

Published in *Debate* 2009

A looming environmental crisis, a global financial crisis and the so-called ‘failure’ of unchecked capitalism have reignited debate about economics. Those who built economics, in 18th and 19th century Britain placed it within a theological framework, but modern times economics has been separated from its theological roots. Is this significant?

Recovering the Theological Roots of Economics

By Paul Oslington

Paul Oslington is Professor of Economics at the Australian Catholic University. He was previously Associate Professor of Economics at University of NSW, and spent the 2006-7 academic year as a Visiting Scholar at Princeton Theological Seminary and University.

An ‘economic’ way of thinking is an important part of Australian culture, especially Australian public policy debates. Not everyone thinks economics or the utilitarian philosophy that usually accompanies it is a positive influence, and it has been blamed for many ills, including growing greed, social isolation, and the destruction of the environment. Criticism goes back at least as far as Michael Pusey’s *Economic Rationalism in Canberra*, and in recent years being an ‘economist’ has been as dubious a profession as used car sales or politics.¹

In this essay I will argue that the primary issue is not the tools of economics but the philosophical and theological framework in which these tools are embedded. This is particularly so when economics is deployed in public policy debate.

When economics took shape as a discipline in the late 18th and early 19th century it was embedded in a British natural theological framework, which later gave way to a utilitarianism that was generally hostile to theological, or any other broader philosophical perspectives (which now dominates Australian economics). There is a need to rediscover and trace these developments. Building on this history, I will suggest that recovery of a theological framework (or at least a discussion of how belief systems can influence economic decisions) would allow a more complete and holistic approach to economic and public policy discussion.

¹ Pusey’s book stands in a long tradition discussed by William Coleman’s *Economics and its Enemies: Two Centuries of Anti-Economics* Palgrave Macmillan 2002. Currently economics seems to be getting a more positive press through popular books such as Steve Levitt’s *Freakonomics* and Tim Hartford’s *The Logic of Life*. It will be interesting to see how the place of economics in our culture is affected by current difficulties in financial markets and involvement of economists in climate change debates.

I am not suggesting that we reject contemporary economic theory, or construct an alternative economics (although economics like any other scientific discipline is fallible, as are the economists who work in it).² The point is that some sort of theological or philosophical framework accompanies economics, and that economics within certain philosophical frameworks can be dangerous, especially when the philosophical framework is concealed or denied. The final part of the essay illustrates how economics, in a Christian framework could contribute to a better understanding of contemporary issues like happiness and well-being, the environment and trade policy.

Economics and History

One of the purposes of this essay is to briefly outline the development of political economy in Britain in the 18th and early 19th centuries in its theological framework³. This history is not widely known, and becoming less so with the declining emphasis on the history of economics thought in the education of economists.

The Natural Theology Tradition

An important framework for the development of economics was the British tradition of scientific natural theology which included Francis Bacon, John Ray, Robert Boyle, Isaac Newton and William Paley. Its importance for the emergence of other sciences in the 17th to 19th centuries has been well documented.⁴ Natural theology contrasts with revealed theology; the subject of both is God's nature and activity, but the sources are different. Revealed theology draws on God's revelation in the Scriptures to establish doctrines, whereas natural theology avoids any appeal to the Scriptures, instead drawing on what is revealed in the natural world. It has a long history, predating Christianity, and including a large number of diverse projects from Aristotle's argument about an

² I would like to acknowledge J David Richardson's excellent article 'What Should Christian Economists Do? ...Economics!', *Bulletin of the Association of Christian Economists USA*, 23 Spring 1994, p12-5 which surveyed the growing field of Christian economics and urged Christian economists to work in the mainstream profession, bringing the resources of the Christian tradition to their work. The article is not available in Australian libraries but may be found in Paul Oslington (ed) *Economics and Religion* Cheltenham: Edward Elgar 2003.

³ I also discuss this influence in "Christianity's Post-Enlightenment Contribution to Economic Thought" *Christian Morality and Market Economies: Theological and Philosophical Perspectives* edited by Ian Harper and Samuel Gregg Cheltenham: Edward Elgar 2008 and in greater depth in a forthcoming book *Political Economy as Natural Theology: Smith, Malthus and their Followers* Routledge.

⁴ For instance J.H. Brooke *Science and Religion: Some Historical Perspectives* Cambridge: CUP 1991.

unmoved mover, Thomas Aquinas' famous five ways, to contemporary scientific natural theologies.⁵ Natural theology has been viewed with a great deal of suspicion in recent years by influential Protestant theologians, notably Karl Barth, but has experienced a revival in recent years.

The 17th to 19th century British project was to read theologically the world that God had created and sustains. A favourite image was the two books of the Scriptures and nature, with Bacon, Newton and others interpreting their scientific work as reading God's book of nature. Unlike some other strands of natural theology the British project depended for its coherence on the revealed doctrines of creation and providence⁶. It wasn't about conjuring proofs of God's existence from nothing. Instead the British scientist theologians worked outward from doctrines of creation and providence, exploring how their discoveries supported and elaborated these doctrines. Natural theology served a number of purposes – including legitimating scientific work, providing a common language across different fields, and suggesting theories⁷.

An important element of natural theology was the argument from design: that intricacy and fitness for purpose in the natural world was consonant with, and most fruitfully interpreted as the product of designer like the God of the Christian Scriptures. As is well known David Hume attacked the design argument as a flawed attempt to prove the existence of God (though this was not in fact how most of the British scientific natural theologians were using it). He also raised the age old problem of theodicy – how could an all powerful and good God design a world where there was suffering, including economic suffering⁸.

Like British science, British moral philosophy and political economy took shape in a natural theological framework. Moral philosophy and political economy were extensions of the natural theological project to human beings and society, recognizing that these were an important part of God's creation. In fact the pinnacle of creation, and therefore the best natural source of information about God and his purposes.

⁵ Such as Alister McGrath's three volume *Scientific Theology* T&T Clark 2003 or *The Open Secret* Blackwell 2008.

⁶ Providence is one the core doctrines of Christianity, with a long history. It is distinguished from the doctrine of creation, God's finished work, in that God's providential care for the world continues. It also differs from creation in that the created order is good, while the present order under God's care is not. Providence is also distinguished from the doctrine of redemption, God's restorative activity through Christ, as providence has more modest maintenance role.

⁷ Discussed in greater detail by Brooke *Science and Religion: Some Historical Perspectives* CUP 1991.

⁸ This question is more commonly asked of our politicians than God these days. How can X be so wonderful if interest rates are so high?

Adam Smith

The role of natural theology can be demonstrated in the life and work of key figures in the development of economics. Adam Smith was not the first economist, not even in Britain where he had many 18th century predecessors, but is a good place to begin an argument about the importance of natural theology for early economics⁹.

I am not primarily concerned with Smith's personal faith or lack of it¹⁰, but some biographical evidence suggests natural theology was important for Smith. Such specific biographical evidence is in addition to the general culture of 18th century Scotland where theology was part of mainstream intellectual culture and theological argument expected in a way that it is difficult for us to conceive in contemporary Australia. Smith had a devout Presbyterian upbringing¹¹ and signed the Westminster Confession as an adult. The moderate Calvinism of the Scottish Enlightenment was not as antithetical to natural theology as certain strands of contemporary Calvinist theology. Works of natural theology were produced by Smith's teachers and friends, including Gershom Carmichael, Francis Hutcheson, and Lord Kames. Smith in his youth was much influenced by the natural theological system of Stoic philosophy, with its emphasis on providence and harmony. Also relevant is Smith's admiration for Sir Isaac Newton, one of the central figures in the British natural theology tradition. Newton's influence was mediated through Colin MacLaurin's *Account of Sir Isaac Newton's Philosophical Discoveries* 1748 which amplified the natural theological elements.

Perhaps the strongest biographical warrant for reading Smith's work as natural theology is that his Glasgow lectures on moral philosophy in the early 1750s began with natural theology. We know this

⁹ Others to deal with the theological aspects Adam Smith's work include Jacob Viner 'Adam Smith and Laissez Faire', *Journal of Political Economy*, 35 April 1927, or his *The Role of Providence in the Social Order*, Philadelphia: American Philosophical Society 1972 and *Religious Thought and Economic Society*, Jacques Melitz and Donald Winch (eds), Durham: Duke University Press 1978. Similar argument have been made more recently by Lisa Hill (2001), 'The Hidden Theology of Adam Smith', *European Journal of the History of Economic Thought*, 8(1), 1-29 and Brendan Long 'Adam Smith's Natural Theology of Society', *Adam Smith Review*, 2006 2 which is based on his 2002 Cambridge University PhD thesis. Anthony Waterman has argued that Smith can be read theologically, while remaining agnostic about Smith's intentions - see Waterman, A.M.C. *Political Economy and Christian Theology since the Enlightenment: Essays in Intellectual History*, London: Palgrave Macmillan 2004.

¹⁰ In my view it is irrelevant where Adam Smith stood with God. As a practical matter we can't know (for instance we can't assume that Smith's views about religion were those of his close friend David Hume, or his French associates) and for Smith where there is less textual and biographical evidence to go on for than for most authors. Smith was reticent on these matters during his life, and directed his papers be burnt on his death.

¹¹ The standard biography is Ian Simpson Ross *The Life of Adam Smith* OUP 1995

from the report of a student John Millar, reproduced in Dugald Stewart's *Account of the Life and Writings of Adam Smith*¹². The student reports "His course of lectures ... was delivered in four parts. The first contained Natural Theology; in which he considered the proofs of the being and attributes of God, and those principles of the mind on which religion is founded". These Glasgow lectures were the foundation of Smith's system, and his major works the *Theory of Moral Sentiments*, and *Wealth of Nations* grew from them.

Smith's language also indicates works of natural theology. He regularly refers to 'the Deity', 'the author of nature', 'the great Director of nature', 'lawful superior' and often speaks of morality in the context of design. For instance: 'the happiness of mankind, as well as all other rational creatures, seems to have been the original purpose intended by the author of nature, when he brought them into existence. ... By acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to co-operate with the Deity, and to advance as far as in our power the plan of Providence' or 'Every part of nature, when attentively surveyed, equally demonstrates the providential care of its Author, and we admire the wisdom and goodness of God even in the weakness and folly of man' or 'the governing principles of human nature, the rules which they prescribe are to be regarded as the commands and laws of the Deity'.¹³ Such passages are more common in the *Theory of Moral Sentiments* than the *Wealth of Nations*, which is what we would expect if the *Wealth of Nations* is to be read as an elaboration of the larger system set out in his earlier book. Smith regarded the *Theory of Moral Sentiments* as his most important work and revisions to it right up until his death indicate continued adherence to the views on providence and design expressed in it.

Turning to ideas, one of Smith's most important was that individuals pursuing their own interests in properly formed market institutions generate an unintended harmony and plenty. This would seem to be a clear extension of the doctrine of providence to the social world. Some scholars have suggested that Smith's famous image of the invisible hand has a theological origin and expresses this providential harmony of interests. In the *Wealth of Nations* Smith describes an individual who 'intends only his own gain, and is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention'¹⁴ and in the *Theory of Moral Sentiments* suggests the rich 'are led by an invisible hand to make nearly the same division of the necessaries of life, which would

¹² Stewart's account was first published in 1790 after Smith's death, now in *Smith Essays on Philosophical Subjects* Oxford:OUP 1980 p274, and the student notes are now published as *Smith Lectures on Jurisprudence* Oxford:OUP 1978.

¹³ The Smith passages are from *Theory of Moral Sentiments* OUP p166 p106 and p165.

¹⁴ *Smith Wealth of Nations* OUP p456

have been made, had the earth been divided into equal portions among its inhabitants, and thus without intending it, without knowing it, advance the interest of the society'.¹⁵ The suggestion is that the hand is God's hand operating providentially in each case¹⁶.

To summarise the discussion of Smith, biographical evidence and the language and ideas of his published work link Smith to the British natural theology tradition. We can only speculate about Smith's intentions, but reading *Theory of Moral Sentiments* and *Wealth of Nations* as works of natural theology was in accord with how his nineteenth century readers would have interpreted it.

Malthus

Links between theology and economics are also clear for T.R. Malthus, one of the 'joint founders of the science' of political economy with Adam Smith.¹⁷ Malthus' natural theological commitments provided the framework for the economic investigations in the *Essay on the Principle of Population*, published in 1798. He states that 'it seems absolutely necessary that we reason from nature up to nature's God and not presume to reason from God to nature' and goes on to speak of 'the book of nature where alone we can read God as he is'.¹⁸ It could be objected that Malthus does not consider at length the argument from design and other staples of natural theology, but elsewhere explains in correspondence that he considered Paley to have dealt sufficiently with these and assumed his own works would be read in this context.

The core economic argument of Malthus' *Essay* was that population tends to grow more rapidly than the food supply, with any discrepancy corrected by the checks on population of vice and misery. Policies such as more generous poor laws would thus increase population without increasing the food supply, increasing vice and misery rather than improving life for the poor. In the second edition of the *Essay* published in 1803, Malthus added an additional check, moral restraint (essentially delaying marriage), which could operate as an alternative to vice and misery in reconciling the rate of growth

¹⁵ Smith *Theory of Moral Sentiments* OUP p185

¹⁶ For instance Jacob Viner 'Adam Smith and Laissez Faire', *Journal of Political Economy*, 35 April 1927, p207. I agree that the invisible hand is providence, but special providence rather than general providence. Smith's equivocated about the stability of the market system, and the invisible hand passages are wistful suggestions that special providential action might be needed to sustain the system. This argument is made more fully in an unpublished paper "Divine Action, Providence and Smith's Invisible Hand" which will be presented at the *Theory of Moral Sentiments* 250th anniversary conference in Oxford in January 2009.

¹⁷ Donald Winch *Riches and Poverty: An Intellectual History of Political Economy in Britain, 1750-1834*, Cambridge: Cambridge University Press 1996 p373.

¹⁸ T.R. Malthus *Essay on the Principle of Population*, Harmondsworth: Penguin 1970 p220.

of the population with the food supply. Adding the check of moral restraint softened the harsh implications of the theory, so that human choice along with divine design was responsible for vice and misery. Malthus was troubled by the theological implications of his work and constructed an economic theodicy which justified struggle as necessary to awaken humans from their natural inert state. This convinced few of his contemporaries and attempts to reconcile the economics of Malthus and others with the goodness and omnipotence of God went on through the 19th century.¹⁹

Further Developments

In the 19th century the theological economics of Smith and Malthus was further developed by J.B. Sumner, Richard Whately, Thomas Chalmers, William Whewell and others²⁰. Whately, for instance, amplifies Smith's providential account of markets: 'Man is, in the same act, doing one thing by choice, for his own benefit, and another, undesignedly, under the care of Providence, for the service of the community'²¹ and praises Smith as a greater natural theologian even than Paley. For Chalmers, 'The greatest economic good is rendered to the community ... by the spontaneous play and busy competition of many thousand wills, each bent on the persecution of his own selfishness, than by the anxious superintendence of a government, vainly attempting to medicate the fancied imperfections of nature' and this 'strongly bespeaks a higher Agent, by whose transcendental wisdom it is, that all is made to conspire so harmoniously, and to terminate so beneficially'²².

Separation of Economics from Theology

In the middle years of the nineteenth century this theological framework for political economy fell apart. One influence was specialization and professionalization which sharpened boundaries between all disciplines in the 19th century, including between theology, moral philosophy and political economy. Another was the growing influence of utilitarian philosophy in the early 19th

¹⁹ Malthus theodicy is discussed by John Pullen. 'Malthus' Theological Ideas and Their Influence on His Principles of Population', *History of Political Economy* 1981 13(1) 39-54.

²⁰ Anthony Waterman tells this story well in his *Revolution, Economics and Religion: Christian Political Economy 1798-1833* Cambridge: CUP 1991, discussing the attempts to construct an adequate economic theodicy.

²¹ Richard Whately *Introductory Lectures on Political Economy*, London: J.W. Parker. 1832 p.94. Whately held the first chair in Political Economy in England- the Drummond Chair at Oxford, before being appointed Archbishop of Dublin. He incidentally had a great interest in Australia, his poetry now reproduced in Les Murray's Oxford anthology of Australian verse, and his diaries recording exhibitions of boomerang throwing for houseguests.

²² Thomas Chalmers *On the Power Wisdom and Goodness of God Manifested in the Adaption of External Nature to the Moral and Intellectual Constitution of Man* London: Henry Bohn 1833 p238-9.

century that was hostile to theology.²³ Theological weaknesses of the natural theology project, such as the struggle to construct a plausible economic theodicy (a response to the existence of wealth inequality), and the attachment to static versions of the design argument made implausible by publication of Darwin's *Origin of the Species* in 1859 also contributed to the separation of economics from theology.

Whatever the causes of the separation, the process was well advanced by the later decades of the 19th century. Keynes identified the 1860s as 'the critical moment at which Christian dogma fell away from the serious philosophical world of England, or at any rate of Cambridge',²⁴. Alfred Marshall, began his textbook which set the tone of British economics for the 20th century, with the statement that 'the two great forming agencies of the world's history have been the religious and the economic',²⁵ but then makes little reference to religion, dealing with what he sees as the separate realm of economics. However Marshall, Keynes and others continued to trade on the Christian culture of 19th and early 20th century Britain in their economic work, especially public policy applications, until this cultural consensus disintegrated completely in the 1960s. An unfortunate response in church circles to the separation of theology from economics was an attempt to construct various alternative economics, detached from the professional mainstream. In England this response was exemplified by the Christian socialism of F.D. Maurice, Charles Kingsley and others in the late 19th century. The rise of 'Christian economics' in the 1970s seems a response to the final disintegration of the Christian cultural framework for economics (as now studied in academic institutions).

Economics in Australia

Economics in Australia was much influenced by developments in Britain.²⁶ The professional discipline grew in Australia after the mid-19th century separation of economics from theology, and partly because of timing our economics profession has picked up a lot of the anti-theological utilitarianism then dominant in Britain. America, in recent decades, has been a more powerful influence on Australian economics than Britain, and America has its own story of theological

²³ Utilitarianism need not be hostile to theology, exemplified by William Paley whose theological utilitarianism in *Principles of Moral and Political Philosophy* 1785 influenced both Smith and Malthus.

²⁴ J.M Keynes *Essays in Biography*, London: Macmillan 1933.

²⁵ Alfred Marshall *Principles of Economics* London: Macmillan 1966 p1

²⁶ The best account of Australian economics is Peter Groenewegen and Bruce McFarlane *The History of Australian Economic Thought* London: Routledge 1990.

alliance and separation,²⁷ though largely irrelevant to us because the separation was complete before the American influence really began.

So we are dealing with an economics, in Australia as elsewhere, that has become separated from its theological roots. Is this significant and what are the implications?

Recovering Theological Roots

If economics was shaped by theology in the 18th and early 19th centuries, and bore good theoretical and policy fruit in that framework, then perhaps we should reconsidering theological frameworks for economics for our own times. Or at least broader philosophical frameworks for debates about economics and public policy.

One benefit of recovering the theological roots of economics would be reconnecting economics with larger questions of meaning and purpose. Another would be the contribution to public policy, and some brief comments follow on how this might work in three important areas of contemporary policy:

1) Happiness and well-being

A puzzle for contemporary economics is the flatness of reported happiness in the face of massive increases in real income in recent decades²⁸. This has prompted some discussion of larger questions and religion has even been brought into the discussion. Religion however tends to be treated instrumentally as giving access to special commodities²⁹. The most important contribution of religion in the happiness debate in my view is a larger framework of meaning and purpose for both

²⁷ The American story of early American theological economics is told by Stewart Davenport *Friends of the Unrighteous Mammon, Northern Christians and Market Capitalism 1815-1860* University of Chicago Press 2008, and the later history by Brad Bateman and Ethan B. Kapstein 'Between God and the Market: The Religious Roots of the American Economic Association' *Journal of Economic Perspectives* 1999 13(4), 249-58 and Bateman, 'Reflections on the Secularization of American Economics' *Journal of the History of Economic Thought* forthcoming.

²⁸ The recent debates about happiness are covered by P.R.G. Layard. *Happiness: Lessons from a New Science* New York, Penguin 2005 and Andrew Clark, Paul Frijters and Michael Shields "Relative Income, Happiness, and Utility: An Explanation for the Easterlin Paradox and Other Puzzles" *Journal of Economic Literature* 46(1) March 2008 p95-144. A useful theological perspective is provided by Ben Cooper "Chasing after the Wind: The Pursuit of Happiness through Economic Progress." *Kategoria* 2000.

²⁹ For instance Clark, Frijters and Shields for instance discuss religion in terms of "access to spiritual goods and psychological coping mechanisms".

for the participants and economists who study them. Theology provides an account of human happiness than the philosophies usually associated with economics.

The theological doctrine of creation³⁰ gives a proper assessment of commodities as God's good gifts. Worshipping or rejecting commodities are equally errors, and destroy our capacity to enjoy commodities. Happiness seems to come from focusing on something other than commodities – theology enjoins us to look beyond to God as the ultimate value. In terms of economics literature, theology relativises the reference points of past income and peer income. The doctrines of sin and the fall complement the doctrine of creation by providing a framework and explanation of economic deprivation and suffering. Suffering, inequality and injustice is to be expected and needs to be addressed, but need not destroy happiness.

2) Environment.

Recovering the theological roots of economics can add a sense of balance and limits to environmental debates³¹. Aside from relativising material consumption as the path to happiness, the doctrine of creation emphasises human responsibility to care for the earth God has made.

Some religious people may argue that since we are going to heaven anyway (assuming it is a different place than earth) that this legitimises pillage of Earth's resources - if we're going to heaven why should we care? But the biblical teaching is that the Earth matters, that in the end it will be cleansed of evil, not destroyed, so care for the environment has an eternal significance³². Many who do not profess a Christian faith can come to this same conviction for different reasons and join in advocating economic policies to promote environmental stewardship.

³⁰ Good accounts of the doctrine of creation and other Christian doctrines such as sin and the fall may be found in Alister McGrath *Christian Theology: An Introduction* Oxford:Blackwell 2001.

³¹ An excellent reference here is Loren Wilkinson. et als *Earthkeeping* Grand Rapids: Eerdmans 1980, published well before concern for the environment became mainstream. The classic critique of Christianity as promoting environmental destruction is Lynn White Jr "The Historical Roots of Our Ecological Crisis" *Science* 1967 155: 1203-1207.

³² NT Wright's recent book *Surprised by Hope* London SPCK 2007 is a very clear and sensible discussion of Christian teaching on the end times, and its significance for the present time. It is especially worth reading for those whose exposure to Christian writing about the end times has been the fanciful constructions of certain American fundamentalists.

3) Globalisation.

Theology provides resources to helpfully reframe debates about globalisation³³. The story of Jesus is of a particular person in a particular time and place, but at the same time a universal story. The church is particular gatherings of people in particular contexts, but has no temporal or geographic centre. Its story began in the ancient empires of the Near East, moved to Roman Judea, then to Asia and Africa, to Europe, and now increasingly back to Asia and Africa.

Such a global community generated theological arguments for trade before there were economic arguments. Resources had been unevenly spread over the globe by God for a reason, and trade expressed the mutual dependence of peoples and helped develop bonds between peoples. Free trade though has had a mixed history in the Christian tradition, on the whole viewed positively in the Scriptures (together with a strong critique of imperial power), a long period of suspicion of trade, more positive views in the early modern period, renewed scepticism about trade in church circles after the separation of economics from theology in the 19th century, and another reassessment in recent years.

Concluding Remarks

These are some brief and sketchy thoughts about the potential contributions of theology to current economic debate.³⁴ The issue is whether the ideas have value, irrespective of the personal faith or other wise of the individuals involved. I make no claim that these ideas are exclusively Christian, or that Christian theology or the church always gets it right. However, Christian theology does have resources to enrich contemporary economic policy debates.

³³ Books on theology and globalisation abound, but one of the better recent ones is Max Stackhouse *God and Globalization: Globalization and Grace* Volume 4 Harrisburg, Trinity Press 2007.

³⁴ Australia is well placed for the recovery of theological roots of economics, with some of the best recent writing on theology and economics coming from Australians. There will be substantial support for this type of research in Australia over the next few years through a grant recently awarded by the John Templeton Foundation to explore the formation of an international centre for economics and theology research.