

Symposium on *The Keynesian Revolution and Our Empty Economy: Authors' Response*

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We're grateful to *Faith & Economics* for hosting this symposium, and to the three authors who offered their thoughts on our book. We set out to spark a lively discussion about the moral and cultural roots of economics as a discipline, and we seem to have succeeded!

Todd Steen

We are thankful to Todd Steen for his affirmative assessment of our book. Because he shares many of our concerns about moral reflection in economics, his primary question is how one might introduce our critique of modern economics – an economics now so pervasively influenced by Keynesian assumptions regarding the human person that it is difficult to imagine what economics would look like today in the absence of the Keynesian episode – into an introductory economics class. How would one begin from the beginning in a principles of macroeconomics course, instead of beginning where we are now, with the legacies of Keynes, Hicks, and Samuelson already thoroughly interwoven into every textbook, even if they are not named?

Some who share our critique of the Keynesian Revolution could attempt to deny that modern macroeconomics (as distinct from microeconomics) has anything relevant to teach us because of its flawed moral foundations. They might even dream up some new, heterodox school of macroeconomics to teach college sophomores. But we strongly advise against such an approach for two reasons. First, as we indicate in the book, we live in exceedingly pluralistic times and it seems like an impossible task to reconstruct an entirely new vision of macroeconomics around the few core principles upon which most of us largely agree. Even as we write this response, people of goodwill who deeply care about humanity in very similar ways cannot agree upon the best path forward from mitigation to economic recovery during the coronavirus

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pandemic. Everyone agrees that dying is bad, and everyone also agrees that recessions and isolation are bad. Yet we cannot agree on a path forward that best balances the very real medical costs of “opening the economy” against its benefits in terms of being able to hold a job and earn a living in the service of others, and relief from the isolation that can itself cause poor health and even death. If we cannot agree on something so essential in our present crisis, and in a situation in which we possess more information every day about these trade-offs, it is hard to believe that one economics professor, or even a diverse committee of them, could articulate a newer macroeconomics upon which most everyone else agrees regarding its assumptions and policy implications.

Second, we have a professional responsibility to teach our students the content that everyone recognizes as “macroeconomics” when we are teaching a course called “Principles of Macroeconomics.” Though modern economics may fail to confront the big moral questions well, it nevertheless remains useful for many purposes. Further, we mislead future professors and employers regarding what our students do and do not know about macroeconomics if we are not teaching what is commonly known as macroeconomics.

Given our resistance to the idea of scrapping modern economics and replacing it with something altogether new in an introductory macroeconomics course, we instead suggest laying some groundwork at the beginning of the course to help students better understand that, for example, higher GDP isn’t necessarily something of intrinsic worth. That is, it might be worth spending 30-40 minutes discussing the fact that GDP (which is necessarily measured in dollars) is not the only thing policymakers might want to consider in framing economic questions. One approach could be to have students think about either their own lives or the lives of others and ask whether making more money is always better than making less. In their own cases, they are forgoing money they could currently be earning if they were not in college. Pointing out that the average investment of attending a four-year college is about \$250,000, ask students why they are undertaking such an expensive investment when their personal GDP could be much higher right now, and they’d rack up less debt, if they quit college. Or ask them whether the work of a stay-at-home parent is worth less than the work of someone whom the market signals – in terms of their salary – is more valuable. Introduce macroeconomics metrics other than GDP, such as the employment rate

or measures of quality of life, and help students see that these are not mere proxies for aggregate monetary wealth or side effects of it, and can even involve trade-offs with it.

Making such an investment at the front end of a course could actually make teaching concepts like rational-expectations theory and the policy-ineffectiveness proposition easier later on, since those models assume the only way expansionary monetary policy can increase GDP is if the monetary authority grows money at a rate faster than what had been expected by the public. This observation gives rise to a moral question: Is it acceptable to make GDP bigger if the policy for doing so involves getting people to make individual decisions today that turn out to be sub-optimal for those individuals once they figure out what the central bank has done?

In addition to helping students understand that measures like GDP are just that – merely measures of economic activity, rather than ends in themselves that should unambiguously be pursued – a professor might also use some time at the beginning of the course to briefly explain, as we do in more detail in the book, how modern macroeconomics evolved into what it is today. There is a parallel here with the way that growth theory is normally taught in introductory courses. Though endogenous (new) growth theory is the current prevailing model of economic growth, most textbooks take the time to lay out the classical theory of economic growth, followed by the Solow growth model, and then eventually endogenous growth theory. Why? To help students understand that economic models are developed and refined over time in light of new economic evidence, and also that new models must explain at least as much as their predecessors.

There is no reason that a Cliffs Notes version of our story could not be told in the first days of an introductory macroeconomics course. While most of us explain that modern macroeconomics begins with the publication of Keynes's 1936 *General Theory*, most of us do not bother to explain why economics did not have a "macro half" before that, or what economics looked like before Keynes. We indirectly do this later in the course, when we begin comparing and contrasting the various competing schools of macroeconomics such as classical, Keynesian, monetarist, etc.; but this indirect approach provides no sense of these schools' history and evolution. Telling an introductory story early about the origins of modern economics and its capacity for considering human virtue and

purpose, followed by a short description of how Keynes himself viewed the world from his Bloomsbury perspective, could make later discussions of the various competing macroeconomic models prove much richer. In fact, it might be worth introducing students to eugenics, and explaining why Keynes viewed it so admirably even though we consider it abhorrent today. Helping students understand that Keynesian models are informed by Keynes's social thought can help them see more clearly why Keynesian economists are so much more focused on managing the economy rather than *laissez faire*.

Finally, one last early conversation one can have in any introductory course in economics, micro or macro, is a more careful and candid consideration of the positive/normative distinction than one typically finds in most textbooks. If a professor forthrightly reminds students that moral judgments and cultural assumptions inform every inquiry in every social science, starting with the choices of which topics to cover and how, students will be more honestly served. To avoid an overcorrection that might take economics back into ham-handed political advocacy, on the model of Richard Ely and the Social Gospel "economics" of his early American Economics Association, this candid conversation about the moral and cultural roots of social science ought to include a reminder that social science is, after all, science – a community of intellectual disciplines that exist because understanding the world accurately is good for its own sake, whether that understanding happens to be politically useful in the short term or not!

Brent Waters

Brent Waters does not wish to "quarrel" with what we have written, but to "push" us to consider additional questions. The issues he raises take us into the fields of theology, social ethics, and political philosophy, which may explain why they were not central to our book. However, we can hardly complain about Waters having raised interdisciplinary questions about our aggressively interdisciplinary book!

Waters questions the theological basis of our embrace of social pluralism. We propose a reconstitution of economics (and, by extension of our principles, all the social science disciplines) on the assumption that morally informed inquiry into social reality need not be restricted to those who share a common worldview, but can proceed on the basis of

a moral consensus among people with diverse beliefs. Waters does not deny this but wants to know how to justify it. He points to the unitary nature of creation in general, and of humanity in particular. Difference in its deepest and most important manifestations arrives with the fall – religious division comes into existence with Cain and Abel, and cultural division with Babel. How can we in good conscience investigate truth in a scholarly community built on consensus among plural views, if we know that there is one God who made one world and one humanity, and made them to cohere?

The traditional reply, since at least Augustine, has been that social pluralism is inevitable in a fallen world. True peace – social coherence and integrity – can only come from everyone clinging to God together, and that peace has been lost. It is irresponsible to demand, or expect, a coherent social world before Jesus comes back. (This, for example, is the reason Christians are admonished to forgo personal vengeance in Romans 12; our vengeful acts seek to usurp the last judgment.) Rather, the church should take advantage of the systems of conflict resolution that are necessary to social life in a divided world, drawing those systems toward forms of “peace” that penultimately resemble the true peace of the City of God, going only as far as is feasible and not expecting too much. All we are asking in our book is that this Augustinian reasoning, which most of the church has long applied to politics, be applied to academic disciplines as well.

That would be an adequate defense of our project, but an even better one is possible. Waters himself is groping toward it in his contemplation of “pluriform expressions of the good.” Let us help by – dare we say it – pushing him further.

Certainly, religious difference is doomed to die when Jesus returns, and religious pluralism is necessary in the present only as an Augustinian temporary concession to the fall. Image-bearing human beings have a natural right to religious freedom. But it is only under the conditions of the fall that respecting this right produces religious pluralism.

However, what we asked for in our book is a discipline that acknowledges “moral” and “cultural” roots, not religious roots as such. Cultural diversity can be constructively valued rather than merely tolerated. Moreover, to some extent cultural difference inevitably means moral difference (in such matters as how we set priorities for hard trade-offs) and even here it is possible to greet this diversity as an opportunity to

discover new aspects of God's glory that our own cultures would not have shown us.

It is true that all diversity comes in with the fall, but it does not follow that all its forms are removed by redemption. On the contrary, the eschatological visions of Revelation 21-22, Isaiah 60, and other passages, depict the eternal state of humanity as one in which the cultural diversity introduced at Babel continues in a redeemed form. God displays his manifold glory through the cultural multiplicity of his peoples (yes, his "peoples," not his "people"; in spite of the mistranslation in your English Bible, *laoi* at Revelation 21:3 is plural). Like the five wounds in Jesus' body, the cultural division of humanity is transformed from a mark of the fall into a manifestation of divine love. God glorifies himself through his peoples' unity-in-diversity and diversity-in-unity – and really, we might have expected it, given the doctrine of the Trinity.

Why not start by welcoming this magnificent work of God in a proleptic form? And where better to do so than in the discipline that values collaboration and cooperation of diverse peoples more than any other discipline in the entire academy? Economists can certainly congratulate themselves that, amidst the vast ocean of pious pabulum about the value of peace and diversity regurgitated daily by sociologists and political scientists and anthropologists and everybody else, it is the economists who have singlehandedly invented the only real-life mode of sustained intercultural collaboration that actually works. But that is no reason for them to rest on their laurels.

The challenge and opportunity of pluralism partly intersects with another of Waters' questions. Waters correctly describes why and how "economies of communication" are needed for human flourishing. One way of thinking about the project of our book is in terms of making space in the discipline of economics for appreciating and studying economies of communication. Waters wants to know why we didn't hold up the church as an example of such an economy.

One reason, as he has surmised, is because the church is a difficult case to use when calling for a reconstitution of economics on the basis of a pluralistic moral consensus. Indeed, when a group of economists read an early draft of our manuscript, one response we got from multiple readers was: "What is your hidden agenda?" – the implication being that they suspected we wanted to restore the medieval authority of theologians to dictate to social scientists. The final chapter of our book – which

begins by declaring that “in this chapter we reveal our hidden agenda” – was written largely in response to these comments. Obviously any use of the church as a model would only have reinforced the erroneous suspicion that we surreptitiously sought a sinister subordination of social science to scholastic theology.

But we will admit that there was another reason that we did not hold up the church as a model for economies of communication. In its present state, after generations of captivity to worldly thinking about economics and politics, the church is not much of a model.

On another topic, Waters wonders how the task of intergenerational stewardship is to be carried out practically. Nobody knows the future, after all. In our conclusion, we did suggest a few trailheads on this point for the discipline of economics to investigate. Our questions for study included: How long a time horizon do people actually use to make cost-benefit calculations? How are economic outcomes affected when those time horizons change? What conditions cause such changes? What goals motivate people to save money? What goals do people have in their economic decisions that involve outcomes after the decision-maker is dead? Waters seems to be asking about the practice of stewardship rather than the study of it, and we admit that study is our focus. Presumably, better academic understanding of these phenomena could facilitate improved development of practical insights.

Finally, Waters insists that economics needs divine immanence as well as transcendence. We rejoice to agree. (No need for religious pluralism on this point!) If we said little about immanence in our book, that is only because we do not see any particularly urgent deficiency on that topic in the discipline of economics as currently practiced. When economists value transcendence so much that they are all asking, “Who really cares if people’s material needs are being satisfied?” – one envisions monasteries and cloisters for economists, where the vows of poverty are elaborately defined and analyzed – we will happily join Waters in sounding the alarm.

Jamin Hübner

Unlike Waters, Jamin Hübner does want to quarrel with much that we wrote. We are unsure, however, how many of the quarrels he raises are really important for our project. Hübner’s criticisms would be

appropriate to a book written for a different purpose and with a different method. We gave him a top-quality chainsaw, and he complains that he can't spread butter with it.

Chapter 1 of our book contains a forthright discussion of the book's method and its limitations. We admitted that our chosen method is "susceptible to the danger of oversimplification" and warned (to no avail, in Hübner's case) that "readers should not rely on this book for general intellectual history as opposed to the particular questions we are focused on." In short, we put a warning label on our product, admonishing the consumer not to use the product for purposes other than its intended use, but Hübner did not read the label.

We stand by the factual accuracy of our book. But we also stand by our decision to shamelessly paint with a broad brush. We wanted to help economists become aware of unconscious assumptions that are not only buried so deeply in their professional socialization that their ordinary scholarly discourse literally *cannot* surface them, but are in fact so dangerous to the status quo that the profession has spent generations building in epistemological safeguards to ensure that the discourse *will not* surface them. If the concrete is thick enough, at some point you have to drop your chisel and pick up a sledgehammer – or, as in this case, dynamite. Our only response to most of what Hübner has written is to ask him to contemplate this line from the book: "If you head down to your local paint store, you will discover that they do sell broad brushes."

Tellingly, Hübner himself cannot make the case against us without adopting the same broad-brush strategy we use. He points out that the first shopping mall was built before Keynes' birth; judged by the pedantic logical standards Hübner wants to apply to us, the significance of that fact for our thesis is precisely zero. If Hübner can use suggestive anecdotes for rhetorical effect, so can we – and ours are more suggestive.

Hübner is wrong and unfair in his characterization of how we treat the crimes of western societies – he has clearly read the book through the lens of his own false assumptions about our agenda – but he is correct that we do not provide the kind of history of those crimes that he is looking for. This is again a result of his failure to read the warning label. Our book is a scathing condemnation of western civilization for its embrace of some very wicked social evils, but a different set of evils than those of colonialism, war and the oppression of women. We did condemn those evils, far more clearly than his unjust review gives us credit

for. But a lengthy disquisition on them was not the point of our book. If Hübner wants to add his bill of indictment to ours, we have no objection, but we must insist that we were not somehow negligent for not including his bill in ours. Contrary to Hübner's baffling assertions, to condemn but otherwise say relatively little about Evils A, B, C and D in a book whose purpose is to attack western civilization for committing Evils E, F, G and H is not an implicit endorsement either of Evils A, B, C and D or of western civilization.

The premise of Hübner's whole line of attack seems to be that our book is a defense of western civilization; if Hübner thinks that, he has failed to read not only the warning label but the whole book. Hübner has clearly spent a lot of time fighting people who idolize western civilization, and thus assumes that anyone who talks about western civilization in any tones other than those of unrelenting self-righteous scorn must be defending western civilization. That is not what we were doing.

Hübner is also wrong in attributing to us the view that the moral paradigms we find in the history of the west are unique to the west. We said no such thing, because we are not such fools. He seems to think he is disagreeing with us when he says that oppression by western nations happens not despite, but because of, western civilization's moral values, but we can't imagine why. This is, in fact, exactly the argument we make about how the moral paradigm for economics that is currently dominant in western civilization is directly responsible for oppression and suffering.

Hübner identifies three of his concerns as being relevant to the central themes of our book. First, he asks whether the pluralistic moral-consensus approach we seek is any different from the utilitarianism we reject; obviously it is, as is abundantly clear from the set of suggestions in the book's conclusion for how to conduct the new economics we envision. The whole point of our moral-consensus approach is to identify moral principles that are *not* merely utilitarian but that are nonetheless agreed to across different moral/cultural worldviews.

Second, Hübner brings some quotes from Keynes that appear to evidence interest in a more robustly teleological approach to life than we have allowed him. Hübner says: "I'm probably missing something." He is missing two things.(1) As we discussed at some length in the book, the quotes Hübner points to describe a way of life that Keynes thinks only a very few cultural elites – like his Bloomsbury group – can live.

We devoted a whole section of our chapter on Keynes to explaining that the key to reconciling Keynes' economics with Keynes' Bloomsbury-group aesthetic philosophy of life is to realize that he thinks only a tiny number of people *can* live the Bloomsbury life. Keynes designed an economic paradigm that intentionally keeps the masses trapped in a non-teleological, materialistic economy of narcissistic consumption, because he thinks that's all they can handle. "Economic Possibilities for Our Grandchildren" does suggest the possibility of a distant future when this is no longer the case, but in that essay Keynes insists with particular urgency that we must not attempt to anticipate that future in the present – we *must* keep today's masses trapped in narcissistic consumption. (How, then, do we get from here to there, if not by moral reform of the economy? This is where the connections between "Economic Possibilities" and Keynes' interest in eugenics, which we discussed in the book, are of sinister importance.) (2) Even within the Bloomsbury elite, what appears to be a more teleological approach to life is not really so teleological, for the higher and more elevated things that the Bloomsbury group sought are all, according to their philosophy, ultimately reducible to subjective states and experiences with no objective referent. This is a theme we mentioned but did not discuss at length in our book; a more detailed look is available in Piero Mini's *Keynes, Bloomsbury and the General Theory*.

Third, Hübner asks if the Keynesian Revolution might not be "a subset of a larger movement within academia and progressive epistemologies." We said exactly the same thing, repeatedly and at some length, in our book, though Hübner seems not to have paid much attention. The difference is that Hübner suggests that the Keynesian Revolution was not "really a *Keynesian* Revolution" if it was "just" a subset of this larger movement. By that logic, Freudianism was not really Freudian and the theory of relativity was not really Einstein's, since they were also "just" subsets of the same movement. Each individual piece of the movement can, by this method, be presented as nothing but a superficial epiphenomenon of the movement. If this method were applied consistently, "the movement" would itself lose all particular meaning, since it would have no constitutive parts. Apply this method to history generally, and history itself vanishes. Nothing is primary and nobody has agency; everything and everyone is merely a manifestation of the great Hegelian Dialectic that is the summation of Being. But in fact there are

no grounds for regarding Keynes as merely derivative – as less original, or as exercising less agency, than Freud or Einstein or other comparable figures. Keynes was, as we stressed at some length, only one part of a larger intellectual transition going on in the world beyond economics. But if Keynes was not the primary source of the Keynesian Revolution in economics, in every sense that matters, then up is down, black is white, night is day. ■