fuzzy social entities.

One of the more interesting parts of the book is her Hayekian understanding of the use of information in the economy and the family. The importance of tacit knowledge and the inability of parents to articulate all the details of how they act in raising a child is comparable to Hayek's defense of the market. Paradoxically this leads her into skepticism about market solutions to day-care.

Market failure does not lead, however, to government solutions, but instead strengthens her support of the normal family. If she needed support for her distrust of statist solutions to raising children, she would need only to look at the revealing picture of the "Collectivization of Breasts in a Moscow Nursery" in Renee Fülöp-Miller's book *Leaders, Dreamers, and Rebels* (1935, facing p. 372).

The strength of her book is that she never reduces issues to an either/or. She credits Michael Novak later in the book with a three-sphere approach to society which requires different substantive understandings for each sphere. No one method or approach is sufficient to understand the complexity of the human person and his needs. She points out that there are "gains from loving," but emphasizes that you are not dealing with a stable utility function; the experience of loving and being loved expands our world and changes what we consider a cost and what we would consider a benefit.

Therefore, in no way has she betrayed her trust in human liberty and a free society. Strong families and the formation of character are necessary for the free and responsible society that is her ideal. The spirit of this book is captured in the appeal of John Archibald Campbell, former Supreme Court Justice and articulator of the substantive due process doctrine of economic freedom in the *Slaughterhouse* cases. When he was addressing the Alabama State Bar Association in 1884, he exhorted them

> to stand fast in the liberty wherewith you became free, and which the Constitution has been the witness. Be constant and firm to insist that the State [Alabama] shall be maintained in the fullness of the powers reserved by the Constitution which was made by the people of the States. The State is the repository where the family is formed, and with this, the source of domestic peace, where religion, morality, reverence, honor, human affections are implanted and instruction most purely imbibed. It is the State that more surely defends life, liberty, property, family obligations and rights; it is the State that teaches primary duties of manhood and which shields and protects womanhood in her purity and holiness (Connor, 1920, pp. 275–276).

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Ethics and Uncertainty: The Economics of John M. Keynes and Frank H. Knight

William B. Greer. Cheltenham, UK and Northampton, MA: Edward Elgar, 2001. ISBN: 1–84064–45–1. $75.00.

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All the great economists, from well before Adam Smith down to the present, have understood that economic life is uncertain. But uncertainty poses a great problem for those who wish to say something specific about how economies perform. Thus, in working out their theoretical descriptions of economic processes, most economists have assumed that economic agents know more than we really do: not only about the future, but about current technical possibilities and consumer preferences. Formal theories have tended to ignore uncertainty altogether. However, when turning to a discussion of the world around us, all good economists—even the little-read but much-vilified classical economists—understood that "there's many a slip 'twixt the cup and the lip." Policy discussions nearly always have taken some account of what theory ignored.

Two major twentieth-century economists went beyond the conventional treatment of uncertainty to incorporate it into their theoretical systems. The attention given by Frank H. Knight and John Maynard Keynes to the problems created by uncertainty brings the two together in this book.

On the face of it, Knight and Keynes form an unlikely pair. Knight was a Midwestern farm boy, raised in a devout evangelical household, educated at two evangelical colleges and the University of Tennessee, when southern evangelicalism pervaded even secular campuses. But Knight had rejected the faith of his parents even before he moved to Cornell University, a much more modernist, secularized institution, to pursue his graduate studies. Thus, in Knight we have an example of someone who understood well, but rejected, the mindset of evangelical Christianity. Keynes was raised in an entirely different milieu: son of a Cambridge don who had already exchanged the viewpoint of Anglican evangelicalism for the optimistic humanism of the Cambridge moral philosophy of the late nineteenth century. Educated at Cambridge (primarily with like-minded individuals), Keynes was raised in the new secular religion promoted by the Cambridge elite, among whom he was to become a leader.

In this book, William Greer—who teaches at Milligan

College in Johnson City, TN, where Knight finished his bachelor's degree, and who wrote this work, his doctoral dissertation, at the University of Tennessee under the direction of Paul Davidson, a well-known Post-Keynesian scholar—examines how the backgrounds of Keynes and Knight led them to develop different treatments of uncertainty and how their views of uncertainty affected their treatments of the ethical dimensions of the economy. Given the great differences in the backgrounds and educations of the two theorists, one conceivably might expect to find predictable differences in their approaches. And important differences exist; whether they can be traced to their backgrounds is another matter.

Ethics and Uncertainty attempts to ground the attitudes toward uncertainty and the implications of those attitudes in the upbringings of Knight and Keynes. After an introductory chapter, the book discusses the "contrasting theological and intellectual influences" that affected their thinking; examines their differing theories of probability and uncertainty; considers the ethical implications of uncertainty in each author's work; discusses their views of the purpose and method of economics; and contrasts their policy outlooks and recommendations.

Keynes first explicated his views on probability and uncertainty in *A Treatise on Probability* (1921), though his views changed somewhat over time. "Keynes' eventual conclusion, as seen in his later writings, is that probability is not an objective property of reality, but rather one aspect of the way we perceive reality to be" (p. 37). Knight, on the other hand, "believes probability to exist as an aspect of material reality itself, part of a deterministic, ergodic 'cosmos'" (p. 39). For Keynes, then, uncertainty exists "when there [is] no basis whatsoever upon which to perform a probability analysis" (p. 40), while for Knight it exists when decisions must be "based upon non-quantifiable factors" (p. 43).

Greer argues that these disparate views of the nature of probability and uncertainty—indeed, of the nature of reality—led to the disparate economic views adopted by Keynes and Knight. Keynes, of course, argued that the economy's self-tendencies to full-employment equilibrium are weak, with the result that long periods of high unemployment are to be expected unless government takes an active role in assuring that "effective demand" is adequate to draw all workers into jobs. Knight remained skeptical of government throughout his life, arguing that the market tended to work reasonably well and that not too much good should be expected from excessive government intervention in the economy. According to Greer, "It is [Knight's] view of a predetermined, predictable, ergodic reality that leads [him] to be more accepting of the classical paradigm than Keynes" (p. 39). (Here, as throughout the book, Greer adopts Keynes' meaning of "classical," thus including Marshall and Pigou within his purview.)

Although full employment is one aspect of economic ethics, others exist. Greer points up repeatedly the concern of both Keynes and Knight over the unequal distribution of income. (He also notes, without really addressing the apparent contradiction, that the church's criticism of inequality, which Knight regarded as necessary for economic growth, was a factor in Knight's rejection of the faith.) Greer also gives ample attention to Knight's great emphasis on maintaining economic freedom as an element of Knight's adherence to the "classical" model.

The argument that would appear to lie before us, then—or should I say, the argument that I expected to find in the book—is this: Knight came from a conservative, rural, evangelical background, which led him to deterministic views about the future and a belief that humans can't expect to improve much on the situation. Keynes came from a liberal, urbane (if not urban), secular background, which led him to an open-ended view of the future and an optimistic view of what collective action might do to shape the nature of reality. Now, this might not be what Greer intended to convey by the structure (and much of the language) of the book, but it's what I came away with. Unfortunately, many of the crucial linkages in this schema are missing.

Consider Knight's situation. He was raised in the Restoration Movement that grew up on the "frontier" of eastern Kentucky and Ohio in the late eighteenth and early nineteenth centuries. This movement, driven by Barton Stone, Thomas Campbell, and Alexander Campbell, sought to dispense with all man-made doctrinal statements and use the Bible as the sole authority in all religious matters. From this movement came three modern groups of churches, the Church of Christ (non-instrumental), the Disciples of Christ, and the Christian Church (Independent). Knight grew up in the last of these, an evangelical "non-denomination" that stressed personal salvation and a life led in conformity to Scripture. (Full disclosure: I was raised in, and continue to be a member of, the Christian Church. Ironically, for the past 22 years I have lived in McLean County, IL, the county in which Knight grew up. The former fact undoubtedly colors my review to some extent.)

Without doubt, Knight's early frame of reference was formed by his church experience. But two facts are noteworthy: first, Knight rejected the church and Christianity altogether at a relatively early age; second, the Christian Church was (and is) far more Arminian than Calvinistic. In particular, the doctrine of individual predestination, which Greer *seems to hint* underlies Knight's ontology, is *not* taught in the Christian Church. Thus, the link between Knight's religious upbringing and his views on economic models and policy is tenuous—although Knight *might have* carried over a view of humanity as inherently flawed from his Christian background. Such a Pauline view of humanity *could* lead to the view that power wielded by secular government leaders is dangerous. But need it do so? Being from a conservative, rural background may have been more important (as the author hints at one point).

Greer's linking of Keynes' policy views to his secular religion is on somewhat firmer ground. Keynes believed that wise policymakers could make an important difference in how an economy performs. He undoubtedly possessed an optimism that Knight lacked, an optimism that may have derived from an assumption about the goodness of mankind. But surely it does not follow that anyone who accepts the natural goodness of humanity should hold a Keynesian view of uncertainty and therefore prefer strong government direction of the economy. Nor does it follow that anyone who accepts the biblical teaching that humans are born with sinful natures should accept Knight's "ergodic" version of uncertainty and therefore prefer (mostly) free markets. Does one's theology lead inevitably to a corresponding view of uncertainty? Should it?

I am quite certain that the answer to the first question is no. Most economists, Christian or otherwise, don't think about uncertainty in the precise terms in which Knight and Keynes did. However, I can only speculate as to how to answer the second question. Should Christian economists think about uncertainty in a particular way? I confess that I see no necessary linkage between either Knight's or Keynes' view and a "Christian view" of uncertainty, though those more philosophically inclined than I might perceive such a connection. Even supposing that agreement were reached on the proper Christian view of economic uncertainty, would that lead us to a particular view of the "best" economic structure or policy approach? I have my doubts. But such questions are worthy of discussion among ACE members, and Professor Greer deserves credit for raising such issues.

Notwithstanding his failure to provide convincing linkages in his story, Greer provides a reasonably detailed comparison of the general views held by Keynes and Knight. Unfortunately, in doing so he makes numerous statements that will draw fire from various quarters. In many places Knight is presented as a strong defender of laissez faire, yet his "ethical condemnation of a free-market economy" (p. 98) turns up elsewhere. The book is written from a decidedly Post-Keynesian perspective, and much Keynesian mythology appears as fact. Say's Law is interpreted in an especially simplistic manner, said not to apply to a monetary economy, and alleged to have been maintained steadfastly in its simple form by all "classicals" (so much for J.S. Mill's subtle "Of the Influence of Consumption on Production"). Laissez faire is presented as an extreme doctrine, and all of the reforms and government interventions that occurred in Britain throughout the nineteenth century are ignored. "Rational" behavior is defined in an unduly restrictive manner, implying that unless knowledge is perfect, rational behavior is impossible. No distinction is drawn between formal models and their application to reality. Finally, the author assumes that the existence of uncertainty undermines the case for (mostly) free markets without once hinting that the opposite case might be made, that the market is the most efficient institution in existence for overcoming the effects of uncertainty (and lack of centralized knowledge). Such has been argued by Austrian economists (Mises, Hayek, Kirzner *et al.*). Thus, while *Ethics and Uncertainty* elucidates, it also exasperates. The response provoked in individual readers will surely vary according to their backgrounds.

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