BOOK REVIEW

Review of Alan Storkey's *Transforming Economics*

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This latest installment in a series published by Third Way Books (including *All You Love is Need* by Tony Walter and *What's Right With Feminism* by Elaine Storkey) undertakes no small task. The jacket cover indicates that Storkey "presents a new radical Christian understanding of markets, capitalism, finance, the welfare state and many of the important categories of economic thought;" focusing attention on "the greatest problem of our time," unemployment, the author "sets out a new range of policies for recreating work." The book "at last provides some rigorous Christian economic analysis to undergird (our) good intentions."

Alan Storkey earned his undergraduate degree in Economics from Christ's College, Cambridge and his Master's degree in Sociology from the London School of Economics. He is former Director of The Shaftesbury Project, and now teaches in Great Britain. His earlier works include *A Christian Social Perspective* (InterVarsity Press/Great Britain, 1979; Chapters 13 and 14 emphasize economic matters), and over one-third of the document *Reforming Economics* (Calvin Center for Christian Scholarship, 1986). *Transforming Economics* is representative of a broader class of Christian commentary that is strongly influenced by post-Keynesian institutionalism.

The book's essential theme is that the cause of unemployment may well lie in the moral behavior—the greed or compassion—of economic power blocks and institutions such as government, unions, banks and families. This will be a familiar theme to economists, Christian or otherwise, but one worthy of exploration by a Christian.

Given the often partisan debate about the unemployment problem in Great Britain, I found Storkey's initial approach refreshing. While dismissing "faith . . . vested in the market" (p. 62), Storkey is also critical of blind allegiance to the provision of jobs by the state; the public sector, largely "manned by professional and middle class people," has "sometimes actually pursued policies at odds with the provision of welfare, improvements in labor policy, and other goals of the Left, . . . instead (pursuing) policies which are self-serving" (p. 61). The Marxist alternative is faulted because of its debt to naturalism; its emphasis on historicism leaves it "fundamentally anormative," providing "no basis upon which an awareness of justice can be developed" (pp. 56-7). Focusing responsibility for the economy upon the state results in dismissal of "the norms and responsibility which shape personal and institutional economic life" (p. 59).

I am, however, most uncomfortable with the remainder of the book's analysis. Since the volume sets out to demonstrate that one methodological school (in this case, a version of post-Keynesian institutionalism) is distinctively Christian, the author finds it necessary to argue that the major alternatives are distinctively pagan. This leads to an extended dismissal of the mainstream in economic theory, organized around discussions of Monetarism and Keynesian theory. I will first try to summarize fairly Storkey's comments about monetarism, and postpone any evaluation of his thinking for several paragraphs.

After identifying monetarism with the policies of the present conservative government in Britain, Storkey describes monetarism as a model "of the naturalistic market," where immutable forces of supply and demand yield "determinate solutions" (p. 20). "The Market, spelt with a capital M, is the mechanism, which if allowed to operate freely, sorts out problems like unemployment." Storkey, by contrast, questions the sense in which market forces are the ultimate arbiters of economic activity. "If the conservatives have had to work hard to restore these markets there is already an element of discretion in them . . . (and) they are actually normative constructions based on beliefs on how trading should take place . . . rather than autonomous forces" (p. 21). In the pursuit of mathematical tidiness, "economists have largely ignored . . . (that) markets can have long or short time horizons, depend on consumer loyalty or fickle consumers, and can have competition on the quality of good or prices or can eliminate competitors . . . Markets can also be pro-capitalist, in the sense that they allow full expression to dominant companies, or pro-free enterprise in that they allow the fullest opportunity for free access and competition in the market" (p. 22).

Storkey also argues that one of the "fundamental dogmas" of monetarist and naturalistic economics—that the supply and demand sides of the market are independent—is incorrect:

> This aspect of the naturalistic model is sheer fantasy . . . (Markets) often have important regulative institutions; many people are employed to analyze and assess the market as a whole; politicians . . . have strong policy views on the operation of the market; and many organizations have developed strong market strategies. How is this possible, if markets are determinate, impersonal structures? Clearly it is not . . . (p. 22).

Furthermore, Storkey asserts that the monetarist concern for stable prices is merely one normative consideration among many, "a question of deciding our priorities in living, not of accepting a take-it-or-leave-it package deal" (p. 21). Monetarists are preoccupied with price equilibrium and thus dismiss potential disequilibria in income, wealth, stocks, institutions, money, and employment variables, even though "it is a groundless assumption that stability in one system will lead to stability in others." The result is a "presumption that much more complex economic behavior is 'basically' responding to price. This is such a fundamental misunderstanding that, by itself, it explains the failure of the monetarists to get to grips with unemployment" (p. 23).

Applying this logic to consumption theory, Storkey argues:

> Often *the* reason (people buy a particular good) will be because they like it, or to save time, or because they need it in a certain situation. The 'determining' factor in their decision will not be price, which they might not even notice . . . Naturalistic economics insists, however, on seeing price as determinate, even if the qualification is made that other things be held constant. This is an elementary fallacy (p. 24).

In a like manner, Storkey writes that the interest rate is not "definitive in patterns of borrowing and lending":

> Overseas holders of sterling will take note of other factors like the prospect of the British economy, the effectiveness of the government, likely exchange rate trends and the safety of British or overseas holdings . . . . This should lead us to move away from the idea that a tight control on the money supply will automatically cure inflation to an examination of the strategies and priorities of institutions in the city and the wider economy (pp. 30-1).

Cyclical changes in the fiscal deficit under the conservatives are also taken as evidence that "the primacy given to money and price movements within the monetarist framework is not justified" (p. 31).

This is certain to prove exasperating reading for any monetarist. Fiscal deficit cycles and exchange rate influences over foreign investment are regarded as incompatible with monetarist theory; demand curves are claimed, *ex cathedra*, to no longer be determinate or downward-sloping; monetarists are told that in studying markets they have ignored strategic behavior, time lags, consumer loyalty, entry conditions and constraints on participation, regulatory institutions and other political power blocks, and disequilibria in wealth stocks, though the best known monetarists have been leaders in the development of economic thought on these issues.

Exasperation would no doubt be amplified by reading Storkey's alternative to "all the assumptions about the determinate effects of price . . . which have dogged neo-classical and monetarist analysis" (p. 27). It is that all economic phenomena have their roots "in the self-serving abilities of various organizations and the scope they have to exercise these tendencies" (p. 29). Therefore the behavior of institutions should be at the heart of our study of economics.

The author does not discuss the significant mainstream literature, both monetarist and nonmonetarist, which analyzes such behavior (stockpiling, loss-leader pricing, wage and price determination, influence over aggregate demand, and so forth) on the part of financial institutions, legislative and regulatory agencies, unions, firms with market power, and other institutions and hierarchies. It is precisely an appreciation of the self-serving tendencies of institutions (and the ability of government to influence aggregate demand and wages) that drives monetarists to the monetary rule and natural-rate conclusions.

The author also does not indicate why a consideration of institutions should be of particular concern to Christians *qua* Christians. While encouraging us to make institutions (rather than "naturalistic markets") the focus of our study, he gives no counter-argument to the notion that institutions' origins, growth and values are guided by forces just as naturalistic as those alleged to be guiding markets. *In fact there is no discussion of any Biblical text or tradition of the church which might be relevant to the issues at hand.*

Storkey then considers the Keynesian alternative. I will again try to summarize his argument before giving any evaluation.

The 1920s and 1930s were an era in which orthodox economics was typified by "widespread defeatism. Nothing could be done other than to wait for natural forces to establish a healthy equilibrium of employment" (p. 35). Storkey portrays Keynes as an economist fundamentally different from his predecessors because he "focused on the institutional setting, limited knowledge, and the actual concerns of the decision makers" (p. 36). The author gives Keynes the credit for "(breaking) with the idea that the labor market operated naturally on the basis of price calculations" (p. 35), and "a fundamental break with the 'invisible hand' view of economics," for Keynes showed that "the pursuit of individual self-interest could in certain circumstances lead not to automatic good, but to a vicious circle of disaster. The naïve optimism of naturalistic economics was shattered . . ." (p. 35).

Storkey also believes that Keynes is distinctive for his openly normative approach to economics: "He believed the discipline was centrally concerned with what *should* be done, and should not relegate normative questions to consideration only after 'proper' economic analysis had been completed" (p. 36). Unlike the naturalistic economics which came before and after him, Keynes viewed policy as intrinsically normative. We are told that the British economic policy which followed Keynes' lead depended

> upon the degree to which social conscience becomes the driving force in our national life . . . . (This) is the meaning of social conscience: that one should refuse to make a separate peace with social evil (p. 37).

Storkey quotes thus from the document *Full Employment in a Free Society* "so that one can feel the difference between this approach to economics and the value-free naturalism of most subsequent analysis (p. 36)," the "unhappy mixture of pride, faith in science, determinism and assumed objectivity which has produced (a) fixation " on *prediction,* while "what people need from economists" is *guidance* (p. 76, emphasis mine).

Although "the core of what Keynes was fighting (was) naturalistic economics," his ideas have unfortunately been co-opted by the mainstream. Keynes' ideas have been reinterpreted so that, in the mainstream methodology, analysis became merely a matter of keeping the mechanistic system primed, yielding full employment.

The book's discussion of Keynes is driven by a series of unfair stereotypes and misunderstandings. If Naturalistic Economists are those who believe that the pursuit of individual self-interest will, with no public intervention, automatically lead to the public good, then I know of precious few Naturalistic Economists, past or present, including Adam Smith. (Major sections of *The Wealth of Nations* are devoted to this very topic.) The familiar non-Keynesian rebuttal that the depression was initiated and *prolonged* by governmental *interventions* (such as restrictive Fed policy and protectionist trade legislation) rather than individualistic choice is nowhere cited or considered; neither is there consideration of the dynamic mainstream debates over risk, uncertainty, and microeconomic justifications for sticky prices.

The author's claims that economists who disagree with Keynes are unconcerned with values and lacking in social conscience would be resented by those who disagree only on matters of fact. Yet such disagreement is not allowed by Storkey, since he also considers any positive-normative distinction to be a compromise with Enlightenment naturalism. The choice of a "fact" as relevant is governed by one's choice of a theory, which Storkey takes to be normatively determined; this enables the author to dismiss any "facts" which do not support his own opinions. Thus Storkey constructs a case which, on its own terms, is above criticism.

This style of argument is problematic for two reasons. The first is its circularity: the structure of the argument is similar to that presented by people who believe that a small committee controls the world, ordaining all recessions and international relations. Any counterevidence is dismissed as disinformation supplied by the small committee; the argument is circular and above refutation.

But being circular doesn't make an argument incorrect, which leads to my second and greater concern about the author's understanding of things positive and normative: when one takes the extreme view of a positive-normative "fusion" in order to avoid any positive-normative "distinction," one is usually driven by a presumption that there is no reality "out there," outside of our own minds, which we might study together and come to agreement about. This worldview is obviously toxic to the academic enterprise. It also represents a much more serious compromise with secular thinking than that committed by Smith or his mainstream descendants, for if "positive" work in economics is to be dismissed wholesale because it is driven by prior ethical commitments, then the same dismissal must hold for our study of scripture: the evidence of the text may not be used to frame up our understanding of that evidence, and we are in a hermeneutical circle from which none may escape. We might as well simply assert what we wish about truth and abandon the enterprise of discovery and sanctification. Perhaps this is why there is no reference to Scripture while Storkey builds his Christian case against the neoclassical mainstream.

By this point in the discussion, the author has completed the diagnosis and is poised to prescribe treatment. If trust in a market-lead economy is a compromise with naturalism, and attempts at quantification and control are also, one might wonder what is left. Storkey answers by defining his position in contrast to the mechanical analysis which passes for Keynes' approach among economists. He wishes for an "examination of the normative direction of institutional policy," and the "contribution of unions, banks, central and local government, firms, families and financial institutions to the generation and growth of unemployment" which, however, "is not possible" under the (present) Keynesian framework (p. 42).

For example, in the private sector, quality, delivery times, and service have deteriorated, along with long-term research and development; firms have often been unaware of new emerging markets (p. 43). Labor relationships in Britain have also "remained stiffly adversarial" (p. 43). "The same selfishness was also evident within government" (p. 43). Families and schools have exhibited the same pattern of decay in the forms of vandalism, crime, and worsening social services (p. 45). "(These) institutional failure(s) slip through the net of Keynesian analysis and policy. The technical, mechanical framework just cannot take it into account. Its prescriptions assume that people are automata, rather than acknowledging their full personhood" (p. 45). To summarize,

> many economists have taken naturalism on into abstract and mechanical patterns of analysis which are impersonal and deinstitutionalized. Their professional ethos requires that they do so. Yet this work, whether Keynesian in focus or not, fails and does not pretend to address the needs and concerns of the workers and workless. It has used the lamentably weak division between positive and normative to cut itself off from the question of how we should live economically (p. 50).

By this point, the theoretical "mainstream" which is being critiqued is one which I do not recognize. The rich literature in each one of these so-called "institutional" concerns is either beyond the author's experience, or dismissed out-of-hand due to an aversion to abstraction. Neither explanation is a satisfactory defense for stereotyping mainstream economists as hard-hearted and indifferent to human need.

If there is a Christian attitude toward the mainstream in our profession, what does it look like? I expect that we Christian economists have much to learn from Christian physicians. Both professions matured under the influence of the enlightenment and both are a rich mix of art and science, value and fact. Yet this has not led Christian physicians to casual dismissal of the empirical tools of their profession (such as thermometers, stethoscopes, and blood pressure cuffs) as compromises to enlightenment empiricism. Rather, the normative and positive are viewed as neither distinct nor identical, but complimentary: values help frame up the choice of issues and data, then data collection and analysis proceed positively, and finally the values and data are submitted to like-minded scholars in order to discern both the physician's normative blind-spots and the extent to which the results are peculiar to one's norms and beyond acceptance by others. No one claims that one's particular diagnosis of a patient implies that one is more concerned about good health than others who disagree, nor that diagnosis should proceed merely based on the physician's values without supporting evidence. Physicians do not necessarily reduce humans to one-dimensional biological beings by abstracting a few significant symptoms from the patient's complicated life processes.

The "Christian-ness" of the Christian physician's approach comes not in being dismissive of mainstream tools or practice, nor in blindly accepting all of the mainstream in order to "be the best physician one can be," but in being *carefully eclectic*. The Christian understanding of the human condition leads one to apply and set the limits of the standard "tools of the trade" *in different ways and at different times* than a physician who thinks of humans as malleable nature, or one who thinks of survival as the only ultimate value, or one who thinks that life's value is determined by that life's ability to contribute to society. Christians will appreciate the means for resuscitation of patients, for example, but will likely disagree with others over the proper circumstances for their use. For the Christian, the ethical critique of the mainstream will involve thorough knowledge of the strengths and limits of the tools and practices at one's disposal, and careful Christian critique of the cases in which these are appropriate or inappropriate. This Christian critique will need to get beyond Biblical proof-texting and avoid a haphazard choice of methodologies to provide *ex post* "explanations;" instead we seek a hermeneutic that leads to a systematic set of principles to guide our methodological choices.

To extend the analogy, I believe that the present volume has set out to destroy our profession's thermometers and stethoscopes, without an appreciation of their use, value, and in some cases existence. This is merely unhelpful for Christian economists, but I fear that the results may be less benign for others. A non-Christian reader in the economic mainstream might well feel so unfairly stereotyped and manipulated in the name of Jesus that it would prove a significant stumbling-block to their coming to faith.

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