

To the Editors:

For those who believe that thoroughgoing ecumenical cooperation is essential if the Gospel message is to be re-established as a significant factor in U.S. public life, Roland Hoksbergen's finding of "a surprising degree of commonality" (*Bulletin*, Fall 1992, p. 21) between Kuyperian and Roman Catholic social thought is indeed cause for hope. "Kuyperian economists...stress the inevitable consistency between faith and science" (*Ibid.*, p. 13). Substitute the ancient term reason for the modern word science, and Thomas Aquinas would surely agree and—especially after his recent public acknowledgement that an horrendous mistake was perpetrated in the notorious Galileo-Inquisition affair—so would Pope John Paul II. Kuyper's insistence on the distinction between "spheres of sovereignty" recalls the "principle of subsidiarity" so often cited in papal encyclicals and coincides closely with Michael Novak's thesis that social progress requires differentiation between the political, the economic, and the cultural systems (cf. Neuhaus's recent suggestion [*Doing Well and Doing Good*, p. 257] in agreement with Hoksbergen that John Paul II probably knew of and drew upon Kuyper's work).

Hoksbergen's conclusion that neoclassical assumptions (of "self-interested rationality" etc.) are "at odds with what we know to be true about the world (e.g. God's sovereignty)" (p. 13) seems, however, to call for clarification. No doubt neoclassical theory as set forth in the textbook specifies a conception of human decision making quite inconsistent with that demanded by the Gospel. And it would seem to be obvious that such analysis could never provide guidance in the effort to bring the Gospel message to bear in the marketplace. However, rather than dismiss neoclassical theory out of hand perhaps it would be appropriate to submit the analysis it offers to a bit of reverse hermeneutic suspicion.

The textbook verions of welfare economics was produced a generation ago by would-be logical positivists writing in mortal fear of the derision of Bertrand Russell, A.J. Ayer, Karl Popper et al. They tried to construct a comprehensive theory that would qualify as "science." They strove mightily to eradicate value judgments, to avoid appeal to practical experience or intuition, to rely only on a blend of logic and empirical observation as the test for truth. However, with the passage of time it is beginning to be apparent that the attempt to accommodate logical positivism was only a passing phase, a blind alley detour, in the long running effort to understand and evaluate the working of a market economy.

Half a century before the logical positivists appeared on the scene there was a strong moral interest at work in the development of the neoclassical model. Though one would never know it from reading Milton Friedman's reference to him, John Neville Keynes believed that economic analysis and moral discourse could be combined so as to identify economic "ideals" and define men's "economic duties." Marshall meant his life work to provide guidance in mankind's ongoing effort to provide all society "with the material means of a refined and noble life" (Viner's words). A.C. Pigou thought of welfare economics as a "fruit

WRITER

*Stephen T. Worland
is Professor of
Economics, Emeritus
at the University of
Notre Dame.*

bearing” (practical, ethical) science that would provide the insights required to deliver the industrial world from the “misery and squalor...that surround us.”

The Christian economist also needs to take note of a point suggested by the New Institutional Economics. Lawyers and common law judges have over the centuries (in their decisions on commercial law, property rights, anti-trust, etc.) sought to articulate and apply something like a neoclassical model of a market economy as the guide for public policy and institutional reform. Steeped in legal precedent and perhaps in classical political philosophy, these good men and true never heard of the disjunction of fact and value, or of the notion that an economic system was a “mechanism” similar to the one discerned in the heavens by Isaac Newton. No doubt, anthropologists, philosophers, amateur theologians and other lightweights will claim to find moral retrogression in such an interpretation of legal evolution. With malicious delight they will identify the cloven hoof of individualism, the selfish habits of the capitalistic heart, at work corrupting the legal system. With the more penetrating insights provided by our superior discipline, however, we economists can perhaps discern a pattern in the evolution of economic institutions not apparent to lesser men.

The post-Enlightenment world’s comprehensive effort to achieve greater cultural self-understanding has succeeded in discerning principles and values of immense significance for understanding the Gospel contribution to civilization—e.g. the rule of law; respect for individual rights; separation of church and state. Among the values so discerned there is one basic principle that would seem to be of crucial concern for the Christian economist. For the contemporary, desacralized, post *gemeinschaft-to-gesellschaft* world, the Biblical injunction to practice stewardship, the medieval doctrine that private property must serve the commons, translates into the imperative to seek rational maximization, least-cost efficiency in the use of the resource base. In a high tech culture the believer acknowledges the sovereignty of God through his faithful compliance with such an imperative.

There are good historical reasons why it is especially difficult for an economist to discern and appreciate the validity of such a crucial principle. As a side effect of the historical association with Bentham’s utilitarianism and of the way contemporary micro theory is axiomatized, the concern for rational maximization seem to imply, condone, and encourage egotism. But somehow, somewhere, Christian economists must bring themselves to consider the question—is the connection between the quest for efficiency in resource use and selfish egotism really essential and necessary? The cost-minimizing manager of a nonprofit enterprise (in the Catholic tradition, frequently a nun, priest or monk bound to a minimal standard of living by a vow of poverty) can hardly be considered as driven by ruthless self interest. The housewife passing down the supermarket aisles in search of a Pareto optimal bundle of grocery inputs conforms in her behavior to the assumptions of a neoclassical model. But she may use the resources saved by her cost-minimizing to finance a youngster’s orthodontia, or to increase her contribution to the church’s world-wide effort to evangelize. Should she be branded as selfish?

Denounced as a hard-hearted egotist? Or, her conscience formed by the warning to avoid waste as the evil companion of sloth, is she implicitly doing her part to fulfill the Biblical mandate to practice stewardship?

The belief that stewardship requires a commitment to output-maximizing efficiency seems to underlay Pope John Paul II's use of the neoclassical model in his latest encyclical. Some such principle also seems implied in Richard John Neuhaus's conclusion, based on his analysis of *Centesimus Annus*, that "capitalism is the economic corollary of the Christian understanding of human nature and destiny" (*op. cit.*, pp. 184, 240).

I submit this interpretation of the three-way connection between neoclassical economics, capitalism, and the revelation message to the scrutiny of my fellow Christian economists. I will be most grateful for critical comment.

Stephen T. Worland, Ph.D.

P.S. The above should suffice for a reply to my old and highly respected friend, Arnold McKee. I would readily agree that as spelled out in textbooks, "the Pareto optimum is purely positive, individualistic economics" (*Bulletin*, Fall 1992, p. 5). But Pareto optimality is only a more sophisticated version of Pigou's older, more intuitive equi-VMP rule—and the latter was invoked not in an attempt to avoid value judgments, but rather for the highly commendable purpose of eliminating "m isery and squalor."■