

Reforming Economics: Calvinist Studies on Methods and Institutions

This highly valuable volume, which presents a Christian methodological and analytical perspective on economics, makes an important contribution to the expanding literature in its field. In the areas of what might loosely be called Christian economics, much of the swelling tide of publications in the last twenty years has generated among professional economists as much embarrassment and consternation as it has light and professional insight. Too much has been foisted upon us by theologians who are innocent of economics (this is particularly true, unfortunately, of writing that has come from professedly evangelical and Reformed sources), and by economists who are innocent of theology. It is doubly unfortunate that too much energy and ink have been wasted in name calling and caricature within the so-called Christian camp, and that transparent attempts have been made either to sell an economic point of view by preaching theology, or, what is equally reprehensible, to establish a theology by preaching economics. If, in the name of scholarship, one purports to be a Christian economist, then one sustains a heavy responsibility to warrant the attachment of the noun as well as the adjective.

The volume under review is a welcome addition to the literature in that its authors present us with a clear Biblical and theological foundation for their work at the same time as they make us feel we are reading economics. Not that all is plain sailing or beyond argument. There is room for dissent and discussion, but the work invites our dialogue. It is impressive in its academic honesty and openness, its thoughtful struggle for insightful articulation, and its willingness to come to grips with what has made economics the theoretically tortured and empirically irrelevant subject that it has become.

On the latter level, difficulties have arisen, it is claimed, from the "attempt to make economics an autonomous self-contained science." The book's methodological discussion will be as interesting to economists as its provocative conclusions that "marginal analysis ... has fundamental weaknesses," that "isoquants are largely ethereal," that "partial derivatives ... are a myth," and that there is "a deep-seated incompatibility between the operation of capitalism and the maintenance of a free market economy." The authors maintain that a tendency exists for the development of excessive concentrations of economic power and for the exploitative exercise of that power, to the disruption of economic affairs and the reduction of economic welfare. Issues related to the distribution of income and wealth are seen as important and determinative of welfare, along with those of

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employment, income, production, and economic activity levels.

It is possible to feel uncomfortable with the book's survey of the analytical deficiencies of contemporary economics. One could wish for a sounder recognition of the importance of real historic time, uncertainty, and ignorance, and the manner in which decision theoretic analysis in the conventional scheme of things, with its epistemologically defective and dogmatic embrace of the probability calculus, avoids real issues relevant to it.

One could wish for a clearer review of the virtues and irrelevancies, as these might both be seen from varying perspectives, of the successive schools of thought that have emerged from classical and neoclassical economics, Keynesianism, monetarism, institutionalist economics, neo-Austrianism (to whose support much of contemporary evangelical writing has appealed), rational expectations, the Walrasian equilibrium theoretic analyses, and post-Keynesianism (not necessarily to be confused with either Keynesianism or the economics of Keynes), to other contemporary fashions and fads, such as the game theoretic preoccupation of much that goes on and the heavy weight of econometric analysis. A more thoroughgoing argument might have been expected of the issues that arise when it is acknowledged that we live in a monetary economy and that we should be primarily concerned, therefore, with the economics of a monetary economy.

But this is merely to say that economists, as economists, can reasonably look for an informed awareness of their subject in a work that sets out to restructure their discipline, and that they can each, in their own way and against their own pretheoretical persuasions and their invested intellectual capital, engage legitimately in the dialogue that the work before us invites. There is no point in our making the order unreasonably tall. Professor Tiemstra and his authors are on sure ground in the area they have chosen

to cultivate, and our concurrence is carried by their unhappiness with the economists' "fundamental faith in the neutrality of facts," and by their claims that economics cannot be a value-free enquiry, that "means are loaded with values," that the means-end schema as that has characterized economics "is a methodological lie," and that "the is/ought distinction is false." We are properly cautioned by the authors' reluctance to accept the high claims for predictability in economics and their insistence on the "underlying epistemological fallacy" that sees economics as an autonomous scientific discipline.

The strength of the book lies in its carefully balanced discussion in three chapters under the heading of "An Alternative Method," in which relevant Biblical principles are enunciated, and in the group of chapters discussing "The Institutions of Economic Life." The proposition is put that "a proper view of economics involves a proper view of all of life" and that the "defining notion" of economics must rest on "the idea of careful stewardship of what is entrusted to humanity by God." Economics, accordingly, "is the study of the communal stewardship and organization of the creation to meet human needs." "While neoclassical economics operates with the concept of scarcity as the basic motif, Christian economics must substitute for scarcity the concept of entrustedness." The implications of these defining concepts are rigorously and compellingly sorted out. But at the relevant theological level a more thoroughgoing discussion might have been expected of the realities of the Fall and the fallenness of men in the world, and the fact that we have to be concerned with the economics of a fallen society. Along with the pleas for economics in a Christian theological perspective, we need to recognize and contemplate the respects in which the effects of the Fall and the sinfulness that is abroad come to expression, and the extent to which, in a society of unregenerate people, the mandates that issue from a Christian view can,

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or can be legitimately expected to, come to expression and implementation. The issues of regeneration and the necessity of it for understanding and behavior do not come to adequate expression in the book.

The final two-thirds of the book presents a sensible and challenging discussion of issues arising in the economics of the family, the firm, trade unions, and the government. At numerous points the conventional neoclassical wisdom is clearly presented and what the authors see as the perspectives arising from their confessedly Christian paradigm are set in contrast. The argument is for the main part sure-footed and agile. Biblical principles are adduced and applied. Informed readers will evaluate carefully the arguments that lead to such conclusions as: "Socialism is not a Biblical principle;" "Secular individualism is not Biblical;" "Between laissez faire capitalism and state control of economic activity ... there is a third way ... many aspects of capitalist and socialist economics represent a declension from the true normative principle of economic life;" "Those who identify capitalism and Christian norms have fundamentally misunderstood their relationship with the sovereign God." Firms should be structured in such a way as to give "more opportunities for responsible decision-making to all employees ... workers and the suppliers of capital ... both sharing in any surplus the firm has after meeting its other obligations or taking a reduction, if necessary, in hard times."

As for the "ethical assumption," in the context of Pareto optimality analysis, "that each person is always the proper judge of what is best for himself ... Christians and some others know that this is not true. All persons are sinful, and our sin distorts both our evaluations of what is best for ourselves and our actions." In the book's argument addressed to the problem of poverty, it is claimed that "limitations will have to be placed on the degree of concentration of wealth, income, and economic

power." The misguided assumption of "Rational Economic Man" that views the behavior of man as "mechanical and automatic" is to be contrasted with "that of people being created in the image of God and given dominion over the earth. On this issue both the liberal-activists of the 1970's and the conservative passivists of the 1980's unite in error." Christians need "to be involved in correcting the injustices and poor stewardship that result from human sin." "The state is a God-ordained institution" and "areas in which capitalist market economies fail to give results which are in accord with God's call for proper stewardship ... are legitimate areas for state intervention."

The book complains of the "lack of opportunity for work" with which people can become saddled by the malfunctioning of the economy, and "Government policies which contribute to this problem include fighting inflation with policies that cause high unemployment." The neoclassical assumptions of the "Quantity Equation tautology" and exogenous money supply are discussed in conjunction with the widely accepted notions of an endogenously clearing labor market. The telling argument is advanced that if, on the contrary, "real wage rates are not determined only by the supply and demand for labor, then a reduction in the money supply could translate into a reduction in employment and income rather than a reduction in the price level."

Professor Tiemstra's book deserves a much more extensive examination than can be given it in this space. It deserves a wide reading and a careful evaluation by those who are committed to the development of a Christian perspective on economics and the social sciences. It is, unfortunately, presented in a typeface that is uncomfortably small, it is not without errors of fact (the reference to Harrod and Keynes on page 53 is not correct, and some names are carelessly and incorrectly spelled — for example, "Brume" instead of "Blume" on page 151, "Fried" for "Friend"

on page 325, and "Hutchinson" for "Hutchison" on pages 46 and 315), and the index is so poorly compiled as to be quite

misleading. But the authors have placed the cause of Christian scholarship heavily in their debt.

Economics Today: A Christian Critique

Donald A. Hay, Fellow and Tutor in Economics at Jesus College, Oxford University, and editor of the *Journal of Industrial Economics*, is one of the more distinguished scholars to write about Christianity and economics. He sees two weaknesses in many previous attempts to integrate economic analysis with Christian theology: attempts by theologians have been deficient in their economic understanding, while at the same time being "far too respectful" of economists; and attempts by economists too often use theology as a "prop to a predetermined polemic."

Economics Today is a differentiated entry to the religion and economics literature. Before summarizing the organization of the book, let me first recommend its addition to one's library. Of the dozen or so volumes one should have on the subject of Christianity and economics, Hay's book deserves to be among the inventory.

The structure of the book is as follows. It begins with a chapter on the Biblical foundations of the Christianity-economics nexus (hereafter C-E nexus). This chapter makes clear that the foundations of Hay's inquiry are orthodox. He has a high view of the authority of Scripture and seeks to base his analysis on the Bible. Hay's use of Scripture is not ancillary to his analysis. He tries to make it pivotal. But Hay contends, persuasively I think, that the treatment of the Biblical text is to be thematic rather than exegetical when applying Scripture to economic issues. The themes Hay develops are: creation, with an emphasis on God's sovereignty and man's stewardship; the fall of man and the judgment of God; Israel as a covenant people, with detailed prescriptions for their behavior under the Law; and the new covenant in Christ for the church, with its "radical ethic" of the kingdom of God.

Chapter two takes the C-E nexus from Biblical principles to theological ethics. Throughout the book, the author makes clear that Scripture provides the reference point. But Hay also makes clear that applying Scripture, i.e. doing theology, is not a wooden or mechanical process. It takes judgement, caution, humility, criticism from within the community of faith, and an up-to-date knowledge of economic research.

Just as economic theory generates principles, Hay delineates seven principles derived from the Biblical concept of stewardship, man and labor, and the

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B. Eerdmans, Grand
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