many of that tradition's specific theological controversies.* In Nelson's words, "While the modern secularization of the Judeo-Christian tradition has been frequently noted in a general way, what has received much less attention is the great extent to which earlier theological controversies ... have become secularized to become specific disagreements within modern economics." Regrettably, virtually all of today's economists have never known, forgotten or repudiated their profound debt to this tradition. As a result, contemporary economics is, at its heart, derivative – and thus boring and irrelevant. In sharp contrast, after several thousand years Judeo-Christian theology is original, vital, engrossing and topical.

### *The "Weak Form" of the Proposition*

Economics comprises a foundation (basic set of presuppositions) and a superstructure (principles, methods of analysis, etc.). From these assumptions and methods comes economists' characteristic outlook. Most, Nelson concludes, number among the "true believers in the potential for a rational world." Indeed, many believe in economic progress "in a religious way, as something that is significantly improving the basic human condition for the better. Yet, on the whole, they are remarkably unreflective on such foundational matters." Moreover,

the foundations of the discipline are not self-evident, entirely based on fixed rational or empirical foundations, or proven by analysis or theorem. In fact, many are rooted in unexamined presuppositions that are more like faith commitments than in "pure" scientific hypotheses, and that they are often obscure to and obscured by the advocates of the field itself. As such, they can be, and in a certain sense must be, treated in terms that echo classic theological themes and categories. They are, in short, morally and spiritually laden – a fact that does not necessarily make them less truthful or less accurate, unless their own bases are denied.

Theologians have discerned parallels between contemporary economic ideas and the tenets of Judeo-Christian faith. Harvey Cox, a theologian at Harvard, observes

The lexicon of *The Wall Street Journal* and the business sections of *Time* and *Newsweek* ... bear a striking resemblance to Genesis, the Epistle to the Romans, and St Augustine's *City of God*. Behind descriptions of market reforms,

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clared "if you spend over 14 minutes a year on economics, you've wasted 12 minutes." Outside the economics priesthood, John Cassidy ("The Decline of Economics," *The New Yorker*, December 2, 1996) illustrated the criticism – which was waxing a decade before the GFC – of claims to a "scientific" status of economics.

monetary policy, and the convolutions of the Dow, I gradually made out the pieces of a grand narrative about the inner meaning of human history, why things had gone wrong, and how to put them right. Theologians call these myths of origin, legends of the fall, and doctrines of sin and redemption. But here they were again, and in only thin disguise (“The Market as God: Living with the New Dispensation,” *The Atlantic Monthly*, March 1999, p. 18).

### *The “Strong Form” of the Proposition*

During the 20<sup>th</sup> century, increasingly secular but nonetheless essentially theological assumptions guided influential economists. In particular, and often unconsciously, growing numbers confessed a major plank of the [Social Gospel](#) – namely that deprivation and suffering (which Judeo-Christian theologians identify among the consequences of sin in a fallen world) exist primarily because people live in a state of material scarcity.

Another key tenet of their faith: today’s economists virtually unanimously accept the contention that mankind is, vis-à-vis this sin (scarcity), depraved. In other words, they reject the notion that, through his own unassisted efforts, the average man can overcome the “sin” of deprivation. Instead, “we” can overcome material deprivation only through the saving means of rightly (that is, by anointed politicians advised by mainstream economists) formulated and rightly believed (by the benighted masses) principles and policies. The priesthood of ordained mainstream economists, in short, can allegedly lead us to materially abundant living and, consequently, realise a redeemed state of affairs on earth. In this secular form of “salvation,” as Nelson puts it,

economic progress is so important because progress is seen as the path to the attainment of a new heaven on earth. ... If the love of money is ... the root of all evil, the end of scarcity and the arrival of an era of full material abundance can mean the end of evil in the world. The Fall in the Garden of Eden will finally be reversed, now in our own age by the application of economic knowledge to sustain rapid economic progress. Because the market in this gospel has such an exalted function in society, it is the duty of every follower in the faith to defend the market system, forgoing the opportunistic pursuit of a large number of potentially advantageous but “unethical” actions, actions that might in fact serve the self-interest of the individual, although undermining the efficiency of the market.

Secular economists rightly say that Judeo-Christian theologians often lack knowledge of economics. At the same time, economists are themselves typically woefully ignorant of and naive about their most basic presuppositions. They seldom pose fundamental questions about the underpinnings of economics or finance, and either ignore or denounce those who do. They simply accept the “mainstream economic way of thinking” as correct. *If faith is the ultimate means to truth, as Christians confess, most economists are theologians in the sense that they accept as matters of faith the assumptions, methods and major conclusions of contemporary mainstream economics.* Today’s economics is theology, in other words, because it certainly isn’t science. Acceptance or rejection of contentions about economics is not primarily a matter of logic and evidence; it’s ultimately a matter of faith. (In this sense

we can begin to understand why *The Evil Princes* baffles Steve Kates; its theology is alien to his.) Nelson analyses a paradigmatic example (Paul Samuelson's seminal text, entitled *Economics*) in great detail. He concludes

*many of the key conclusions of Economics do not follow logically, if implicit theological assumptions are not made to sustain the argument.* It is as though a mathematician had provided the proof of a theorem but had left out one-quarter of the steps necessary to the end result – and in *Economics* the missing steps were typically the ones that belied the value-neutral claims of the book. If we penetrate below the surface in this way, *Economics* is revealed to be a religious work grounded in articles of progressive faith, as well as a conventional analysis of economic forces at work [italics added].

### Frank Knight and Original Sin

The economics of Frank Hyneman Knight (1885-1972), who spent most of his career at the University of Chicago, where he became a founder of the [Chicago School](#), exemplifies these points. Knight was, from the early 1920s until the late 1950s, one of the world's most influential economists. [Milton Friedman](#), [George Stigler](#) and [James M. Buchanan](#) numbered among his students and acolytes. A British economist who taught at Chicago, [Ronald Coase](#), wasn't a student of Knight's; nonetheless, Coase credited Knight as a major influence upon his thinking (see Ross B. Emmett's overview of Knight's thinking in *The Elgar Companion to The Chicago School of Economics*, Elgar, 2010, p. 238). In 1957 Knight received the American Economic Association's Francis A. Walker Award, which was (the AEA subsequently discontinued it) conferred "not more frequently than once every five years to the living [American] economist who in the judgment of the awarding body has during his career made the greatest contribution to economics."

Knight clarified significant problems of mainstream economic theory and policy. (As we'll see, he regarded economic and social matters as at best imperfectly comprehensible; not infrequently, they were unsolvable and even unfathomable.) Today he's best remembered for his book *Risk Uncertainty and Profit* (1921).<sup>7</sup> As time passed, he became more a systematic theologian than an applied economist.<sup>8</sup> Economists today typically

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<sup>7</sup> *Risk, Uncertainty and Profit* describes and explains Knight's conception of the entrepreneur's role in economy and society. It's best-known for its distinction between economic risk and uncertainty. The outcomes of "risky" situations (such as the toss of a fair coin) are unknown but nonetheless governed by "known" (that is, plausibly assumed) mathematical-statistical models called probability distributions. Knight contended that these situations, where concrete rules (such as the maximisation of expected utility) can be applied and accurate and reliable probabilities can be computed, differ fundamentally from "uncertain" situations (such as the survival and growth of a new enterprise). In these latter situations, not only the outcomes but also the probability distributions that generate them are unknown. Uncertainty, Knight argued, presents to entrepreneurs the opportunity to generate economic profits that perfect competition (in the sense that economists normally understand the term) cannot eliminate.

<sup>8</sup> Razeen Sally, "The Political Economy of Frank Knight: Classical Liberalism from Chicago," *Constitutional Political Economy*, vol. 8, no. 2, 1997, pp 123-138 and Ross B. Emmett, "Frank Knight: Economics versus Religion," in H. Geoffrey Brennan and A.M.C. Waterman, eds., *Economics and Religion: Are They Distinct?* Kluwer, 1994, pp. 118-119.

know or care little about the later Knight; but it was in this role that the key figures in the Chicago school such as Friedman and Stigler encountered him and through which he exerted his greatest and most enduring influence.

Just as *The Evil Princes of Martin Place* bewilders Steve Kates, if Knight were alive today his views would – likely for roughly similar reasons – likely mystify faculty and students. In the classroom, as Don Patinkin observed (*Essays on and in the Chicago Tradition*, Duke University Press, 1980, p. 46), Knight regularly undertook “long digressions on the nature of man and society – and God.” His faith was profound. Yet by the standards of his time and ours, it was quite unconventional. He didn’t consider himself a Christian: indeed, throughout his academic career he openly (and occasionally publicly) disparaged “traditional religion.”<sup>9</sup> He did, however, spend his formative years in a devout family and pious community; and although as a young man he left in order to pursue his studies (first at Milligan College, a small Christian institution in east Tennessee, and later at Cornell University in upstate New York), in important respects his family’s and childhood community’s ethical and spiritual precepts never left him. Perhaps that’s why in 1945 he and a theologian, Thornton W. Merriam, co-wrote a book entitled *The Economic Order and Religion*; similarly, in 1950 he dubbed his presidential address to the AEA as his “sermon” to the profession. And perhaps that’s why his ashes have been interred in the crypt of the First Unitarian Church of Chicago.<sup>10</sup>

How, exactly, was Knight essentially a theologian? *He insisted that the core social and economic problem, and hence the economist’s essential task, was the “discovery and definition of values – a moral, not to say a religious, problem.”* Indeed, Knight contended that myriad “economic problems” are mere material symptoms and consequences of a single spiritual cause – namely man’s innately sinful nature (see in particular Knight’s article “Ethics and Economic Reform: Christianity” in *Economica*, vol. 6, November 1939, pp. 398-422). More specifically, and according to Nelson,

despite all his outward hostility to Christianity, Knight’s own [economic] theology ... follows surprisingly closely in the Calvinist understanding of Christian faith. ... Human beings in Knight’s view are in fact corrupt creatures whose actual behavior in the world corresponds closely to the biblical understanding of the consequences of original sin.

How was Knight a theologian? Richard Boyd demonstrates that his conception of economics has “much more in common with [the Christianity of St Augustine of Hippo] than it does with the [rationalism and utilitarianism of the] Enlightenment.” Martin Luther, originally an Augustinian monk who came to despise the rational and mechanical

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<sup>9</sup> See in particular William S. Kern, “Frank Knight on Preachers and Economic Policy: A Nineteenth Century Anti-Religionist, He Thought Religion Should Support the Status Quo,” *American Journal of Economics and Sociology*, vol. 47, no. 1 (January 1988), pp. 61-69.

<sup>10</sup> The First Unitarian Church of Chicago is a Unitarian Universalist (“UU”) church. Unitarians share no common creed and include people who confess a wide variety of personal beliefs – including deists, pantheists, polytheists, pagans, agnostics and others. See James Ishmael Ford, *Zen Master Who?* Wisdom Publications, 2006, p. 187. See also James M. Buchanan, “The Economizing Element in Knight’s Ethical Critique of Capitalist Order,” *Ethics*, vol. 98 (October 1987) pp. 246, 247.

(as he regarded it) theology of Thomas Aquinas, revived Augustine's earlier and more pessimistic (with respect to man's sinful life in this fallen world) theology. Boyd adds that Knight's worldview thus differed fundamentally and perhaps diametrically from Adam Smith's, Friedrich Hayek's and Milton Friedman's – all of whom believed, sometimes fervently, in the great “benefits of progress, development and economic efficiency” (“Frank Knight's Pluralism,” *Critical Review*, vol. 11, Fall 1997, pp. 537-554).

The Augustinian, Calvinist and Knightian view rejects the mainstream's “progressive” vision. The mainstream is utilitarian: the individual attempts to maximise his own happiness; and politicians, ably advised by progressive economists, use specific means (economic policy, scientific management, etc.) to achieve a particular end (the continuous improvement of material conditions, and eventual universal happiness, here on earth). “In such matters and in coming down on the Calvinist rather than the progressive and rationalist side,” Nelson concludes in *Economics as Religion: From Samuelson to Chicago and Beyond*, “Knight was a secular kind of Protestant fundamentalist, reacting against the thinking of virtually the entire economics profession of his time.”

From this theological contention sprang fundamental practical consequences. Not only, for example, did Knight's theology contradict [Progressive](#) (hereafter with a lower-case “p”) aspirations for the “value-free” scientific management of economy and society: it utterly rejected them.<sup>11</sup> Knight always doubted and often flatly denied that economic and social engineering could possibly succeed in any meaningful sense. In man's fumbling hands, he believed, reason is a frail and unreliable instrument. Specifically, the baser elements of fallen human nature always corrupt it; for this reason, it's usually prone to gross and sometimes greatly damaging error.

Although Knight's expression of this view in overtly theological terms was unusual, it was hardly original. Quite the contrary, it's anything but novel. Knight readily acknowledged that this pessimistic view of human nature and reason is simply the classic (albeit viewed through non-liturgical Protestant lens) Christian view of fallen human beings beset by original sin. It's a long-standing Christian tradition: private property, the marketplace and largely unfettered (apart from a few basic prohibitions against aggression, fraud, etc.) trading and investing are unfortunate but nonetheless necessary concessions to the pervasive presence of evil in the world. In the past (that is, in the Garden of Eden) there was no and in the future (namely in heaven) there will be no private property (or, for that matter, government). Meanwhile, in this world, stable and secure rights to property and the active pursuit of profit are means to maintain a semblance of peace and order. Orthodox Christianity has long contended, in Richard Schlatter's words, that “since the Fall the natures of men, all of them depraved, make necessary ... the division [into private ownership] of property ...” (*Private Property: The History of an Idea*, Russell and Russell, Rutgers University Press, 1951, p. 35).

Viewing matters through a non-liturgical Protestant lens, Knight emphatically denied that an anointed priesthood of “expert” economists could possibly escape the shackles

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<sup>11</sup> See in particular Knight, “Pragmatism and Social Action,” *International Journal of Ethics*, vol. 46, no. 2 (January 1936), pp. 229-236.

of the general human condition. Progressive economists, in other words, were depraved sinners just like everybody else; as a result, they were equally prone – nay, given their tendency towards hubris, even more likely than the humble generalist and layperson – to fall into and remain in error. *In this dissenting (to the progressive orthodoxy) theology, economics, politics and the welfare-warfare state are not our salvation, and economists and politicians are not our saviors. Quite the contrary: they're false prophets.* U.S. President Dwight Eisenhower, in his [Farewell Address to the Nation](#) (17 January 1961), encapsulated this view:

The free university, historically the fountainhead of free ideas and scientific discovery, has experienced a revolution in the conduct of research. Partly because of the huge costs involved, a government contract becomes virtually a substitute for intellectual curiosity. ... The prospect of domination of the nation's scholars by Federal employment, project allocations, and the power of money is ever present – and is gravely to be regarded. In holding scientific research and discovery in respect, as we should, we must also be alert to the equal and opposite danger that public policy could itself become the captive of a scientific-technological elite.

According to Nelson,

Knight marks the beginning of a fundamental break of the Chicago school with the Progressives of [Paul] Samuelson's ilk, a new assumption that self-interest will be expressed not only in the marketplace but also in the actions of government and indeed perhaps in every area of society. It's profoundly insightful, but it's hardly novel: it's simply a secularised form of an old view, characteristic of [John] Calvin and other Protestant Reformers, that sin has fundamentally and irredeemably ... invaded every aspect of human existence. While Roman Catholic theologians also recognised the centrality of sin in the world, they tended to evince considerably greater faith in human reason and in the possibilities for rational striving toward improvement in the human condition (*Economics as Religion: from Samuelson to Chicago and Beyond*, p. 120).

### **Not a Typical Chicagoan**

Knight was a founder and leader of the Chicago School. But his means and ends never conformed completely – or sometimes even comfortably – to those of Friedman, Stigler and other prominent Chicagoans. He stoutly defended market liberties; yet he also partly blamed alleged advocates of the market – including some of his own colleagues at Chicago – for the wholesale turn to European socialism and American progressive principles, and resultant severe erosion of morality and liberty, that occurred during his lifetime. In the 19<sup>th</sup> century a “religion of liberalism had a positive social-moral content.” The 20<sup>th</sup> century, alas, was a different story. “One of the main factors in the present crisis,” he sagely wrote during the Great Depression, “is that the public has lost faith, such faith as it ever had, in the moral validity of market values.” Elsewhere he added: “the real breakdown of bourgeois society is only superficially economic; ... fundamentally, however, [it] is ... moral.” In short, classical liberalism

had made a basic “intellectual mistake” because it had “failed to see that the social problem is not at bottom intellectual, but moral.”<sup>12</sup> And in his view, no adequate moral defense of the free market could or did emerge from his colleagues at Chicago.

Knight lamented that the typical economist’s description of the market as a “competitive” system had been “calamitous for understanding” of the ultimate merits of a market system. Buying and selling in the market, Knight saw, is ultimately desirable *not* because the resultant competition reduces costs and prices to the lowest feasible levels. If it were, then the case for the free market could be put in conventional (that is, progressive and utilitarian) terms of efficiency. But it isn’t: instead, buying and selling in the market provides the one practical mechanism for resolving in a satisfactory way – namely one that preserves individual freedom – the tensions among values and preferences that accompany the development of any large and diverse society. Knight contended that the market’s advantages should be understood as the promotion of a “pattern of cooperation” among people who come together on a non-coercive basis for mutual advantage. Even people whose belief systems differ fundamentally are able, by buying and selling in the market, to co-operate without sacrificing their diverse values to some common set of norms. You needn’t like or otherwise associate with Person X (be he an atheist, agnostic, lukewarm Christian, devout Jew, etc.); but if he offers you a good or service you desire at a price you’re happy to pay, then both benefit.

Accordingly, action in the market minimises coercive interactions. Indeed, in a market “there are no power relations.” It enables each person “to be the judge of his own values and of the use of his own means to achieve them.” A Christian can trade as easily with a Muslim as with a fellow Christian; if, however, each must first confess the same faith, then no exchange will likely occur. Here too, Knight’s views reflect their Christian and specifically Calvinist origins. In Christian theology, it’s important to emphasise, private property and markets are products of original sin. In an ideal world, neither would exist. But ours is hardly an ideal world. In this world, property and markets provide outlets to blunt human strivings for power and advantage. Knight didn’t say so explicitly, but his views suggest that he rightly regarded private property, markets and capitalism as gifts from a loving God to his reprobate children.

### **Knight’s Progressive Bêtes-Noires**

The theology of some of Knight’s critics – whose Christian faith, incidentally, also underpinned their conception of economics and views about appropriate economic policy – also help to clarify his thoughts. Perhaps most notably, the principal founder of the American Economic Association, [Richard Ely](#), argued early in his career (subsequently he curbed his rhetoric’s enthusiasm, but he never tempered its thrust) that the biblical commandment “Thou shalt love thy neighbor as thyself” rather than self-interest should underpin social behavior. Accordingly, one could not “serve [both] God and mammon; for the ruling motive of the one service – egotism, selfishness – is

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<sup>12</sup> Knight, “Social Science and the Political Trend,” *University of Toronto Quarterly*, vol. 3, 1934, pp. 280–287 and Knight, “Ethics and Economic Reform: The Ethics of Liberalism,” *Economica*, vol. 6, no. 21 (February 1939), pp. 1-29.

the opposite of the ruling motive of the other – altruism, devotion to others, consecration of heart, soul and intellect to the service of others.” For Ely, particularly in the [Social Gospel](#) phase of his life during the 1880s and 1890s, observed Nelson,

the chief motivating force in the world – even in labor and business – must be “love” of fellow human beings, rather than the “self-interest” long favored by most economists. Ely’s attitudes in this respect were in fact representative of those of many leading progressive intellectuals, often associated with the Social Gospel movement (see also Frank H. Knight and Charles Howard Hopkins, *The Rise of the Social Gospel in American Protestantism, 1865–1915*, Yale University Press, 1940).

This, Knight contended, was dangerously muddled thinking. Specifically, in Calvinist terms it was utterly and indeed dangerously mistaken. Specifically, it was a major instance of a general phenomenon – namely how progressive intellectuals had substituted a fuzzy and “romantic” conception of human nature for a clear and realistic approach. It’s simply impossible, Knight contended, to apply “the ‘love’ doctrine” as a guiding principle “over, say, the population of a modern nation – and, of course, it must ultimately be over the world since, for a world religion [like Christianity], national boundaries have no moral significance.” Similarly, Knight rejected the economic determinism and the resulting hope for a radical improvement in the condition of the world (perhaps, if and when the economic problem could ever be finally solved, attaining a state of affairs where “love” would in fact rule) that characterised progressive theory and policy. “There is no reason,” he contended,

to believe that if all properly economic problems were solved once [and] for all through a fairy gift to every individual of the power to work physical miracles, the social struggle and strife would either be reduced in amount or intensity, or essentially changed in form, to say nothing of improvement – in the absence of some moral revolution which could by no means be assumed to follow in consequence of the change itself (Knight, “Ethics and Economic Reform,” p. 408).

As Knight saw it, the core assumptions of the American progressive gospel – namely that economic events are the driving forces in history, and that economic progress is not just possible but, if guided by progressive economists, inevitable – constituted an egregious misreading of the human condition. *The mere achievement of mass material abundance cannot – either easily and quickly, or with great difficulty over a long time – abolish the pervasive presence of sin in the world.* Indeed, material plenty can worsen spiritual poverty:

The idea that the social problem is essentially or primarily economic, in the sense that social action may be concentrated on the economic aspect and other aspects left to take care of themselves, is a fallacy, and to outgrow this fallacy is one of the conditions of progress toward a real solution of the social problem as a whole, including the economic aspect itself. Examination will show that while many conflicts which seem to have a non-economic character are “really” economic, it is just as true that what

is called “economic” conflict is “really” rooted in other interests and other forms of rivalry, and that these would remain unabated after any conceivable change in the sphere of economics alone (Knight, “Ethics and Economic Reform,” p. 410).

### **The Oppressive “New Religion” of Misguided Reason**

Knight, remember, didn’t regard himself as a Christian. Instead, he saw himself as a critic of Christianity and believed that in the past the Church had often violated its creeds – and had thereby threatened man’s liberty to act according to his conscience. In the modern age, however, the Church was no longer the greatest threat to freedom. What was? The new “milieu in which science as such is a religion.” This new religion – of which economics was regrettably a significant and growing part – promoted a “gospel” that involved “salvation by science.” This “salvation,” moreover, reflected the old natural-law precept that promised salvation through strict adherence to God’s laws. These progressive follies (as Knight regarded them) were simply the latest manifestation of a long tradition (centuries ago, priests succumbed to it; early in the 20<sup>th</sup> century, academics followed suit) of pandering to power and oppression in the name of reason.<sup>13</sup> Bluntly, progressives had perverted science and concocted a Golden Calf.

Knight saw great danger in the increasing tendency during the 20<sup>th</sup> century of economists to mimic and worship physical scientists. The danger commenced in the mistaken belief that human behavior was subject to laws and principles analogous to the laws of physical sciences. The conviction that economists would discover more of these laws, and thereby better explain this behaviour, increasingly accurately extended the danger; and the ambition that they could predict and even manipulate (“reform”) it in order to achieve the ends of their political masters (“economic policy,” “social policy,” etc.) highlighted its invidious consequences. This tendency, as Knight watched it harden into orthodoxy, expressed social scientists’ unspoken – and craven – motives: “Any attempt at use of the unqualified procedures of natural science in solving problems of human relations,” he disclaimed, “is just another name for a struggle for power, ultimately a completely lawless one.” Just as the construction of a dam in order to control a river depends upon knowledge of physical science, the advocates of the “scientific management” of society seek to use social science as means to control people.<sup>14</sup>

Given the frailty and unreliability of reason and the depravity of man’s fallen nature, from Knight’s point of view the results of “scientific management,” “social engineering” and the like are not merely bound to fall well short of progressives’ expectations:

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<sup>13</sup> Knight, “Pragmatism and Social Action,” p. 53; Knight, “Salvation by Science: The Gospel According to Professor Lundberg,” *Journal of Political Economy*, vol. 55 (December 1947), pp. 537-52; and Daniel J. Hammond, “Frank Knight’s Anti-positivism,” *History of Political Economy*, vol. 23, no. 3 (Fall, 1991), pp. 359-381.

<sup>14</sup> Knight, “The Limitations of Scientific Method in Economics,” in *The Trend of Economics*, ed. Rexford Tugwell, New York: Alfred A. Knopf, pp. 229-67; Knight, “Free Society: Its Basic Nature and Problem,” *Philosophical Review*, vol. 57, no. 1 (January 1948), pp. 39-58; and Richard A. Gonce, “Frank H. Knight on Social Control and the Scope and Method of Economics,” *Southern Economic Journal*, vol. 38, no. 4 (April 1972), pp. 547-558.

their consequences, unintended or otherwise, will be negative. Specifically, given the self-interest of rulers and the priesthood of economists upon whose advice they rely – the evisceration and eventual extinction of human freedom will follow in scientific management’s wake. Progressive economists’ grand schemes reflect their faith that the world is a rational place. But this faith is mistaken; accordingly, “human nature being as irrational as it is,” these schemes inevitably fail. In order to solve social problems, according to the progressive mindset, all that is needed “is that intellectual leaders . . . be converted to the scientific point of view.” Apparently it’s really that simple: “the social problem will be solved by the application of scientific method.”

Such thinking, Knight retorted, is mere “scientistic propaganda.” The “fetish of scientific method” in the study of society “is one of the two most pernicious forms of romantic folly that are current among the educated.” Indeed, a fully rational “science of human behavior, in the literal sense, is impossible” and a “natural or positive science of human conduct” is “an absurdity.”<sup>15</sup> A key reason is that ideas of social scientists can alter the behaviour of the people they study. Moreover, even if a true science of society were possible it wouldn’t be desirable.<sup>16</sup> An individual whose behavior is perfectly and scientifically predictable is not a real human being: he’s an automaton. Self-consciousness and the ability to choose – the existence of “free will” in the Christian formulation – distinguish people from beasts. If humans’ economic behaviour really were as deterministic as (say) biologists conceive the behaviour of animals, then what in moral and spiritual terms distinguishes a man from a dog?<sup>17</sup> It may well be, as Knight noted, that “the idiot” is the happiest human being; but the mere pursuit of pleasurable sensation “is not what makes human life worth-while” (see Knight, “The Role of Principles in Economics and Politics,” *American Economic Review*, vol. 41, March 1951, p. 279).

Knight’s protest is powerful. As he readily acknowledged, however, it’s hardly original. Four centuries earlier, and in a similar vein, Martin Luther protested that the Roman Catholic Church had imperiled human freedom by encouraging the faithful to believe that the good life in this world and the attainment of salvation in the hereafter were simple matters of rigorous and unreflective adherence to the hierarchy’s mechanical rules. Even if there’s considerable truth to the idea that a human being is a biological

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<sup>15</sup> Knight, “Abstract Economics as Absolute Ethics,” *Ethics*, vol. 76, no. 3 (April 1966), pp. 163-177 and Knight, “Salvation by Science: The Gospel According to Professor Lundberg,” *Journal of Political Economy*, vol. 55, no. 6 (December 1947), pp. 229-230, 235.

<sup>16</sup> Knight, “The Role of Principles in Economics and Politics,” pp. 261, 258, 260, and Knight, “Economic Psychology and the Value Problem,” *Quarterly Journal of Economics*, vol. 39, no. 2 (May 1925), pp. 372-409.

<sup>17</sup> Among contemporary economists, one finds the clearest echo of Knight’s thinking in the writings of his former student James Buchanan. Indeed, on many subjects Buchanan sounds remarkably similar to Knight. For example, Buchanan considers that a person who behaves strictly according to scientific laws “could not be concerned with choice at all.” Indeed, it is “internally contradictory” to speak of individual “choice making under [scientific] certainty.” If human dignity and freedom require the power to choose, and if the ability to do either good or evil must be within the scope of individual decision making, then, Buchanan believes, scientific rules cannot determine human behaviour. Indeed, “the scientific view of a human being as mechanical instrument denies a person his or her basic humanity.” See James M. Buchanan, *What Should Economists Do?* (Liberty Press, 1979), p. 281.

entity governed by laws of physical nature (which surely there is), the rational methods of science can hold “no clue to the answer to the essential problems of free society,” and the living of lives of genuine “spiritual freedom” (Knight, “The Free Society: Its Basic Nature and Problem,” *Philosophical Review*, vol. 57, no. 1, 1948, pp. 39-41).

The Lutheran Reformers, in opposition to the Roman Catholic orthodoxy of their time, emphasised the scriptural truth that salvation is *sola fide* (“by faith alone”) – and that faith is a gift that’s a mystery to man and comprehensible only to God. In these regards, Knight’s economic and broader social theology – not only its creed that original sin undermines any human effort to act rationally, and indeed underpins some of man’s most evil actions – broadly reflects protestant theology. Martin Luther often invoked St Paul’s message that “the flesh lusteth against the spirit and the spirit contrary to the flesh” and therefore “so that ye cannot do the things that ye would do.”<sup>18</sup>

Like the Protestant Reformers, Knight doubted the benefits of human “works.” He rejected the optimistic faith that the scientific management of society (the secular counterpart of “works”) is the path to the eventual perfection – or even great improvement – of human existence. Contrary to the rationalist theology of Thomas Aquinas and the mechanical prescriptions of contemporary economics, no mere set of rules can ever show the way to heaven – here on earth or otherwise. For this reason, Ross Emmett concluded that Knight’s thinking constitutes an essentially theological view of the basic economic choices facing any society:

In a society which has no recourse to the providential nature of a God who is present in human history, the provision of a justification for the way society works is a “theological” undertaking. Despite the fact that modern economists often forget it, their investigations of the universal problem of scarcity and its consequences for human behavior and social organization is a form of theological inquiry: in a world where there is no God, scarcity replaces moral evil as the central problem of theodicy, and the process of assigning value becomes the central problem of morality. Knight’s (implicit) recognition of the theological nature of economic inquiry in this regard is one of the reasons for his rejection of positivism in economics and his insistence on the fundamentally normative and apologetic character of economics.

In some sense, therefore, it is appropriate to say that Knight understood that his role in a society which did not or could not recognize the presence of God was similar to the role of a theologian in a society which explicitly acknowledged God’s presence. As a student of society, he was obliged to contribute to society’s discussion of the appropriate mechanisms for the coordination of individuals’ actions, and to remind the members of society that their discussion could never be divorced from

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<sup>18</sup> John Kohl, “Christianity: Protestantism,” in R.C. Zaehner, *Encyclopedia of the World’s Religions*, Barnes and Noble, 1997, p. 101.

consideration of the type of society they wanted to create and the kind of people they wanted to become.<sup>19</sup>

### **The Desperate Need of a Martin Luther of Economic Theology**

Steven Kates' review of *The Evil Princes of Martin Place* is, in two senses, quite revealing. First, he seems to believe that the morality of a particular action depends not upon its consequences, but upon its perpetrator's purpose, that a bad motivation is a necessary condition of an immoral action and that a good intention is a sufficient condition of a moral action – or, at any rate, that a good intention will render you blameless if it unexpectedly begets bad consequences (see [Letter 167-170](#)). Accordingly, and like most of his colleagues, he's blind to the enormous harm – and especially the corruption of morals – that fiat tender legislation, central banks and fractional-reserve banking have wrought. His and the mainstream's blindness has helped to hand an overwhelming victory to welfare-warfare statist. Second, Kates (and the 99% of economists who'd likely support his assertion) is utterly wrong: whether they know it or not (few do) and like it or not (most don't), economics is theology. Moreover, contemporary mainstream economics is profane and false theology. For these and other reasons, Kates and his colleagues lack the training, knowledge and mindset required to analyse *The Evil Princes of Martin Place*.

The trouble is not just that he and virtually all of his colleagues are woefully ignorant of the fundamentals of their own field of study; much more dangerously, they confess a blasphemous and destructive theology. In spiritual as well as material terms, the anointed – and the fiat currency, central banks, fractional-reserve banks they unquestioningly champion – have long led and are today continuing to lead the benighted to impoverishment. On p. 562 of *The Evil Princes of Martin Place* I wrote:

Because they think it has concluded, Australians use the phrase “Global Financial Crisis” in the past tense. Yet the world – and Australia – remains in a state of crisis. It's ultimately a crisis of ideas, and it takes the form of the utter bankruptcy of the state, of mainstream economics and finance and of their conception of money, credit, interest, banking and the business cycle.

Contemporary mainstream economists emphatically, vociferously and indeed sneeringly reject this contention. *They must – for if they don't then they repudiate the theology of mainstream economics that has developed since the early 20<sup>th</sup> century (see footnote 1). To concede this point is to admit that today's mainstream economists are not part of the solution – and that, indeed, their theology is a significant cause of the problem.* Although he puts it more diplomatically, Robert Nelson doesn't disagree:

The profession emerged at the end of the nineteenth century as part of an earlier wave of basic change in American society, led by ... the American Progressive movement. The economics profession was part of a general effort to develop the institutional apparatus of professional expertise, then considered an essential element in achieving the scientific management of society, a critical step on the

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<sup>19</sup> Ross B. Emmett, “Frank Knight: Economics versus Religion,” in H. Geoffrey Brennan and A.M.C. Waterman, eds., *Economics and Religion: Are They Distinct?* Kluwer, 1994, pp. 118–19.

route to heaven on earth. In the university world, for example, as the teaching of technical skills in many fields took the place of the old mission of Protestant education; the knowledge provided by the modern university would now lay the basis for a new salvation in this world. One religious role for the university had in effect succeeded another.

Superseding the institutional Christian churches of old ... Progressivism now made “the nation its church” – and Washington, D.C., would become in effect a new Vatican (and like the Vatican, Washington would be a unique governing jurisdiction separate in its sovereignty from the rest of the nation). Indeed, the efforts of Progressive Era social scientists paved the way for the full development of the American welfare and regulatory state of the twentieth century, headquartered in Washington. However, as the twentieth century ended, the old progressive ideas had about played themselves out. ... Economists may themselves have to rethink at a fundamental level what it means to be a member of a profession such as economics. Economists may have to learn to think of themselves more like members of the priesthoods of old – the defenders of a core social ethic grounded in a religious truth – than as research scientists.

As the twenty-first century begins, it seems increasingly clear that a new religion ... will be required to replace the progressive gospel of the twentieth century ... One might even go so far as to say that in some fundamental sense the idea of elevating science to the status of a religion – the “modern project” of the past three hundred years in the Western world – increasingly seems to be failing. Despite long-standing wide hopes, it has proved difficult to transfer the extraordinary powers of science in explaining matters of physical nature to a corresponding set of explanatory and predictive powers in human society. Whatever its astonishing successes in creating a power to control physical nature for human purposes, the scientific method has been much less successful in corresponding social efforts (*Economics as Religion: From Samuelson to Chicago and Beyond*, pp. 14-19).

Pontius Pilate asked: “What is truth?” “Truth,” George Bernard Shaw cynically reckoned, “is the only thing that [almost] nobody will believe.” The blunt truth is that, like bureaucrats, social workers and other interventionist do-gooders, by their own utilitarian and scientific criteria contemporary mainstream economists do little good and great harm. Their alleged urge to save mankind is merely a false front that obscures *libido dominandi* – that is, their urge to rule others. For the sake of their victims and as a matter of urgency, they must take a good, hard look at themselves. C.S. Lewis provides an excellent start. “Of all tyrannies,” as he famously remarked in *God in the Dock: Essays on Theology and Ethics* (Eerdmans, 1970),

a tyranny sincerely exercised for the good of its victims may be the most oppressive. It would be better to live under robber barons than under omnipotent moral busybodies. The robber baron’s cruelty may sometimes sleep, his cupidity may at some point be satiated; but those who torment us for our own good will torment us without end for they do so with the approval of their own conscience.

Chris Leithner