2007 PRESIDENTIAL ADDRESS
REFLECTIONS ON THE SECULARIZATION OF AMERICAN ECONOMICS

BY
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The genre of the History of Economics Society presidential address is not fixed. As some of my predecessors have observed, the early genre fluctuated between those who used the occasion to lament the state of our discipline and those used it to speak on an area of their own scholarly expertise. I am happy to say, however, that in recent years the lament has largely disappeared and people have focused more and more on pure questions of scholarship. In the last three presidential addresses, my immediate predecessors have each used the occasion to speak to a facet of their own work and, in each, to push the frontier out a little further. Last year, Wade Hands posed a question at the beginning of his address, regarding the similarities between mainstream philosophy of science and mainstream economics between 1945 and 1965 and then used the occasion to convince us that the question was worth our attention and to sketch out three possible answers to the question. The year before that, Mary Morgan spoke to us about the evolution of models of “economic man,” demonstrating convincingly that the nature of the human being depicted in models had become thin and etiolated over time. The year before that, Roy Weintraub discussed how the focus of our historical research may be influenced by our own biographies. In one way or another, all three of these addresses dealt with an issue at the heart of the scholar’s recognized work and then pressed into new territory.

In general, I would like to follow in this more recent tradition of focusing on a scholarly question and using the occasion to push into some questions and issues that are new. However, at the end I would like to add a final twist that is, I believe, somewhat different.¹

¹My conclusion may actually fall into a genre that is not unlike Bill Barber’s presidential address at Washington and Lee in June 1990. See Barber (1991).
I. A DEDICATION

But before I go further, and by way of introduction, I would like to dedicate this talk to the memory of A.W. “Bob” Coats, who died earlier this year. Bob was, without question, one of the giants of our discipline in the second half of the twentieth century. The range of his professional interests, the originality of his scholarship, and his immense generosity to others made him one of the leaders in the history of economic thought during a time when those who practiced our craft often felt under siege. Bob’s training in economic history, his early explorations into the sociology of social science, and his intellectual courage allowed him to push the discipline ahead in a difficult time. To the extent that we are a self confident, healthy discipline today, one where people are still thriving and forging into new areas, we owe Bob a debt of gratitude for not only helping to sustain the history of economics, but for showing us that new and original work was still worth the effort.

Bob gave the presidential address at the first HES annual meeting that I attended at Barnard College, twenty-one years ago this month. Unfortunately, because I was young (and poor) then and did not understand the Society and its traditions, I did not sign up to attend the banquet that year and so did not hear his address. (At that time, it was customary to have the address delivered at the banquet.) At that time, Bob’s work was largely focused on methodology, and he was also working on his project on the internationalization of the economics profession since 1945. I was then working on John Maynard Keynes and so we did not seem to have much in common in our direct interests in the history of economic thought. I was sorry to miss the chance to hear Bob speak that Sunday night at Barnard, but I had no idea then how important Bob’s work would eventually become to me.

That is because I had no idea then that I would eventually undertake the study of how religion had influenced the formation of American academic economics and this, of course, fit very closely with Bob’s earliest work in the development and evolution of American economics. Thus, in the end, the early work of one of our few real giants came to the center of my own scholarly concerns.

II. CHRISTIANIZING AMERICAN ECONOMICS

My talk this evening is concerned with the large question of how we should understand the secularization of American economics in the early part of the twentieth century, and on the consequences of that secularization. Bob never wrote a piece exclusively on the question of the secularization of American economics, but it is a topic that appears in several of his early, classic pieces on American economics (Coats 1960, 1961, 1964, 1967). When I originally read Bob’s essays on the early A.E.A., I was not thinking yet about the question of secularization, but rather of the question of how religion had gotten entangled with economics. Initially, I was only searching for how Bob explained the presence of religion in American economics, not how he had explained its disappearance. Thus, I don’t think that what he said about secularization registered with me at first. It was only later, when I got far

\[2\text{Coats’s magna opera are his two volumes of collected essays (Coats 1992a, 1992b).}\]
enough in the telling of the story to think about the disentanglement of religion from economics that Bob’s comments on secularization came to have real importance for me.

For many historians of economic thought, the question of the secularization of American economics will be an unfamiliar topic for the simple reason that they know little of the religious influences in early American economics. It would be awfully difficult to understand the secularization of American economics if you do not know that it was once heavily influenced by religion.

But the religious influences were real and it is not possible to understand the formation of the American Economic Association or the early years of American academic economics without understanding the influence of Protestant Christianity. The influence of Protestant Christianity on American economic thinking actually predates this period, stretching back into the early nineteenth century when the earliest economics textbooks in America were often authored by Protestant ministers. The Protestant ministers writing the textbooks were usually also the president of the college, and in that capacity they served as the teachers of the capstone undergraduate course in which economics was taught as a part of moral philosophy. From about 1820 until the time of the founding of the A.E.A., there were not economics departments in American colleges, and only rarely a course titled “economics”; instead, there was usually one capstone course to the undergraduate curriculum in which the students were taught a series of important moral lessons that were meant to prepare them for post-baccalaureate life. Generally speaking, these courses taught the importance of republican values and *laissez-faire*, where *laissez-faire* would be best defined as recognition of the rights of a man to the fruits of his labor, especially including the rights of the owners of capital to their efforts (Bateman 2005). The Protestant pulpit through much of the nineteenth century was the site for the defense of American capitalism; and the economics taught in American colleges was largely an elaborated version of that message. Frédéric Bastiat was the economist of choice, and the message was the fundamental harmony of interests between the workers and capitalists.

The vertical integration of American industries such as steel, oil, and the railroads by Carnegie, Rockefeller, and Vanderbilt after the Civil War created the conditions that brought this earlier vision of *laissez-faire* into question. When the first generation of German-trained American economists returned home in the 1870s and 1880s, they faced the awkward disjunction between this older Protestant vision of a harmonious capitalism based on small-scale farming and local merchants and the reality of the Second Industrial Revolution. America was in the midst of fundamental social and economic change: technological change, rural-urban migration, massive immigration from central and southern Europe, urban poverty, and growing income inequality. Almost to a man, the German trained economists felt that the massive dislocations they witnessed were not well-described by the older rhetoric of the harmony of

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3I have discussed this background in several pieces, from different angles. See Bateman (1998, 1999) and Bateman and Kapstein (1999).

4The standard work on economics in the American undergraduate curriculum in the nineteenth century is Barber (1988). See also Steven Meardon (2008) for a comprehensive history of American economics before 1885.
interests and the undisputed rights of capital. Men like J. B. Clark, Richard T. Ely, and Simon Nelson Patten felt the need for a more “realistic” economics, one that acknowledged the dislocations they saw and that would allow them to ask serious questions about how those dislocations might be ameliorated. Because of their insistence on raising questions about those who benefited least from the emerging new American economy, these men were often referred to as the “ethical economists.”

One of the things that the newly minted Ph.D.s had been taught in Germany was the need for the economists of each country to build a uniquely relevant economics for their own national situation (die Nationaloekonomie), one that recognized the particular laws, customs, and institutions of that country. Thus, when they returned home, these young men did exactly that, but their work included a somewhat unusual twist. Not only did they attempt to build an economics that was based on a careful examination of the American economy, they also drew on one of the most powerful institutions in American society to shape their arguments: evangelical Protestantism. Clark and Ely, for instance, both espoused some version of Christian socialism upon their immediate return, and by 1890 each still wrote about the importance of the Church as an agent in ameliorating the ills in the American economy. Patten was not a Christian socialist, but he developed a complicated theory of society that placed religion at the pinnacle of the forces able to transform economic life to make it more efficient and more humane.

The scholarly efforts of these men were a part of the unfolding landscape of late-nineteenth century American Protestantism. Not only was their work shaped by Protestant Christianity, they helped to shape the changes that were taking place at that time in Protestant Christianity. During the last three decades of the nineteenth century, the dislocations of the Second Industrial Revolution were only one of several factors that were weighing on American Protestantism. In addition, the introduction of the Higher Criticism from Germany and Darwin’s *On the Origin of Species by Means of Natural Selection* were shaking the ground beneath a Christian tradition that had until that time depended for its self-understanding on the reality that its members lived in a largely rural, agrarian society with an expanding frontier and a populace that read their Bibles literally. Darwin’s theory of natural selection was, of course, a literal challenge to the veracity of the *Bible* as a historical record of humankind and the Higher Criticism was, similarly, a humanistic challenge to the historical accuracy of the *Bible.*

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5 The standard reference for the explanation of the generation of Americans who did their graduate work in Germany is still Herbst (1965). Unfortunately, his treatment of the economists is not as detailed as his treatment of other disciplines.
6 There is the incontrovertible fact, however, that the main focus of the Social Gospel advocates as regards workers was on white workers, not black workers (Bateman 2003). For a full treatment of race in the Social Gospel movement, see Luker (1991).
7 Martin Marty (1986) explains how the forces of modernity came to weigh on Protestant Christianity in America.
8 Of the two, the Higher Criticism was actually seen as the greater problem by those nineteenth-century, evangelical Protestants who were threatened by the emerging forces of modernity. Ferenc Szasz (1988) explains that the Higher Criticism was seen as the greater threat in the nineteenth century. Michael Lienerusch (2007) would be the definitive explanation of how the anti-evolution movement was formed and came to greater prominence in the twentieth century.
But not all evangelical Christians saw modernity as a threat; some saw it as an opportunity. As the distinguished church historian Martin Marty (1985) has argued, American Protestantism was splitting into two parties at this time, a “private” party and a “public” party. The private party tended to look past the social dislocation of the post-bellum world and to focus instead on the salvation of individual souls. The public party, however, focused on the problems of industrial capitalism as an opportunity to establish the “Kingdom of God” in the here and now and so wanted to redeem social institutions such as capitalism and the state, rather than individual souls. The private party Christians were pre-millenialists who believed that salvation would come in the future, following the return of Jesus Christ, while the public party Christians were post-millenialists who believed that the new millennium had begun and that they were called to begin building a “new heaven on a new earth.”

The young economists who founded the A.E.A. were public party Protestants, or advocates of the Social Gospel. In fact, Richard T. Ely was among the leaders of the public party and his work was studied across the nation in reading groups established at seminaries and in churches. When the A.E.A. was founded in 1885, the membership rolls contained “a high proportion of clergymen” (Coats 1964, p. 263) including two of the leading liberal Protestant ministers in the United States, Lyman Abbott and Washington Gladden. In part, this reflected the desire of the founders to increase the membership as much as possible, but it also reflected the simple fact that they saw themselves as a part of a larger cultural network that gave them both support and, through their pulpits, the vehicle for effecting some of the changes that they hoped to see in the American economy. As William Hutchison (1989, p. vii) recently said of American Protestants at the end of the nineteenth century, they operated from a “taken-for-granted hegemony within American society.” The young economists who founded the A.E.A. took for granted that the country was Protestant and so knew where to look for support in the work they were undertaking.

The story of the close connection between evangelical Protestantism and early academic economics in America is rich and complex. It is worthy, I am sure, of a book, or several books. But in the time I have this evening I cannot tell much more of the story than this bare outline, since my real work is to tell the story of how this connection came undone.

III. SECULARIZING AMERICAN ECONOMICS?

It turns out, however, that it is not an easy matter to define what you mean when you say that something has been secularized. I have not understood the difficulties with this work until quite recently.9

I made my first attempt to explain the secularization of American economics several years ago in an essay in which I told the story of the social survey movement in the first two decades of the twentieth century (Bateman 2001). It had not been my intention to write an essay on secularization when I set out to write that piece on the

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9I owe special thanks to Ross Emmett and Anthony Waterman for helping to show me how little I understood about secularization.
social survey movement, which I presented to the *HOPE* conference on measurement in economics that Mary Morgan and Judy Klein organized in April 2000. But I had been thinking about the question of how religion had become disentangled from American economics at that same time, and as I worked on the story of how the social survey movement had come to prominence and then disappeared, I realized that I also had the opportunity to write about the secularization of economics in that essay.

The social survey movement became the main tool of the public party Christians and of the early “ethical economists” during the first two decades of the twentieth century. In the social survey, teams of evangelical Christians would survey an urban area and build elaborate color-coded maps that showed different ways to understand the neighborhoods of America’s cities. One map would show the ethnicity of the people who lived in each house in a neighborhood. Another map of the same neighborhood would show all the saloons and brothels in the same neighborhood. Yet another map would show the playgrounds and churches. These social surveys were meant to show which neighborhoods needed to be evangelized, which needed to have moral campaigns to remove the brothels and saloons, and which needed to have more parks and more Protestant churches.

These social surveys were also one of the main tools of the emerging Progressive movement and they showed both the strength of the movement and its early origins in Protestant Christianity. But they also showed some of the most glaring weaknesses of the Progressives and the “ethical economists.” In particular, they demonstrated the politically naïve belief that these groups held that if people were shown a social problem they would automatically rise to the challenge and work to ameliorate the problem. In turn, this political naivety could easily be seen to be underpinned by a conception of human nature that was overly optimistic at best; problems like juvenile delinquency were believed to be the result of unhealthy social conditions such as a lack of playgrounds. The ethical economists believed that human nature could be improved with a modicum of effort, an idea that was heavily influenced by their beliefs in the evolutionary progress of American society, an evolutionary process in which liberal Christians understood themselves to be the prime movers.10

This entire superstructure of evolutionary optimism came tumbling down with the end of World War I. By 1917, the Social Gospel message was so popular that it was the rule rather than the exception in Protestant pulpits.11 In fact, it was so popular that Protestant ministers used the rhetoric of the “Kingdom of God,”—often using graphic imagery in their sermons to goad young men into enlisting and fighting to kill the Germans—to call young men when Woodrow Wilson took the country into war. Although the war ended quickly by modern standards, it was brutal. When the fighting men came home (both dead and alive) and people realized the full atrocity of

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10Tim Leonard (2003, 2005) has worked hard to demonstrate the way that American Progressives, including many Social Gospelers, used evolution to underpin eugenics arguments. There were also, however, many Social Gospelers who used evolutionary arguments to call for a better world without racial discrimination, and who did not ever advocate eugenics. See, for instance, Macy (1933) and Luker (1991).

11The Social Gospel message was vibrant, but not dominant in the Protestant denominations during the last three decades of the nineteenth century. One reason is that many churches were landlords in the urban slums that the Social Gospelers railed against.
trench warfare, the public turned quickly and unexpectedly against Protestant ministers that they now saw as morally discredited. In fact, the entire Progressive movement collapsed under the weight of this turn in public opinion. The arguments of Protestant ministers and progressive social scientists were seen as equally suspect and undesirable. The glowing terms in which these closely intertwined groups had preached their message of moral improvement and the evolution of human society was seen as a hollow and naïve dream.

Virtually every historian of American social science talks about this moment as being pivotal. In sociology, political science, and economics, the liberal Christian forces that had helped to found these disciplines gave way to a new effort to reshape their methods and focus around a more “scientific” research program. Dorothy Ross (1991) has called this moment the rise of “scientism” in American social science. In economics, the shift is marked by the creation of institutionalism in 1918 and the pitched battle that would ensue between institutionalists and neoclassicists over the next two decades over who had the right to define what would count as science in American economics.12

It is not that questions of objectivity and scientific demeanor had not already been played out in American social science (Furner 1975), but during the 1890s a kind of “armistice” (Coats 1960, p. 563) had come about in economics. People had agreed to a plural approach to the study of economic problems as long as the work was undertaken with rigor and a lack of invective. In fact, the social survey had been seen during the last decade of the nineteenth century and the first fifteen years of the twentieth century as marking the empirical frontier of American economics.13 Now, however, the assumptions of the older ethical economists were under siege as part of a larger shift in the popular culture. Thus, just as this strand of American economic thought had drawn much of its original energy and authority from the larger Protestant culture so, too, it now lost much of its credibility and authority in the cultural shift away from Progressive ideas.

IV. IS THAT ALL THERE IS?

While I still believe that the large outline of this story about the demise of Progressivism and its effect upon the religious influences in American economics is true, I have come to see that there is more to the story and more to the idea of secularization than I understood when I first wrote about it.14

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13After I delivered this address, Annie Cot challenged me about my statement that the social survey marked the empirical frontier of American social science since the work of the census (begun by Francis Amasa Walker) and the collection of other government statistics (Henry Carter Adams’s work at the Interstate Commerce Commission, for instance) was already well underway. She is perfectly correct about the existence and importance of this other work; but men like John R. Commons had worked on the collection of government statistics and then gone on to become leaders of the social survey movement. The best single volume on the prominence and influence of the social survey is Bulmer, Bales, and Sklar, eds. (1993).

14For a collection of readings that have informed my understanding of how the Progressive movement fell from favor, see Abrams (1933), Diner (1998), and Danbom (1987).
One thing I was not fully aware of when I first wrote about this story of how religion lost its place in American economics was the way that it contrasted so sharply with European social science in the same era. I understood very well that at the same time the German-trained economists were coming home and establishing themselves, in England, Henry Sidgwick and Alfred Marshall were struggling with the loss of their faith and turning to economics as a way to assuage their loss while attempting to find meaning and purpose in their lives. But I was not so fully aware of how diametrically opposed to the main thrust of continental European social science the American economists (and political scientists and sociologists) were. Unlike Comte, Marx, and Durkheim, American social scientists did not assume that their own efforts at creating new human knowledge were a part of an inevitable process of “disenchanting the world” or removing religious belief from it. With the exception of Roman Catholic thinkers, it seems fair to say that the thrust of nineteenth century continental European social science was not only that its own purpose was to create secular knowledge, but that it was part of an inevitable evolution toward a world free of religious belief. There is a whole genre of secondary literature on why the late-nineteenth-century American social scientists differed so much from their continental European counterparts, but this literature invariably focuses on why the American social scientists were not more radical and more willing to advocate socialism (for example, Ross 1991, Livingston 1997, Cohen 2002). It seems to me that some part of the answer must lie in the very fundamental difference between the Americans and the continental Europeans as regards religion. While one group constructed their work around the dream of building the “Kingdom of God” on this earth, the other saw the death of religion as an inevitable part of the emergence of modernity. In this sense, Tocqueville was right to note that religious belief was one of the most distinguishing characteristics of American culture, and one that was driving American society to a different place than Europe.

The main reason that I did not see the depths of this fundamental difference is that I was not as well versed in Comte, Durkheim, and Weber as I should have been. I understood Marx’s animus to religious belief reasonably well, for I have been teaching Capital in my history of economic thought classes for more than twenty years, but I had not understood the degree to which nineteenth century continental social philosophy and social thought was grounded in an unwavering belief in the inevitability of the loss of religious belief. But while part of my lack of understanding came from not being as well read as I should have been, I think that it is also fair to say that my lack of understanding came, at least in part, from the fact

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16José Casanova (1994) explains the importance of Nietzsche to continental European social scientific theories of secularization. In the United States, we do not think of Nietzsche as a social scientist, but his work is inseparable from the work of the continental social scientists whom Casanova discusses.
17For a complete treatment of continental European economic thinking, see Antonio Almodovar and Pedro Teixeira (2008).
18I do not want to say anything more about the British case here than to make the somewhat obvious note that they fall somewhere between the American and continental cases. British economists like Marshall and Sidgwick had lost their faith, while others had not. See Backhouse (2008).
19Casanova (1994) offers an excellent introduction to the continental European tradition of thinking on secularization.
that I had lived most of my life in the United States, the country which is more responsible than any other for our ability to see the error in the nineteenth century continental European assumption about the inevitability of the loss of religious belief.\textsuperscript{20} For as Jonathon Butler (1990) has shown definitively, every important measure of American religious belief increased in every decade from the years of the early Republic straight through to the middle of the twentieth century (when his study concludes). Americans have become more religious through the course of modernity, rather than less.

But my point here is not to praise or damn Americans for their religious beliefs, but rather to clarify the exact nature of the secularization in American economics, or what we might mean when we say that American economics was secularized. As the sociologist José Casanova (1994) has shown, the original theories of secularization, beginning in the nineteenth century and running straight through to the last decades of the twentieth century, conflated several ideas about what was entailed in the process of secularization. One part of these early secularization theories involved the differentiation of social institutions (especially the state, the economy, and science). As these institutions became more specialized and performed more distinctive functions, they came less and less to depend on religious understandings of human experience to function well. But in addition to the secularization that came about through the differentiation of social institutions, there was also assumed to follow from it one of two other effects: (1) either religion would disappear from society completely as people realized that it was not necessary to make the state, or the economy, or science function or (2) religion would become a completely private matter, a set of superstitions that people held onto out of ignorance or weakness. Casanova argues that the terrible debates that still go on regarding whether “secularization” has happened come down to a disagreement about whether one of these latter two effects has occurred.\textsuperscript{21} For while many European social theorists still insist that secularization is inevitable, many American social theorists argue just as vociferously that it is a failed idea. Casanova’s argument is that secularization understood as the loss of a place for religious belief in the institutions of modernity is, in fact, an indisputable truth. In Europe, as well as in the United States, we do not see the State as dependent on divine sanction or divine intervention; the State is understood as a human artifact. Likewise, the economy and science operate in the West without divine sanction or divine intervention. We truly have secularized large spheres of human life.

But, as Casanova acknowledges, religion has not disappeared completely as a result of the secularization of large parts of our social life. Nor has religion been driven underground into a world of private belief. At least not in most of the world, where despite the merciless progress of modernity, religion is a very public affair.

But again, my point for the moment is only to clarify the exact nature of the secularization that has occurred in American economics. As a science—by which I mean a discipline that tries to explain some phenomena in the world in a way that is roughly congruent with observed experience—American economics stopped

\textsuperscript{20}As I read this sentence of the address, it suddenly occurred to me that it must be added to this that an American undergraduate who chooses to study economics, even in the context of a liberal arts education, is not likely to study the European continental social scientists, at least not as an undergraduate.

\textsuperscript{21}See, for instance, Bruce (2002).
V. FOUR REFLECTIONS ON THE SECULARIZATION OF AMERICAN ECONOMICS

With this clarification of what it might mean to say that American economics was secularized following World War I, I would like to conclude with four reflections about the complexity, nature, and relevance of the process by which American economics became secularized.

**Reflection One:** The Complex Nature of the Secularization of American Economics.

Although I am quite certain it is true that the secularization of American economics was ultimately secured through the public repudiation of the ideas in the Progressive movement to which it was closely related, there are other forces that were also at work at this time, leading to the secularization of American economics. One of these forces, as Bob Coats (1960, pp. 557-63) has pointed out, was the resistance to the reform impulse of the early founders of the American Economic Association. When Richard T. Ely and his brethren started to preach the Social Gospel through their work as economists, the older (and younger) advocates of laissez-faire immediately pounced on the religious nature of their arguments as making them illegitimate. There was, of course, a rich and pleasant irony in the traditionalists’ argument since laissez-faire had been preached throughout the nineteenth century from Protestant pulpits and was still being preached even as these critics of the ethical economists stepped to the fore. Protestant culture was just as interwoven in the nineteenth century arguments for laissez-faire as it was in the Social Gospel arguments of Ely or Patten.

But more to the point, I think that while Bob Coats was right to emphasize this early impulse against liberal religion in American economics, it is not the case that this early resistance to religious ideas in American economics was final or determinative of the ultimate outcome. Far from it. While Ely and the other advocates of the Social Gospel came to form an armistice with the traditionalists in the 1890s, they would rise to their greatest prominence only later during the years 1900-1918, when the Progressive Movement was at its pinnacle.22

But if Coats erred in believing that the arguments against the liberal Protestant influence in American economics in the 1880s implied that the secularization of American economics was well under way in the late-nineteenth century, his argument that it was underway at all helps to underscore what I believe is the absolute error in the work of Jon Roberts and James Turner. In their recent book, *The Sacred and the...

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22As Gorrell (1988) argues, it is probably more correct to date the arrival of the Social Gospel as a mainstream cultural influence at 1908.
Secular University (2000), Roberts and Turner argue that the secularization of American economics came about accidentally and without any intention of taking God out of the argument. Instead, Roberts and Turner argue that it was “the particular way that the ‘arts and sciences’ disciplines developed as the core of the modern university” that caused religion to lose its place in economics.\(^{23}\) They argue that when the modern research university was established in America after 1870, that the increasing specialization and “methodological naturalism” of the social sciences eventually led to a moment when economists became so narrowly focused in their work that there was no more need for theological understandings or religious interpretations of economic behavior. Roberts and Turner argue that it wasn’t as if these men weren’t faithful people, or that they wanted to remove religion from economics. They argue rather that it simply happened as a result of their more focused technical explanations of economic phenomenon. One day the economic scientists looked up from their lab bench, and God wasn’t in the room anymore. 

We know this story is not correct for many reasons, not least because one of the most widely respected forms of empirical analysis during the first two decades of the twentieth century was itself a tool of evangelical Christians who used it in 1910-11 as the centerpiece of what was at that time the largest urban evangelization effort in American history. While it is true that there was emerging empirical work like Irving Fisher’s (1911) work on the money supply that had no explicit connection to religious ideas of any kind, it is clearly the case that the most widespread form of empirical investigation was the social survey and it was firmly tied to evangelical Christianity.\(^{24}\) Thus, it was not that the lonely scientific economists were each working at their lab benches at increasingly naturalistic explanations of American economic life and thereby slowly and unintentionally purged God from their work. Rather, it is the case that the Social Gospelers shaped their empirical work around their religious beliefs and that empirical work fell out of favor because of its connection to their religious beliefs.

And, as I said above, Bob Coats’s work only makes the Roberts and Turner thesis all the more untenable. As early as the 1880s, American economists were arguing over the legitimacy of the religious influence in their work. The détente in the 1890s marked an agreement on their part to be less combative about their religious convictions, but the convictions were no less real. These first arguments against the religious focus in American economics evolved out of a type of debate that Roberts and Turner deny ever even took place.

In addition to this deliberate turn against the advocates of the Social Gospel at the end of the second decade of the twentieth century, there is a very unexpected twist in the story that neither Coats, nor Roberts and Turner have commented upon. This involves the self-secularization of economics that had already begun to take place before World War I. At exactly the moment that the Progressive Movement was reaching its peak in the years around 1910, the depth and breadth of its success began to pull in non-Protestants to the movement. Some of these non-Protestants were Roman Catholics, but many of the leading figures after 1910 were Jewish. Two of the

\(^{23}\)The words quoted here are actually those of John F. Wilson in the Introduction to Roberts and Turner (2000, p. 10).

\(^{24}\)Bateman (2001).
most iconic figures of the Progressive Movement, Herbert Croly and Walter Lippman, were both Jewish. This reality was a welcome sign to some Christian Progressives of the relevance of their work to American democracy, and they embraced these non-Protestant fellow-travelers. For men like Jesse Macy, one of the founder members of the A.E.A. and a leading Progressive voice against racism and discrimination, the diversity of American society had always dictated that social scientists stop talking about the church and begin to talk instead about the “righteous democratic state.” For men like Macy, this did not mean that their own work was any less influenced by their religious impulses, much less that they had lost their own faith; it merely meant that people of all faiths were welcome at the table and that the Protestants were no longer the hegemon.

And this leads me to the last piece of the complex puzzle of the secularization that American economics that I want to mention. The historian of American ideas, David Hollinger, has recently pointed out that beginning in the 1920s, Jews, for the first time, were allowed onto the faculties of elite American universities. The hegemony of Protestantism was still paramount, however, and Jews were only allowed into a few carefully chosen disciplines where they would not be given any influence over the Protestant sources of the national self-identity. Thus, Hollinger (2001) argues Jews were initially allowed into engineering, medicine, and economics (but not English or philosophy). This story is important not only to emphasize the degree to which elite American higher education was still a Protestant stronghold as late as the 1920s, it also warns us about the dangers possible when religion drives academic discourse. Many people drawn to the study of the secularization of American academe are themselves people of faith who lament a lost era. So before anyone joins into the study of the complex phenomenon of the secularization of American economics, let them first acknowledge fairly and completely the discrimination that was attendant to the earlier Protestant hegemony in American academe, and the people who were excluded by that discrimination.

Reflection Two: Utilitarianism and the Secularization of American Economics.

Only during the last year has it become clear to me that in virtually every story of the secularization of economics in the West, there is a fundamental tension about the conflict between the religious ideas that are being pushed out and the utilitarian ideas that are taking their place. Since Christian theology would place God at the center of the determination of what has value and utilitarianism would place the individual at the center of what would have value, this tension should, perhaps, be no surprise. When we held the HOPE conference in April on religious belief and political economy, we had papers dealing with the secularization of economics in continental Europe, in Britain, and in the United States, involving the influence (and the demise of the influence) of both Roman Catholic and Protestant Christianity; in each of the stories we considered, the tension between the Christian understanding of the world and the utilitarian understanding of the world played some role.

25In my address, I said “cathedrals of democracy” where I have inserted “righteous democratic state” here. The source of the quotation is Macy (1894, p. 296). While I feel confident that Macy did refer to building “cathedrals of democracy,” I cannot find that quotation now, and so must settle for this correction.

This makes the American story a particularly interesting one, for the Social Gospel economists were the first to introduce utilitarian ideas into American economics. This fact always seems to surprise people when I bring it up, but I believe that it is incontrovertible. When John Bates Clark and Richard T. Ely went to study in Germany, they both ended up at Heidelberg studying under Karl Knies. But while that fact is reasonably well-known, what has not been widely understood is that Knies had begun to work with marginal utility reasoning in the 1850s in his famous, but untranslated, essay “Die Nationalökonomische Lehre vom Werth.”27 Thus it should be no surprise that three of the early pioneers of marginal utility reasoning, von Wieser, Böhm-Bawerk, and J.B. Clark were all alumni of Knies’s seminar at Heidelberg. Nor should it be a surprise that from his earliest forays into textbook publishing that Ely included a basic exposition on how marginal utility functioned to help determine personal consumption. Of course, this flies in the face of the traditional canards about Ely the Historical economist versus Clark the marginalist economist, but perhaps it has been that canard that has hindered us from seeing the role of marginalism in Ely’s work.

But the really interesting point, for me at least, is not simply that both Ely and Clark used marginal reasoning. It is that they also both cosseted it in a larger ethical framework that allowed them to use marginal utility reasoning but not to let it serve as their only criterion for welfare. Over time, Clark shifted more toward a utilitarian framework, but this was not at all the case in his early work. And Ely never gave up his broader Christian ethical framework. As a result of this wider ethical framework and the subordinated role of utility, Ely also offered other springs of human motivation to describe our behavior. In addition to trying to maximize utility, people also acted out of concern for their families, their church, and their nation, and these latter concerns did not always lead people to do the same things that they would do if they were maximizing their utility. Thus, it is not incorrect to say that the ethical economists inspired by the Social Gospel both introduced and legitimated the use of marginalist, utilitarian reasoning in America. For while Ely had clear ideas about the limits and appropriateness of utilitarian ideas, he did, in fact, use utility throughout his long run as America’s leading textbook author. It would probably be better to say that he tried to show that utility might have a place in economic reasoning while also showing that its place was limited.

Thus, the American story is not one in which the rise of utilitarian reasoning had to wait for the secularization of the discipline, or in which religious ideas were a bulwark against utilitarian reasoning. To be sure, the German-trained economists had a more complex conception of welfare than simple utilitarianism, and they stated this clearly in their writings; nonetheless, they did help to introduce utilitarianism to American economics, unlike Christian economists in other countries who often worked to keep it out of economics.28

28Mary Morgan suggested to me after my address that I need to be particularly careful to differentiate between the use of utility reasoning and modeling with utility from full blown utilitarianism. I agree with her about this, but have decided to leave this section as I read it, rather than to try to re-write it to correct any errors I have made in this regard. This is not out of any disagreement with Mary but rather to allow my reader to see any errors that the audience heard. Seeing my errors may also help to make Mary’s point.
Reflection Three: Connecting the Secularization of American Economics to Other Stories.

My second reflection about the secularization of American economics leads me naturally to my third. For while I do not want to claim too much for this story, I do think that understanding it is necessary to understanding other pieces of intellectual history. The two that I would like to quickly gloss here deal with what Mary Morgan and Wade Hands said in the last two HES presidential addresses.

The story that Mary told us two years ago in Tacoma, of the gradual diminution of the character we call rational economic man from a fairly robust character in Adam Smith to an ethically and behaviorally thin character in mid-twentieth century mainstream neoclassical economics, is an interesting one against which to set our story of the secularization of American economics.29 In some regards, our story might seem to confirm Mary’s story and in some it might seem to run counter to it. For instance, we might say that J.B Clark fits fairly well into Mary’s story since his own conception of rational economic man became thinner with time. On the other hand, Ely’s picture of rational economic man remained more robust across time, or at least less etiolated.

This is a particularly interesting observation about Ely, since we are prone to think of the picture of economic man in all the work of the ethical economists as naïve and not very realistic. I tried to be careful in what I said earlier in my talk not to describe the ethical economists as simply naïve, but rather as “politically naïve” since it seems clear to us that they were naïve to think that people would suddenly rise up against slum conditions or prostitution when the social surveys revealed it to them. Or were they naïve? These men were a part of a religious tradition, evangelical Protestant Christianity, which had helped to call a nation to war against slavery, and defeated it. And this same movement still had ahead of it a success in its century long battle against alcohol. Likewise, in the 1960s, when modernist neoclassical economics was at its pinnacle, this movement would be the driving force in the successful fight of Martin Luther King Jr. against racism and segregation. Thus, it is just as easy to see these men as having a richer, more complex understanding of human behavior, and one that was well grounded in their self-understanding as heirs of a tradition that had on occasion motivated people to act beyond their simple self-interest.

If there was unequivocal naivety in their work, it would probably be in Christian terms for turning away from the idea of human frailty; their idea that human nature would evolve to some higher, less selfish level runs counter to virtually all Christian scripture and it was, after all, exactly this evolutionary part of their argument that eventually caused people to lose faith in them when World War I drove home the reality of how little improved humans had become over the previous two decades.

But if they were naïve, we can still see that they had a more robust concept of welfare than utilitarians and that they held up a model of behavior by economic agents that was motivated by a complex of emotions. I want to return to the complexity of the work of these early American economists in my final reflection, but

29I have never found a reference to the work of Amartya Sen and Bernard Williams in a mainstream economics article, although it provides a robust explanation of the limits of modeling with utility. See especially their introduction (written together) in Sen and Williams (1982). The most thorough philosophical critique of utilitarian ethics might be Taylor (1989).
first I would like to point out the possible connection of this story to the one that Wade Hands told last year in his address.

In his address, Wade asked us to consider what might explain the remarkable similarities between mainstream philosophy of science and mainstream economics between 1945 and 1965 when modern neoclassical man had his heyday. Wade made three arguments that he allowed might all help to explain what had happened: (1) the influence of the Vienna Circle, where ideas of logical positivism and economic maximizing had easily mingled, (2) the reappearance of many of those Viennese ideas at Harvard in the 1930s, where they once again mingled, and (3) the rise of operations research. To these three, I would like to add that the ideas Wade identified were perhaps rushing in to fill the void left after a century of religious underpinnings for American economics. Beginning in the early nineteenth century and right through the end of World War I, religious ideas were used to establish the authority of economic arguments, first for *laissez-faire* and then for the interventionist ideas of Clark and Ely. When this long tradition ended with the discrediting of the Social Gospel in the aftermath of the tragedy of World War I, American economists of all stripes were ready for a more “scientific” basis for their work. We know this from their own statements and from the amazing diversity and originality of the work produced in the 1920s and 1930s. But the fighting was not over. The battle between the institutionalists and the neoclassicists became a bare knuckled fight over who had the right idea of science. The institutionalists chose to go with data collection, induction, and behavioralist psychology. The neoclassicists opted for deduction, operationalism, and logical positivism.30

I would like to suggest that the ground for the confluence of ideas in the philosophy of science and neoclassical economics, that Wade suggested happened in America between 1945 and 1965, may have been laid circa 1920 when “scientism” spread through American social science. The ultimate outcome was not predetermined, but there was a terrific void to fill after 1920 and the winner of the battle for the mantle of “scientific economics” would gain both legitimacy and the financial spoils of foundation and university support. At the same time, as David Hollinger has argued, American philosophy was about to be opened up from its insular Protestant background. Thus, the ideas from Vienna arrived at a particularly opportune moment when the secularization of American higher education had wiped the slate clean and left people looking for ideas that were new, “scientific,” and completely divorced from any religious context.


It is always dangerous, of course, for an intellectual historian to proclaim the contemporary relevance of the ideas that she or he studies, but at the very least you can take the subject of this last reflection as a sign that I am nearing my conclusion.

Rather than simply making a segue from my last reflection to this one, however, I would like to start from the present and (quickly) work backward to the mainstream consensus that was forged in the postwar period. For while it is true that all of us who are

30For a good treatment of the formalist revolution in neoclassical economics in the 1950s, see Blaug (2003). Roger Backhouse (2008) provides a comprehensive survey of American economics after World War II.
over forty and who were trained as economists were trained in the neoclassical mainstream, that mainstream has been replaced at the frontier of economic research. The work being done now in experimental economics, neuro-economics, behavioral economics, and game theory has, perhaps unintentionally, pushed the old model of smoothly differentiable utility functions, de gustibus non est disputandum, and stable preferences off the page. This is nowhere in more evidence than in David Colander, Barkley Rosser, and Rick Holt’s recent volume of interviews, The Changing Face of Economics.

The different economists that Colander, et al., interview see the impending change in different ways, but whether they fear it or welcome it, they see the change coming. Robert Frank says that he believes that while the work that has led to the undercutting of the traditional paradigm has been slow and plodding, he sees the coming changes as involving a quick break with the past. When Colander, Rosser, and Holt ask him, “Are you optimistic about the economics profession?” he responds, “Yes. I’d say it’s poised for a seismic shift. I think that you are right that change does come gradually, internally, but there are key moments in history when things move real fast. And I think we are getting close to one of those” (p. 134).

Somewhat ironically, Matthew Rabin, one of the people Colander, Rosser, and Holt interview who has been at the forefront of the experiments and games that have most undercut the foundations of traditional neoclassical economics is also the most adamant that he wants to create a sense of continuity that allows people to see the changes that are happening as incremental changes to a fundamentally unchanged science. Thus, Matthew Rabin expresses real fear of the atmosphere created by the new work:

In fact, I have various fears about teaching psychological economics. One is of attracting graduate students who are just hostile to economics. Another is all the people who want to use evolution and other approaches to explain departures from classical models rather than using evidence of departures to do better economics. It is still a source of constant frustration to me the number of people who contact me and tell me that they are really interested in behavioral economics and that they’re going to do some neat work providing an explanation for why people experience the endowment effect, or that they are going to come up with essentially computer science models to explain psychological biases. A lot of this makes me cringe because it’s just not what I feel that I’m doing. It misses the point . . . I want to create better models of people and plug those better models into economics (Colander, Ross, and Holt, p. 151).

But while Rabin does not want to deal with people “who don’t like economics but would prefer to do philosophy or computer science,” and wants to see himself as building “better models” of human decision making, he is unwilling to face up to the fact that the better models that he and his properly scientific graduate students will be working with will give no warrant to the exercise of measuring consumer surpluses and aggregating these dollar sums to make carefully calibrated statements about the welfare implications of policy changes. Rabin understands this, it would seem, when he admits that there is tremendous ad hocery in the way that some economists use utility in their modeling:

Economists think they had this wonderful model of risk preferences in part because they would write down one utility of wealth function when people are dealing with
small-stakes risks and write down another on when they are looking at large-stake risks. They weren’t admitting to themselves, or to the editors of journals they were publishing in, that these are wildly inconsistent claims about where things were coming from. So we were just changing the utility function, just to fit a particular behavior, and thinking we had all this evidence that people were behaving rationally.

Sometimes that’s the right approach, but we ought to recognize that that’s an inconsistency (Colander, Rosser, and Holt, pp. 149-50).

But the problem involves more than mere inconsistency. When one looks at the work that Rabin has done with ultimatum games showing that people make choices on the basis of their conception of justice and utility, not just on utility, or the work that George Akerlof and Rachel Kranton (2000, 2002) have been doing with the role of individual identity in economic behavior and how those identities shape our behavior through the norms they provide for us, one can see that the future will not look like the past. But if this is the case, then there are tens of thousands of economists, several generations in fact, who will need a new history of their discipline to help them understand where these new models came from and what the old ones were about. It is not too much to imagine the day in the not too distant future when the smoothly differentiable utility functions and the assumption of *de gustibus non est disputandum* are taught in history of economic thought classes, not in intermediate microeconomics. But we will not just be teaching the traditional neoclassical model, we will also need to be able to teach how and why it was that American economists became so enamored of such a limited, etiolated model of human behavior. Completely apart from its tractability and its elegance, we will need to offer an explanation of why the presuppositions of logical positivism seemed like such a powerful idea in the 1930s and the 1940s and why economists thought it was a good idea to construct a theory of human values that was “value free.”

VI. CONCLUSION

The story of how American economics became secularized may not be the most important point that historians of economics have to make in explaining how the model of rational economic man became etiolated and narrowly focused on a single human value after the Second World War. It is a story, however, that has the benefit of connecting to an earlier epoch when the depiction of human behavior included human values other than utilitarian values and when people’s identities were important to how they acted as economic agents. There is absolutely no chance that we will want to use their models in our own work, but they will perhaps offer an interesting glimpse into a past that helped to shape the economics that dominated the later decades of the twentieth century.

And it may also prove useful to us to have to hand a story about some earlier economists whose set of values included humility. As best I can understand, humility is a value (or a virtue), like generosity, that cannot be translated into a utility function. In fact, humility would surely count as one of those metaphysical values from which logical positivism was meant to free us. But as we look to a future economics influenced by psychology, decision science, and sociology, an economics which must
face the reality of giving up the modernist neoclassical model that defined its self identity through much of the twentieth century, it may be good to be able to reintroduce the ideas of humility and generosity to economists.

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