Redeeming Economics: Rediscovering the Missing Element

John D. Mueller. 2010. Wilmington, DE: ISI Books. ISBN: 978-1-932236-94-1, $28.00.

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Redeeming Economics is likely to be ignored by economists, which, I think, will be to their loss. It is likely to be ignored for two reasons. The first is evident in the book's title, with its reference to redemption, a religious concept. How can economics, a science, need redemption? Does Mueller mean to take us back to the medieval world, diluting or even polluting the science of economics with faith and superstition? A second reason economists are likely to ignore the book, less related to the first than it may seem, is that Mueller calls for a radical reconstruction of economics, a remaking from the roots up. Economists who are largely or entirely comfortable with their discipline and who inevitably make up the majority of the profession will not be drawn to any call for radical reconstruction. Like Wall Street and Washington in response to suggestions that something was badly wrong in the real estate and related financial markets, economists can fall prey to the "don't look and you don't risk seeing" mentality.

What, according to Mueller, is wrong with economics? In the simplest terms familiar to economists, there is an "equation" missing from the model. Economists have "equations" for production, consumption, and exchange, but not for the primary economic choice – the choices of persons. This missing element is a theory of distribution. Mueller argues that Thomas Aquinas had a complete economic model, with all four elements. Drawing on Aristotle and Augustine, Aquinas's economics explained production (what is produced and how), consumption (utility), exchange (commutative justice), and distribution (production or purchase for whom).

Adam Smith, the father of modern (classical) economics, dropped two of the four equations, those for consumption and distribution. With neoclassical economics the equation for consumption was restored. But neoclassical theory has nothing to say about distribution, leaving the restoration of economics incomplete. Mueller sees this reconstruction (redemption) continuing with his book, with the efforts of other nascent neo-Scholastics and, he predicts, eventually by the profession at large. Thus Mueller himself does not think his book will be ignored. Or perhaps, if it is ignored, the deficiency of economics will become evident to practitioners from their experiences doing economics. Mueller expects that economists will find their way to a neo-Scholastic economics that will preserve the best of both Smith and the neoclassicals while restoring the theory of distribution.

Mueller makes his case in seventeen chapters divided into five parts. Part I gives an excellent historical overview of economic thought through the past nine hundred years, organized around four watersheds: Thomas Aquinas's use of ideas from Aristotle and Augustine to develop a "complete" theory of production, distribution, utility, and exchange; Adam Smith's revolution in the development of classical economics without theories of distribution and utility; the neoclassical restoration of utility theory; and the neo-Scholastic project to restore a theory of distribution.

Mueller makes a compelling case for the neo-Scholastic theory of distribution. People make choices for and against persons prior to their choices of goods and services. So choices of persons are primary and choices of goods and services are secondary. The former are ends and the latter means. The "missing equation" in neoclassical economics is more than just one of four equations. It is the primary element. We can interpret Mueller's critique as the charge that neoclassical economics lacks depth. The roots of economic behavior are found in the primary human motivations, love and hate of persons (including ourselves). "In trying to reduce human behavior to exchanges, modern economists have forgotten how these essential motivations are expressed, which is as personal or collective *gifts* (and their opposite, crimes)" (p. 2, emphasis in original).

Parts II, III, and IV are organized around Aristotle's three dimensions of human nature. Humans are rational animals, thus part II is on the economy of personal choices. Humans are matrimonial, so part III is on the domestic economy, i.e., the theory of the household. And humans are political animals, thus part IV is on political economy.

Part II opens with the "mother's problem," as described by Philip Wicksteed in *Common Sense of Political Economy* (1933 [1910]), and solved much earlier by Augustine. In providing for her family a mother chooses goods to maximize utility, as she would according to neoclassical theory, but she does so jointly with choosing persons to whom she will provide the goods. Most of the mother's actions are not exchanges, but gifts. Thus for Augustine economics was a theory of providence, of human providence, but also of God's providence. Part II includes a critique of Donohue and Levitt's (2001) claim that legalization of abortion led to a reduction in crime rates, and of Peter Singer's utilitarianism. In both critiques Mueller sets up an empirical contest between the theory under criticism and neo-Scholastic theory. He uses data on abortion, economic fatherhood, and crime in the first case, and Singer's theory versus his actions in the second.

Part III returns to the Greek roots of the word "economics"—management of a home. Starting with the fundamental relationship in a home, the relationship between husband and wife, Mueller treats households as networks of relationships and as producers of both things and of people. Patterns of fertility and of lifetime earnings and spending are treated in part III.

In part IV Mueller draws on his experiences as adviser to Congressman Jack Kemp and as financial consultant in considering the macroeconomic problems of unemployment and inflation. The background for this discussion is not Aquinas as such but the economic thought of the American founding fathers.

Part V is a single chapter in which Mueller identifies the different philosophical worldviews presumed in classical, neoclassical, and neo-Scholastic economics. The differences devolve to different conceptions of human and divine nature. Classical economists are stoic pantheists, locating ultimate causation in uncreated animate matter, with fate as the governing principle. God is conceived as the world-soul, and man as God's puppet. Man's actions are driven by neither means nor ends but by sentiments. The associated theory of knowledge is nominalism. Neoclassical economists are epicurean materialists, seeing uncreated inanimate matter as the ultimate cause and chance as the governing principle. There is no God, and man is a clever animal who chooses means but not ends. Nominalism is the theory of knowledge of neoclassical economics. Neo-Scholastic economists hold to biblically orthodox natural law, seeing God, who is both immanent and transcendent, as the ultimate cause, and man as a rational animal who chooses both means and ends. The theory of knowledge is moderate realism, with God's creation rational and hence knowable.

Reading Mueller's book left me convinced that he is onto something important. For example, in the new home economics of Gary Becker, marriage and other family relations are treated as self-interested exchanges, because economists have no analytical tools other than theories of self-interested exchanges. Many of the critics of Becker's "economic view of human behavior" who argue that not all human behavior is self-interested have little if anything to put in its place. They lack an alternative analytical concept that meets the presumed standards of scientific rigor. Love and hate seem hardly the stuff of social science. But this is the direction in which Mueller suggests that economists should turn. And it is difficult to deny that on this point and many others he is correct.

Having said this, though, I think Mueller is overly-ambitious in the book. It is not clear to me that *Redeeming Economics* is one book rather than two. It is the book I have described, which is a high quality history of economics offering tantalizing suggestions for the future of neo-Scholastic economics. But it is also an attempt to submit neo-Scholastic economics and neoclassical economics to contests of empirical validity and explanatory power. He does this across a range of areas, from abortion and crime, to unemployment and inflation. The evidence consists of charts of data that supposedly reveal the superior explanatory power of neo-Scholastic economics. But there is no econometrics, and it is often hard to see from the evidence given that Mueller's conclusions in favor of neo-Scholastic economics are warranted.

It might have been more effective to make the argument for putting the theory of distribution into neoclassical theory by appeal to the commonsense observation that humans are fundamentally relational – that they do in different degrees love and hate. If they did not, what would be the point of the Second Great Commandment (Luke 10:27), or the virtues of charity and justice? Mueller gives considerable attention to the Stigler-Becker (Chicago) approach of turning every human action into the pursuit of self-interest, no matter how far removed from markets or how other-person-oriented the action may appear. This is where the intuitive case for neo-Scholastic economics is the strongest.

It is in criticism of (another Chicago economist) Steven Levitt's writing about non-market activity that Mueller makes his most interesting and compelling empirical case for neo-Scholastic economics. The issue is Donohue and Levitt's (2001) claim that the legalization of abortion in the United States caused a drop in the crime rate with a fifteen to twenty year lag. Following the Stigler-Becker approach, they assume that motivations are the same for all people, so that differences in behavior are due to differences in the environment, and in costs and benefits. Donohue and Levitt rely on the relatively high crime rates for late adolescents to infer that there would be a drop in crime fifteen to twenty-five years after the legalization of abortion. Mueller's neo-Scholastic economics suggests that men who abandon women who are pregnant by them or encourage the women to abort their babies are more likely to commit crimes themselves. Thus crime rates should correlate with abortion rates without a lag. He makes a convincing case that the evidence favors his approach over Donohue and Levitt's.

As I suggested above, if economists ignore or otherwise fail to take *Redeeming Economics* seriously it will be to their loss. Mueller is unlike many critics of neoclassical economics, for his criticism is not motivated by an ideological vision at odds with the typical pro-market conclusions of neoclassical economics. His is not a criticism from the political left, or for that matter, from the political right. Mueller is most critical of economics from the University of Chicago that earlier in his intellectual journey he felt at home with. For readers of *Faith & Economics* the fact that Mueller urges a return to the ideas of Saints Augustine and Aquinas is all the more reason to give this book a close reading.

References

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