

On the Relation between Economics and Religion

A. M. C. Waterman*

Summary

This taxonomy of the relations between 'Economics' and 'Religion' is based on a stipulative definition of 'Religion' as *religio*: a public, cultic activity believed to bind members of society to one another and to God. 'Economics' in this taxonomy will be any of *Economics(i)*: 'political Economy' before Adam Smith; *Economics(ii)*: 'political economy' after Smith; or *Economics(iii)*: 'economic analysis.' Economics(i) and (ii) are intentionally normative. Economics(iii) is intentionally positive.

Key words: Mercantilism, Adam Smith, Christian Social Thought, Theology, Theodicy, Jansenism, Malthus, Mandeville

JEL Classification: A12, 13; B10, 11, 12, 30; P16; Z12

The relation between 'Economics' and 'Religion' depends on our construal of 'Economics.' When – as often the case – the latter is taken to mean 'economic thought' of any kind, we may identify three meanings, each of which implies a different relation with 'Religion': Economics(i) *Political Economy*, Economics(ii) *Political Economy*, and Economics(iii) *Economic Analysis*. In this article I shall understand the meaning of 'Religion' in a traditional sense derived by Lactantius and St Augustine from the etymology of *religio* (Hoyt 1912): that which binds us to one another and to God. This is

necessarily a social and collective activity, and in many societies is what chiefly determines the culture of that society as a whole. The slogan of the Reformation period, *cuius regio, ejus religio*, well illustrates the public and inescapably political nature of {'religion' ≡ *religio*}. 'Religion' in this sense will be based on a publicly received body of sacred tradition including sacred texts such as the Christian bible, and the interpretation of these by publicly acknowledged authority such as General Councils of the Church. Critical analysis of such interpretation, together with philosophical questions raised by religious belief in general, are what I shall understand as 'Theology'.

Though signs of Economics(i) may be seen in many times and places before the nineteenth century, it is particularly associated with Western Europe from the sixteenth century until the middle or the end of the eighteenth century. Something resembling Economics(i) may still be seen today in countries where government is exercised by a single person or tight-knit oligarchy, and where an official religion or ideology rules. Its successor, Economics(ii), is a modern and secularized version of the first, and like Economics(i) studies the direction or management of a national economy by government. But it does so in a pluralist society in which political control is diffuse. Economics(i) and Economics(ii) are *normative* in that they are concerned with what the sovereign (ruling elite, legislators, public opinion etc.) believe *ought* to be the case in the national economy, and how that is to be achieved.

*St John's College, Winnipeg

Effective management of a national economy requires knowledge of economic processes: of cause and effect in the imposition of duties and taxes, in price determination and the production of goods and services, in capital accumulation and the employment of labour, the total and composition of government spending, the supply of money and so forth. When this knowledge is formalized and studied critically we recognise it as Economics(iii). Economic Analysis is essential for a rational program of either traditional or modern political economy, and as a matter of intellectual history we see its origins in Economics(i). But its connexion with either Economics(i) or Economics(ii) is merely contingent. For though its development is often motivated by emergent economic circumstance – for example, macroeconomic theory during the great depression of the 1930s – it is a free-standing, intentionally scientific inquiry into an ill-defined range of social phenomena we label ‘economic.’ Whether there can ever be a perfectly sharp distinction between the normative and the positive in science, Economics(iii) is deliberately and explicitly *positive* in intention. Its purpose is to find out what happens, and how it happens, without regard to what ought to happen.

There can be, and have been, ‘Christian’ or ‘Catholic’ or ‘Islamic’ or ‘Marxist’ etc. *political economy*. But there can be no such thing as ‘Christian’ (‘Catholic,’ ‘Islamic,’ ‘Marxist’ etc.) *economic analysis*. [Those of our colleagues who believe they are doing analytical ‘Marxist Economics’ are simply investigating the effect of altering some of the behavioural assumptions and institutional constraints generally assumed by the rest of us – as Marx (1954, vol. I, p. 26) himself well understood.] The attempt at a ‘Calvinist economics’ in early twentieth-century Holland (Hengstmengel 2013) resembled the contemporaneous ambition, in Italy and France, of constructing a ‘Catholic

economics’ based on *Rerum Novarum*, and it foundered by the 1950s for the same reason: the necessity of positive analysis for the implementation of a normative program.

It is evident that Religion may have a normative relation with either Economics(i) or Economics(ii). In Economics(i) the sovereign may be constrained or advised by the authorized ministers of his religion to pursue certain economic measures and to avoid others. In Economics(ii) the government of a secular and pluralist society must respond to electoral incentives which reflect public opinion; and though religion be a private matter in such a society, a widely-held religion may influence and perhaps even shape public opinion. But there can be no such relation with Economics(iii). ‘Religion’ may tell government how to run the economy but it cannot tell economists how to conduct their inquiries. The relation between Religion and Economic Analysis is a particular case of the general relation between Religion and Science. In this case we study the theological significance, if any, of the concepts used in our science, and the light that may throw, if any, on its development.

In what follows I shall consider each of the three different meanings of ‘Economics’ in turn.

Economics(i): Political Economy

When great European nation states emerged from the turmoil of the Reformation and the Wars of Religion, by far the most powerful was France. In the reign of Louis XIV (1638-1715) and nearly for a century after, France was ‘top nation’ – as Britain became in the nineteenth century and the USA after 1945: economically and culturally dominant in many different ways. All the educated spoke French, read French philosophy, and debated French ideas. Among the latter was the first explicit economic discourse. As early as 1568

Jean Bodin had analysed the inflationary effects of the influx of precious metals from the New World; and in 1615 Antoine de Montchrétien (or Montchrestien) published his *Traicté de l'Économie politique* which applied Aristotle's conception of *οἰκονομικά* (= rules for good housekeeping) to the *πολιτεία* (= city, state). Aristotle (1908, Book II, chap. I) had recognized 'the economy of the city' and its revenues. But it has been argued that Montchrétien moved beyond Aristotle and the other Ancients in that his 'modernity' lay in 'the fact that the economy is the object of policy' (Maucourant 2013, p. 27).

Aristotle (1908, Book II, chap. I) had indeed recognized 'the regal economy' as the 'greatest,' and concerned with money, exports, imports and expenditure. Montchrétien, writing during the high summer of Bourbon absolutism, developed and amplified this idea. The king is an image of Christ; and 'Political economy enables the king ...incarnating immortal judicial power – to determine the eternal laws of wealth of the States' (Maucourant 2013, pp. 30-31). His work inaugurated the French 'mercantilist' school and *Économie politique* emerged as a set of recipes for running France as a manorial fief of *le Roi soleil*. The program was implemented by Jean-Baptiste Colbert (1619-1683), who reformed taxation, promoted the export trade, encouraged population, and sought to maximize the domestic money supply in order to pay for France's frequent and expensive foreign wars. Colbert himself, however, was reluctant to receive advice or direction from the Gallican Church.

Centralising *dirigisme* remained unchallenged in France until the work of Pierre de Boisguilbert ([1704] 2000). Kubeta (1941), Faccarello (1999) and others have shown that Boisguilbert's writings adumbrated what became the theory of general competitive market equilibrium

and the virtues of *laissez-faire*. The King's interest would be best served by setting the French economy free. The authorities were predictably scandalized by this outrageous suggestion. Boisguilbert was exiled for a time, and some of his works suppressed (Cadet 1867, pp. 80-90; Roberts 1935, pp. 81-93). Not until Cantillon (1755) and the Physiocrats, who digested and adopted Boisguilbert's radical ideas decades later, did *Économie politique* cease to be Colbertian.

Meanwhile in England, Holland and other major trading nations there was no important deviation from Political Economy. National economic policy, such as it was, was directed to building up 'the sinews of war' (Mun [1664] 1949, p. 70) by trade surpluses, by increasing population, and colonial expansion.

France is 'the eldest daughter of the Church.' King Clovis I of the Franks was baptized in 496 AD and all his subjects became Christian. His greatest successor, Charlemagne, was crowned *Imperator Romanorum* by the Pope in 800 AD. Louis IX was canonized in 1297. From the reign of Charles II (1422-1461), the King of France was styled *le Roi Très-chrétien*. In the seventeenth century France was a Christian state: its religion was a public and official matter, and the sovereign was its chief guardian and the head of its Church. Protestant dissent, though tolerated from 1598, was abolished by Louis XIV in 1685. In such a society church and state are one. All are 'members of one body'; its sovereign rules by divine right; his duty is to seek 'the good and preservation of the state' through 'religion and justice'; and he requires 'arms ...and riches or finance . . . trade and taxes' to perform that duty (Bossuet [1709] 1990, pp. 7, 57-59, 191). It is evident in such a case that the relation between economics and religion is straightforward. Religion supplies the normative principles which must govern

economic life. Bishop Jacques-Bénigne Bossuet (1627-1704), tutor to the Dauphin during the 1670s and most famous preacher in France, has left us a vivid example, almost a caricature, of this relation. His *Politique tirée des propres paroles de l'Écriture Sainte* (1709), begun for his royal pupil but not finished until the last few years of his life, lays down the law for Christian polity solely by means of excerpts from the Bible, chiefly those concerning the Davidic kingdom in *Kings* and *Chronicles*. Book X, Article 1 of Bossuet's work deals explicitly with 'riches,' 'finance,' 'commerce,' and 'taxes' ([1709] 1990, pp. 345-56).

Though England was Protestant, the conservative, quasi-Catholic nature of its Reformation left largely undisturbed the traditional conception of the state as one body unified in Christ, governed by a divinely sanctioned 'prince' (which could signify either a king or – as in the case of Elizabeth I – a queen regnant). 'Puritan' (Calvinist) dissenters who had never accepted the terms of the Anglican Reformation contested this conception in the seventeenth century, and during the Great Rebellion and Interregnum (1642-59) royal governance and Catholic order were destroyed. But at the Restoration of crown and episcopate in 1660 the traditional conception re-emerged, though about 2,000 'Nonconformist' clerics and their congregations went into schism. From 1662 until the early 1830s England was a formally Anglican state, with both Nonconformist and Roman Catholic dissenters tolerated but denied full civic rights. Sir Robert Filmer's *Patriarcha* (1680) was one of the most cogent assertions of royal supremacy ever written in English. Though John Locke (1689) and others wrote refutations, even Bentham later believed them to be inadequate. There was, however, no English equivalent of Bossuet: no one to claim that the whole duty of the economic nation was to follow religious law.

Though Political Economy is uniquely associated with Early Modern France and to a lesser extent England, something resembling it may be seen in other times and places wherever a strong central government, an official state religion or ideology, and the absence or paucity of individual liberties coexist. Pencho D. Penchev (2016) has shown, for example, that 'during the period from the Christianization in the ninth century to approximately mid-nineteenth century the Bulgarian socio-economic thought was dominated almost entirely by the norms of Orthodox Christianity.' In view of the well-known caesaropapism of all Orthodox states, we may conjecture this to have been the case in other Eastern European nations not under the dominion of the Ottoman empire. As to the Ottoman state and its successor Muslim states, Timur Kuran (2004, p. ix) has argued that 'Islamic economics has fueled the illusion that Muslims can solve a wide range of social problems simply by embracing Islam and resisting Mammon.' And in the former USSR and present-day China, where the doctrines of Marx and Lenin, or of Mao Zedong, supply the place of state religion, ideology provides the normative element in economic thought.

2. Economics(ii): Political Economy

Mercantilism was alive and well in most of Europe save Holland throughout the eighteenth century. As late as 1767 Sir James Steuart's *Political Economy* had supplied a systematic and technically sophisticated exposition of its principles. But by that time the French Physiocrats and their Scottish friends David Hume and Adam Smith had begun to direct attention away from the welfare of the king and towards that of his subjects as individuals. As Boisguilbert had first seen, the welfare of society as a whole may best be sought by giving up state control and by relying on markets to coordinate the unintended consequences of individuals' self-love. In developing this idea in *Wealth of Nations (WN)* Smith inaugurated

what was to become, in the next generation, 'Political Economy' in the modern sense.

'...what is *properly* called Political Economy' is 'a branch of the science of a statesman or legislator' dealing with 'the nature and causes of the wealth of nations' (*WN* IV.ix.38; IV.Intro.1; my italics). It is a disinterested, open-ended 'Inquiry.' And though it 'proposes to enrich both the people and the sovereign' (*WN* IV.Intro.1) it clearly recognises the international advantages to all of external trade. Unfortunately however, because of 'the capricious ambitions of kings and ministers' and 'the impertinent jealousy of merchants and manufacturers,' foreign 'Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity' (*WN* IV.iii.c.9). For 'Mercantile jealousy is excited, and both inflames, and is inflamed, by the violence of national animosity' (*WN* IV.iii.c.13).

The prestige that *WN* quickly acquired was amplified by Dugald Stewart's widely influential Edinburgh lectures on political economy in the Winter of 1800-1801 (Fontana 1985). Four of his most influential auditors founded *The Edinburgh Review* the following year, and for several decades the new quarterly promoted an incipient version of *WN* found in an early paper of Smith (1755), published by Stewart in 1793:

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.

When the Political Economy Club was founded in London in 1821 for 'the mutual instruction' of members and 'the diffusion among others of the just principles of Political Economy,' its purpose was chiefly propagandist. Save for David Ricardo all its leading authors – T. R. Malthus, James

Mill, Robert Torrens – contributed to the *Edinburgh*; and its politically powerful members such as George Grote and Lord Althorp advocated its whiggish and economic doctrines in Parliament and the press (Waterman 2008).

By 1821 that is, 'the Followers of Dr Smith' had established in London what we now call 'the English School': to continue his 'Inquiry' and to advocate what was held to be his central political message. (Waterman 2008). The archaic, Aristotelian spelling of 'oecconomy' was modernized, and the scientific nature of the enterprise continually emphasized if not entirely followed. A decade later legal disabilities of Dissenters, Jews and Roman Catholics were abolished by a Reformist parliament and Britain became a secular society in all but name. The power and prerogative of the Crown had been strictly limited since the Glorious Revolution of 1688-89, and there had been no possibility of building a centralized, autocratic state on the French model such as James II had desired (Pincus 2009). By the mid-1830s, that is, the political and social conditions for what I have identified as the second sense of 'economics' were in place.

Political Economy in Victorian Britain became an academic discipline. Chairs were established in Oxford (1825), London (1827) and Cambridge (1828), and their incumbents co-opted as honorary members of the Political Economy Club. By 1890 the term 'Economics' – meaning at that time almost the same thing – was popularized by Alfred Marshall (1890), third incumbent of the Cambridge chair. Though the analytical component became steadily more sophisticated, Political Economy remained what it had been for the disciples of Dugald Stewart: a critique of public policy, a rationale of the self-equilibrating market economy, and advocacy of free domestic and foreign trade.

In colonial North America the economic thought of Benjamin Franklin was as astute and well-informed as the best of Adam Smith's predecessors, some of whom he knew. In the new republic however, Alexander Hamilton's (1791) protectionist policy gave rise to an American School of Political Economy. Henry Carey (1793-1879) was the principal theorist of this school, which rejected the analyses of Malthus and Ricardo, repudiated *laissez-faire* and free trade, and argued for a Colbertian policy of fostering domestic industry by excluding foreign competition (Carey 1837; 1858-60). It would seem that Political Economy in nineteenth-century America was drastically different from that of the English School; though as we shall later see in the case of Francis Wayland (1796-1865) the doctrines of the English School were still influential. Yet in both countries the *function* of Political Economy was the same: to be a putatively scientific 'inquiry' in the service of national economic policy.

In the twentieth century, a vast proliferation of universities, graduate students, professional associations and learned journals, especially in the United States, has produced an ever-increasing number of sub-disciplines associated with, and in some cases appropriating the title of, 'political economy.' Though some of these now treat economics as ideology rather than science and some look more like sociology or political science than economics, the traditional function of Political Economy is still evident in most of this literature. What then is the relation of Religion with Economics(ii)?

Unlike seventeenth-century France or present-day Iran and China, most of the developed world is now secular and pluralistic, and governed by political institutions intended to give citizens some say in public affairs – or at any rate some choice of government. There is no place

in the Anglosphere or in Western Europe for a Mao or even a Bossuet. Yet in many of these secular societies, especially the United States, Religion of various kinds still flourishes. More than 70% of the American population claim to be Christian. There and elsewhere Muslims comprise an increasing share of the population, ranging from 1% (USA) and 5% (Britain) to 11% (metropolitan France). And in the USA where Jews (1.4% of the population) outnumber Muslims, about as many adhere to Judaism (roughly 6 million) as in the state of Israel. In such societies, it would appear, there is often a two-way relation between Economics(ii) and Religion. Insofar as Religion determines or affects public opinion, and to the extent that churches or other religious bodies can exert political influence, national economic policy may be constrained by religious considerations. And on the other hand, insofar as culture and public opinion are affected by economic circumstances, Religion (as a social phenomenon and perhaps even as an intellectual enterprise) will be partially affected by Economics(ii).

Circumstances of the Canadian *Lord's Day Act* of 1906 illustrate this two-way relation. A politically powerful alliance of Christian churches, Protestant and Roman Catholic, called upon the Dominion Parliament to legislate compulsory Sunday observance. The lower house was willing, and had been assured by the Attorney General that Christianity was part of the law of the British Empire. A bill was sent to the Senate which made almost all Sunday work unlawful. But representatives of the rail, shipping and smelting industries reminded Senate that a total stoppage of trains, lake freighters and blast-furnaces every seven days – even if technically possible – would be ruinous for them, and would impose enormous costs upon the Canadian economy. The bill was drastically modified and much of what the churches

had hoped for was lost. (Waterman 1965). We see here on the one hand how Religion might affect public economic policy, and on the other how Economics(ii) might affect Religion. For this episode put Canadian Christianity to the test. What proportion of national income was it prepared to sacrifice for the sake of enforcing the dictates of a religion professed by more than 95% of the population? As the answer 'not very much, if any' was gradually digested, Canadian culture became more secular and Canadian religion less traditionally orthodox.

Examples of a *one-way* relation between Religion and Economics(ii) abound. In Britain, still an officially Christian society though virtually secular since the mid-nineteenth century, bishops sit in the House of Lords and may and do intervene on economic questions. William Temple (1881-1944) wrote a book while Archbishop of Canterbury, *Christianity and Social Order* (1942), later described as 'one of the foundation piers of the Welfare State' (Munby 1960, p. 157); a post-war Conservative Prime Minister testified to its immense influence on all 'who were seriously concerned with the social, economic and political problems of his day' (Temple [1942] 1976, 'Foreword' by Edward Heath). Many other bishops, clerics and lay persons have engaged, and still engage, in economic policy debate as Christians: as individual authors, politicians and social activists, and as members of various religious and religious societies. In the USA where there is no official public religion, many Christian bodies and individuals attempt to influence economic policy. The Roman Catholic Bishops, for example, issued a widely discussed pastoral letter in 1986, 'Economic Justice for All,' which proposed traditional Papal Social Doctrine (subsidiarity, corporatism and distributism) as an alternative to what was perceived as the *laissez-faire* capitalism of the Reagan administration (Heyne [1985a] 2008).

Three years before, the Canadian bishops had published their 'Ethical Reflections on the Economic Crisis' which depended more heavily on Liberation Theology than the pastoral of their American colleagues (Waterman 1983).

Behind these Roman Catholic interventions lay a tradition of social teaching inaugurated in 1891 by the encyclical *Rerum Novarum* of Pope Leo XIII, and sustained by series of 'social encyclicals' down to the present day. For the first hundred years these widely publicized and much-studied documents reflected traditional, pre-Modern Christian suspicion of, even outright hostility to, capitalism and the market economy. This was most evident in the second of the series, *Quadragesimo Anno* (1931) of Pius XI, which denounced the 'poisoned spring' of 'Manchesterian Liberalism' and declared that 'the right ordering of economic life cannot be left to the free competition of forces' (QA, para. 88; see Waterman 2016a, pp. 9-10). In many parts of the world there were serious attempts to implement Papal Social Doctrine: 'Catholic' or 'Christian' political parties and trade unions were formed; and a new discipline of 'social economics' emerged to relate church teaching to economic theory (Antoine [1896] 1921, II pp. 78-79; see Waterman 2016b, which explains why this sub-discipline eventually died).

Yet even this case, notwithstanding the traditional Romanist claim of *semper eadem*, the relation between Economics(ii) and Religion has become two-way. As we shall see below, the signal failure of Soviet communism in the 1980s persuaded Pope John-Paul II to acknowledge that 'the *free market* is the most efficient instrument for utilizing resources and effectively responding to needs' (CA, para. 34); and – as against Pius XI – to declare that 'the Church acknowledges the legitimate *role of profit*' (CA, para 35). This is now official doctrine (*Compendium*, paras. 347-50); and

though the present Pope appears to some to have repudiated it, this may be more apparent than real (Waterman 2016a).

3. Economics(iii): Economic Analysis

'...the technical core of *economics* is indispensable infrastructure for the political economy' (Solow 1998, my italics). Robert Solow here means Economics(iii): which he describes as a 'technical subject' for professionals, out of bounds to 'ladies and gentlemen.' But long before political economy and its theoretical 'infrastructure' became a technical academic discipline, the coherence of economic thought was protected by a conceptual framework we now recognise as 'economic analysis.' For example, the 'mental experiment' at the heart of David Hume's essay 'Of the Balance of Trade' ([1752] 1994) can only be conducted when aggregative concepts such as 'money', 'the price of all labour and commodities' and 'the art and industry of each nation' have been abstracted from the real world of commerce, implicitly quantified, and related to one another in the imagined world of the analyst's model. Likewise, when Adam Smith states that 'the demand for men, like that for any other commodity, necessarily regulates the production of men' (*WN* I.viii.40) he is manipulating abstractions and implying a causal nexus of other abstractions – growth-rate of 'population' in relation to that of 'capital' etc. (Waterman 2014a, pp. 403-405; 413-16). This kind of thinking is evident in the work of Smith's predecessors at least back to Boisguilbert. It has even been argued – though contested – that analysis founded on the concepts of 'utility' and 'marginal utility' can be found in Aristotle (Billoret 1989; see Maucourant 2013, p. 36, n. 3).

However, although economic analysis

emerged as a rationale of political economy, it eventually acquired a life of its own as it became clear that its chief methodological assumption – social phenomena may be understood as the unintended consequences of purposeful, self-regarding acts of individuals – may be applied in a wide variety of other inquiries (Brennan and Waterman 2008b). There have been 'economic theories' of the family, of suicide, of the caste system, of military tactics; vigorous sub-disciplines such as public choice theory, and law-and-economics; studies of the economics of sport, the economics of sex and even *The Economics of Sin* (Cameron 2003). The social phenomenon of Religion itself has now become a subject of economic analysis and empirical investigation (Iannoccone 1998). How does this last affect the relation between Economics(iii) and Religion?

It is conceivable – though unlikely – that widespread awareness of among religious believers of 'the economics of religion' might affect the way they view their own faith and practice. But even if it does, it seems more likely to be the former than the latter. At any rate I shall assume that in general the relation between Economics(iii) and Religion is intellectual and conceptual. How may the abstractions of Economic Analysis be related to those of Religion? The latter comprise *Theology*, which bears a somewhat similar relation to Religion as Economics(iii) does to Political Economy. I wish to suggest that there are three related issues which have in fact engaged the attention of those who have studied this question: (a) Scarcity, (b) Self-love, and (c) Original Sin. All pose questions for *theodicy*, which is an attempt to demonstrate the co-existence of four of the Divine attributes, viz: that the deity is *all-powerful*, is *all-knowing*, is

all-wise, and is *perfectly good*. If natural (= physical) or moral evil exists in God's Creation, then one or more of these attributes must be absent, and hence our conception of the deity is incoherent. This so-called 'Problem of Evil' is the fundamental objection to all monotheistic religion.

(a) *Scarcity*

In previous work I have attempted to show that whereas in the eighteenth century economic thought was generally regarded as fully compatible with Christian theology, the publication of Malthus's first *Essay on Population* (1798) suddenly shattered this comfortable assumption (Waterman 2001). For as an unintended consequence of his polemic against Godwin's *Political Justice* (1793), Malthus identified both ecological scarcity caused by natural fecundity in a defined habitat, and diminishing returns in agricultural production as an effect of this. Diminishing returns sometimes appears in the work of Malthus's predecessors including Steuart, Smith and Turgot. But either it was assumed, as in Smith, to be dominated by increasing returns to scale, or was ignored.

Ecological scarcity is a problem for theodicy. Why does God create a world in which all men and women must live in 'misery' or 'vice'; and in which all other animals must 'struggle for existence' in a Nature 'red in tooth and claw'? Malthus attempted to address the first question himself, and his theodicy was much developed by others, in particular J. B. Sumner (Waterman 1991; Cremaschi 2014). But although their work reassured the learned that Political Economy was not 'hostile to religion' it soon became clear that an impassible boundary had now appeared between the two. Romantic reactionaries abused Political Economy; and what Toynbee later called 'the bitter

argument between economists and human beings' (which continues to this day) was begun (Waterman 2003; Levy 2001; Heyne [1993] 2008). Richard Whately (1831) recognized that boundary as an example of the general epistemological distinction between religious and scientific knowledge, and exploited his demarcation to defend each from invasion by the other (Waterman 1991, 1994).

In this episode we see a one-way relation between Economics(iii) and Religion. An innovation in economic analysis forced a reappraisal of theological doctrine. And though as we shall see below, new economic ideas may occasionally arise from theological considerations, the one-way relation must normally be the case if Economics(iii) be purely scientific. Scientific knowledge cannot be affected by religious knowledge (Waterman 2014b). But it has long been recognized that some religious knowledge may be corroborated by science, and some disconfirmed. The former is the domain of 'Natural Theology,' so convincingly deployed by Newton in his *Principia*, which he published 'with an Eye upon such Principles as might work with considering Men for the belief of a Deity' (Newton 1756, p. 1). Whately had considered using Political Economy for this purpose; but it was left to Francis Wayland (1837) and Frédéric Bastiat (1850) to celebrate the 'divinely intended harmony' (Heyne [1985b] 2008, p. 246) apparent in the competitive market economy under *laissez-faire*. And in Germany, Herman Heinrich Gossen (1854) constructed his now famous book within a framework of 'religious rhetoric' strongly reminiscent of eighteenth-century natural theology (Steiner 2007).

Diminishing returns to a capital-*cum*-labor composite factor applied to fixed land (Samuelson 1978) is a consequence of ecological scarcity. By the end of the

nineteenth century however, neoclassical production theory had generalized diminishing returns at the intensive margin to all factors of production; and the convex transformation function which is a corollary made explicit the universality of scarcity. We can only get more guns by giving up more butter, and the more guns we want the greater the opportunity cost in butter foregone. As an isomorphic analysis of utility was developed, it became clear that a rational individual would exercise choice to maximize 'welfare' by satisfying a set of marginal conditions which determine a unique, optimal set of goods produced and consumed. This analysis was aggregated at the national level for the study of 'social welfare.' Thus the 'cheerful' eighteenth-century science of *wealth* mutated into the 'dismal' nineteenth-century study of *scarcity*. Attention returned to Aristotle's *οἰκονομικά*, and the prudent ('economising') housewife became an object of study. Economics(iii) is now usually defined as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses' (Robbins 1935, p. 15).

As with ecological scarcity, generalized scarcity in human affairs presents a problem for theodicy. As Vivian Walsh (1961) explained, the constraints this sets on choice are the framework of human tragedy. It has long been conventional to attribute generalized scarcity to the Fall (Gen 3: 17-24) and there have been few attempts to go any further. A recent theodicy by a Dominican economist (Barerra 2005) follows Papal doctrine in minimizing or ignoring the *natural* evil of resource scarcity and focusing on the *moral* evil of human greed and incompetence

(Waterman 2007; 2016a, pp. 17-18). Here, once again, the relation runs from Economics(iii) to Religion.

(b) *Self-love*

Scientific knowledge must be immune from theological considerations. But J. A. Schumpeter (1954, p. 41) has explained that 'a pre-analytical cognitive act' that he called 'Vision,' and which 'supplies the raw material for the analytic effort,' may arise from an indefinite variety of circumstances. Theological discourse might thus supply the 'vision' from which analysis emerges. And it would appear that what is perhaps the single most important analytical development in the history of Economics(iii) did in fact arise out of the theological debate in France during the last quarter of the seventeenth century.

The Jansenist philosophers, Pierre Nicole and Jean Domat, outlined a quasi-Augustinian theodicy of the market economy in their lectures at Port-Royal.

'When a traveller arrives in a town where he is quite unknown,' observed Nicole, food, lodging and other services are gladly supplied by the locals: not out of charity but because of their 'cupidity,' that is, because they expect to get paid by the traveller (Nicole 1670, pp. 204-5, quoted in Faccarello 1999, p. 28). Thus

'...from so evil a passion as our self-love, and from a poison so contrary to the mutual love which ought to be the foundation of society, God created one of the remedies which enable it to survive; for from the principle of division He constructed a link which unites all men in a thousand ways and which maintains most agreements' (Domat 1689, p. 25, quoted in Faccarello 1999, p. 27).

Pierre de Boisguilbert was a pupil of the Jansensists at the *Petits Ecoles* where Nicole had lectured, and absorbed

his and Domat's doctrines. Gilbert Faccarello (1999) has shown in detail how Boisguilbert digested these ideas to produce his radically new conception of an economy governed by 'Nature', beneficently harnessing and coordinating the self-love of individuals through relative market prices.

These ideas were transmitted to England by Bernard Mandeville ([1714-28]1988) and caricatured in his sub-heading *Private Vices, Publick Benefits*. But if self-love be a 'vice' (as the Jansenists had supposed) then the problem of evil is still with us. Why does God allow – or worse, 'design' – a world in which good things necessary for human life and happiness require moral evil for their production? It was necessary to preserve the scientifically valuable Boisguilbert-Mandeville conception of a market economy driven by private interest, but to purge it of its theologically objectionable features. That task was performed by Joseph Butler in his profoundly influential *Rolls Sermons* ([1726] 1969), which showed that the ends of private good and public good 'do indeed perfectly coincide'; and that 'self-love is one chief security of our right behaviour towards society.' Sermons XI and XII, 'On the Love of our Neighbour' (Butler 1969, pp. 164-202), recognize that self-love is a duty commanded by Christ himself. Bishop Butler's chaplain, Josiah Tucker, made explicit the link between a rehabilitated, Christian conception of self-love and spontaneous market order in a competitive market economy in his *Elements of Commerce* (Tucker [1755] 1993, p. 58); and subsequently set out what was to become, two decades later, the central message of *Wealth of Nations*:

...let the Legislature but take Care not to make *bad Laws*, and then as to *good ones*, they will make themselves: That is, the Self-Love and Self-Interest of each Individual will prompt him to seek such Ways of Gain, Trades and Occupations

of Life, as by serving himself, will promote the public Welfare at the same Time ([1757] 1993, p. 48).

A 'pre-analytic cognitive act,' the Jansenists' 'vision' of self-love, supplied 'the raw material for the analytic effort' of constructing the modern theory of competitive market equilibrium. But in the course of its construction, Christian theology itself was modified or at any rate developed: here too an innovation in economic analysis forced a reappraisal of theological doctrine.

(c) *Original Sin*

It was noted above that it has long been conventional to ascribe the natural evil of scarcity to the Fall. From 1891 it was routine, in Roman Catholic thinking, to blame 'Original Sin' for poverty and inequality (e.g. *RN*, para.18), but it was not until 1991 that any connexion was made in that tradition with economic analysis.

Perennial distrust or even hostility of Papal social doctrine to the market economy and its theoretical rationale, though most pronounced in *Quadragesimo Anno*, persisted until the 1970s (see *MM*, para. 23; *PT*, para. 26; *OA*, para. 26). As late as 1981 John-Paul II launched a powerful attack on '*materialistic and economic thought*' (*LE*, para. 7). But decade later he had a seeming change of heart and mind, and suddenly set aside the anti-market rhetoric of Pius XI and his successors. The occasion was the evident failure of socialist control and the consequent collapse of the Soviet Union. I have noted in part 2 above that the encyclical *Centesimus Annus* proclaimed what some American free-market enthusiasts described at the time (with much hyperbole) as 'a ringing endorsement of the market economy' (Neuhaus 1991). What was the theological rationale of this new-found Papal approval of liberal economic institutions? At its

centre was a strong affirmation of the doctrine of Original Sin, often ignored in recent Roman Catholic social thought, which preferred to focus on the *imago dei* and the politically acceptable dignity of the human person that this implies (Waterman 2011, p. 51).

Archbishop William Temple had declared that that 'The art of government is ... the art of so ordering life that self-interest prompts what justice demands' (Temple [1942] 1950, p. 65). Why should this be? Because, Pope John-Paul II tells us,

...man, who was created for freedom, bears within himself the wound of original sin, which constantly draws him towards evil and puts him in need of redemption. Not only is *this doctrine an integral part of Christian revelation*; it also has great hermeneutical value insofar as it helps one to understand human reality. Man tends towards good, but he is also capable of evil. He can transcend his immediate interest and still remain bound to it. The social order will be all the more stable, the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks ways to bring them into fruitful harmony. In fact, where self-interest is violently suppressed, it is replaced by a burdensome system of bureaucratic control which dries up the wellsprings of initiative and creativity (CA, para. 25; italics in the original).

There is an obvious connexion between these ideas and both the Jansenists' insight into the possibility that the market might be an Augustinian *remedium peccatorum*, and the Butlerian doctrine that self-love (= 'self-interest' in this context) can be theologically acceptable. The relation between Economics (iii)

and Religion in this case can be seen in the fact that a 'pre-analytic,' theological 'vision' gave rise to an important innovation in the Economics(iii); and in the fact that the eventual recognition by the Roman Church of the significance of this innovation caused a drastic modification of its social teaching.

Acknowledgments

The author wishes to thank Geoffrey Brennan, Benjamin Friedman, Deirdre McCloskey and Paul Oslington for valuable criticism of, and advice on, a first draft of this article. He is solely responsible for all remaining inadequacy.

References

(a) Papal Encyclicals

Authorised English translations, © Libreria Editrice Vaticana, at www.vatican.va/holy_father/ of: *Rerum Novarum (RN)*, *Quadragesimo Anno (QA)*, *Mater et Magistri (MM)*, *Pacem in Terris (PT)*, *Populorum Progressio (PP)*, *Octogesima Adveniens (OA)*, *Laborem Exercens (LE)*, *Centesimus Annus (CA)*. [Note: my references identify the encyclical by its 2-letter abbreviation and paragraph number.]

(b) Pontifical Council for Justice and Peace

Compendium of the Social Doctrine of the Church, © 2004 Libreria Editrice Vaticana, at www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20060526_compendio-dott-soc_en.html

(c) Other References

Antoine, Charles. [1896] 1921. *Cours d'économie sociale*. Paris: Felix Alcan.

Articles

- Aristotle 1908. *The Politics and Economics of Aristotle*, transl. E. Walford. London: Bohn.
- Barrera, Albino OP. 2005. *God and the Evil of Scarcity: Moral Foundations of Economic Agency*. Notre Dame IN: University of Notre Dame Press.
- Bastiat, Frédéric. 1850. *Harmonies Économiques*. Paris: Guillaumin.
- Billoret, J.-L. 1989. 'Le circuit et l'équilibre de Boisguilbert dans le courant de l'analyse économique,' in J. Hecht (ed.) *Boisguilbert parmi nous*. Paris: INED.
- Boisguilbert, Pierre le Pesant, Sieur de. [1704] 2000. *A Treatise on the Nature of Wealth, Money, and Taxation*. . . (transl. and ed. Peter Groenewegen). Sydney: University of Sydney, Centre for the Study of the History of Economic Thought.
- Bossuet, Jacques-Bénigne. [1709] 1990. *Politique tirée des propres paroles de l'Écriture Sainte*. Paris: Pierre Cot. Transl. (Patrick Riley) as *Politics drawn from the Very Words of Holy Scripture*. Cambridge: Cambridge University Press.
- Brennan, H. G. and Waterman, A. M.C. (eds.) 2008a. 'Are Economists Basically Immoral?' and Other Essays on Economics, Ethics and Religion, by Paul Heyne. Indianapolis: Liberty Fund.
- Brennan, H. G. and Waterman, A. M. C. 2008b. 'Christian Theology and Economics: Convergence and Clashes,' in *Christian Theology and Market Economics* (R. Harper and Samuel Gregg, eds.), Cheltenham UK and Northampton MA: Elgar.
- Butler, Joseph. ([1726] 1969). *Fifteen Sermons Preached at the Rolls Chapel and a Dissertation upon the Nature of Virtue* (ed. W. R. Matthews). London: Bell.
- Cadet, Félix. 1870. *Pierre de Boisguilbert: Précurseur des Économistes, 1646-1714*. Paris: Guillaumin.
- Cameron, S. 2003. *The Economics of Sin: Rational Choice or No Choice at all*. Cheltenham: Elgar.
- Cantillon, Richard. ([1755] 1931). *Essai sur la Nature du Commerce en Général*, ed. and transl. H. Higgs), London: Macmillan for the Royal Economic Society.
- Carey, Henry. C. 1837. *Principles of Political Economy*. Philadelphia: Carey, Lea & Blanchard.
- Carey, Henry C. 1858-60. *Principles of Social Science*. 3 vols. Philadelphia: Lippincott.
- Cremaschi, Sergio. 2014. *Utilitarianism and Malthus's Virtue Ethics: Respectable, Happy and Virtuous*. Abingdon UK: Routledge.
- Domat, Jean. 1689. *Traité des lois*, in *Œuvres Complètes*, vol. I. Paris: Firmin Didot
- Faccarello, Gilbert. 1999. *The Foundations of Laissez-faire: The Economics of Pierre de Boisguilbert*. London: Routledge.
- Filmer, Robert. 1680. *Patriarcha, or The Natural Power of Kings*. London: Chiswell.
- Fontana, Biancamaria. 1985. *Rethinking the Politics of Commercial Society: The Edinburgh Review 1802-1832*. Cambridge: Cambridge University Press.
- Godwin, William. 1793. *An Enquiry Concerning Political Justice*. London: Robinson.
- Gossen, H. H. 1854. *Entwicklung der Gesetze des menschlichen Verkehrs . . .* Braunschweig: Vieweg.

Hamilton, Alexander. 1791. 'Report on the Subject of Manufactures.' Washington DC: Annals of Congress, 5 December.

Hengstmengel, Joost W. 2013. 'The Reformation of Economic Thought: Dutch Calvinist Economics, 1880-1948,' *Philosophia Reformata* 78: 124-43.

Heyne, Paul. [1985a] 2008. 'The US Catholic Bishops and the Pursuit of Justice,' reprinted from *Cato Institute Policy Analysis* 50 as chap 10 in Brennan and Waterman 2008.

Heyne, Paul. [1985b] 2008. 'Clerical Laissez-Faire: A Case Study in Theological Ethics,' reprinted from *Religion, Economics, and Social Thought*, (eds. W. Block and I. Hexham) Vancouver: The Fraser Institute, as chap. 13 in Brennan and Waterman 2008.

Heyne, Paul. [1993] 2008. 'Are Economists Basically Immoral?' reprinted from *Policy* (Autumn 1993) as chap. 1 in Brennan and Waterman 2008a.

Hoyt, Sarah F. 1912. 'The Etymology of Religion,' *Journal of the American Oriental Society* 32.2: 126-29.

Hume, David. [1752] 1994. 'Of the Balance of Trade', in *Political Essays* (ed. K. Haakonssen). Cambridge: Cambridge University Press.

Iannoccone, Laurence R. 1998. 'Introduction to the Economics of Religion,' *Journal of Economic Literature* 36.3: 1465-95.

Kubeta, A. [1941] 1966. 'La théorie des prix proportionnels et de l'équilibre,' in A. Sauvy (ed.), *Pierre de Boisguilbert ou la naissance de l'économie politique*, vol. I, pp. 71-84. Paris, INED.

Kuran, Timur. 2004. *The Economic*

Predicaments of Islamism. Princeton NJ: Princeton University Press

[Locke, John] 1689. *Two Treatises of Government*. London: Awnsham Churchill

[Malthus, T. R.] 1798. *An Essay on the Principle of Population*. London: Johnson.

Marshall, Alfred. 1890. *Principles of Economics*. London: Macmillan.

Marx, Karl. 1954. 'Afterword' to the second German edition of *Das Kapital*, in *Capital: a Critique of Political Economy* (transl from 3rd German edn by S. Moore and E. Aveling, ed. F. Engels), vol. I, p. 26. 3 vols. Moscow: Progress Publishers.

Mandeville, B. ([1714-28]1988). *The Fable of the Bees: Or, Private Vices, Publick Benefits*, (ed. F.B. Kaye) 2 vols. Oxford: Clarendon, 1924. Facsimile reprint by the Liberty Fund, Indianapolis: Liberty Press.

Maucourant, Jerome. 2015. 'Montchrestien in 1615: The Beginnings of Political Economy,' *History of Economic Ideas* 21.1: 25-45.

Montchrétien, Antoine de. [1615] 1999. *Traicté de l'Économie politique*, Introduction par F. Bilacroix. Genève: Droz.

Mun, Thomas [1664] 1949. *England's Treasure by Forraign Trade; or The Balance of our Forraign Trade is The Rule of our Treasure*. Oxford: Blackwell.

Munby, D. L. 1960. *God and the Rich Society: a Study of Christianity in a World of Abundance*. Oxford: Oxford University Press.

Newton, Isaac. 1756. *Four Letters from Sir Isaac Newton to Dr Bentley Containing Some Arguments in Proof of a Deity*. London: Dodsley.

Nicole, Pierre. 1670. *De l'éducation d'un prince*. Paris: Charles Savreux

Articles

- Neuhaus, Richard John. 1991. 'Review Essay,' *National Review* 43.11 (Special Supplement) S8–9.
- Pincus, S. 2009. *The First Modern Revolution*. New Haven CT: Yale University Press.
- Robbins, Lionel. 1935. *An Essay on the Nature and Significance of Economic Science*, 2nd edn. London: Macmillan.
- Roberts, Hazel van Dyke. 1935. *Boisguilbert: Economist of the Reign of Louis XIV*. New York: Columbia University Press.
- Samuelson, P.A. 1978. 'The Canonical Classical Model of Political Economy.' *Journal of Economic Literature*, 16: 1415-34.
- Schumpeter J. A. 1954. *History of Economic Analysis*. London: Allen & Unwin.
- Smith, Adam [1776] 1976. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Oxford: Oxford University Press, 2 vols. [References to this source as *WN*, Book.chapter.paragraph]
- Solow, R. M. 1998. 'The Wide, Wide World of Wealth', *New York Times*, 28 March.
- Steiner, Philippe. 2007. 'The Economic Theology of Herman Heinrich Gossen. The Creator, Human Conduct and the Maximization of Utility.' Unpublished ms.
- Steuart, James. 1767. *An Inquiry into the Principles of Political Œconomy*, 2 vols. London: Millar and Cadell.
- Stewart, Dugald. 1793. 'Account of the Life and Writings of Adam Smith LL.D.' in *Works and Correspondence of Adam Smith* (eds. W. P. D. Wightman, J. C. Bryce and I. S. Ross), vol. 3. Oxford: Oxford University Press.
- Tucker, Josiah. ([1755] 1993). *The Elements of Commerce and Theory of Taxes* (privately printed by Tucker in 1755, first published in 1931; reprinted from Schuler's 1931 edn. in J. Tucker, *The Collected Works of Josiah Tucker*, with a new introduction by Jeffrey Stern, 6 vols, vol. 3, London: Routledge/Thoemmes.
- Tucker, Josiah. ([1757] 1993). *Instructions for Travellers*. Facsimile reprint of 2nd ed. in *The Collected Works of Josiah Tucker*, vol. 3.
- Walsh, V. C. 1961. *Scarcity and Evil*. Englewood Cliffs: Prentice-Hall.
- Waterman, A. M. C. 1965. 'The Lord's Day in a Secular Society: a Historical Comment on the Canadian Lord's Day Act of 1906,' *Canadian Journal of Theology*.
- Waterman, A. M. C. 1983. 'The Catholic Bishops and Canadian Public Policy,' *Canadian Public Policy/Analyse de Politiques*.
- Waterman, A. M. C. 1991. *Revolution, Economics and Religion: Christian Political Economy, 1798-1833*. Cambridge: Cambridge University Press.
- Waterman, A. M. C. 1994. 'Whately, Senior and the Methodology of Classical Political Economy,' chap. 3 in H. G. Brennan and A. M. C. Waterman (eds.) *Economics and Religion: Are They Distinct?* Boston MA: Kluwer. Reprinted as chap. 8 in Waterman 2004.
- Waterman, A. M. C. 2001. 'The Beginning of Boundaries: The Sudden Separation of Political Economy from Christian Theology', in Guido Erreygers (ed.) *Economics and Interdisciplinary Exchange*. London: Routledge. Reprinted as chap. 7 in Waterman 2004.
- Waterman, A. M. C. 2004. *Political Economy and Christian Theology since the Enlightenment. Essays in Intellectual History*. Basingstoke UK and New York: Palgrave Macmillan.

Articles

Waterman A. M. C. 2007. Review of *God and the Evil of Scarcity: Moral Foundations of Economic Agency* by Albino Barerra OP, *Faith and Economics* 49 (Spring): 61-65.

Waterman, A. M. C. 2008. 'Political Economy: the English School', in *The New Palgrave Dictionary of Economics, 2nd Edition* (eds. S. N. Durlauf and L. E. Blume), London: Palgrave Macmillan.

Waterman, A. M. C. 2011. 'The True Wealth of Nations in Recent Catholic Social Thought: a Review Essay,' *Faith and Economics* 57 (Spring): 47-55.

Waterman, A. M. C. 2014a. 'Is there another, quite different, "Adam Smith Problem,"' *Journal of the History of Economic Thought* 36.4 (December): 401-420.

On the Relation between Economics and Religion

Waterman, A. M. C. 2014b. 'Can "Religion" Enrich "Economics"?' *Econ Journal Watch* 11.2: 233-42.

Waterman, A. M. C. 2016a. 'Pope Francis on the Environmental Crisis,' *The Independent Review* 21.3 (Winter): 1-24.

Waterman, A. M. C. 2016b. 'Rerum Novarum and Economic Thought,' *Faith and Economics* 67 (Spring):

Wayland, Francis. 1837. *The Elements of Political Economy*. New York: Leavitt, Lord & Co.

Whately, Richard. 1831. *Introductory Lectures in Political Economy*. London: Fellowes.