

Redeeming Economics: Rediscovering the Missing Element. By John D. Mueller. Culture of Enterprise series. Wilmington, Del.: Intercollegiate Studies Institute, 2010. Pp. x, 470. \$27.95. ISBN 978-1-932236-94-1.

JEL 2011-0025

Redeeming Economics is, to put it mildly a wide ranging book. It is written by John Mueller, a former speechwriter for Jack Kemp, president of his own forecasting firm, and Director of the Economics and Ethics Program at the Ethics and Public Policy Center. Among other things, the book radically reconstructs the standard history of thought story told by those few economists who still study the history of thought; critiques a variety of versions of neoclassical economics; argues that a movement to a modern reincarnation of Augustinian economics—what Mueller calls Neo-Scholastic economics—is inevitable; and offers solutions to inflation, unemployment, and a variety of other problems facing the U.S. economy.

It ends with a section, *Divine Economics*. Not bad for a 365 page book (with another 105 pages of notes and indices).

Most books that are such broad ranging would not be described as scholarly, but there is definitely a scholarly tone to this book. It has more than eighty pages of footnotes and the reading is slow going. It discusses literature with which many economists will not be familiar and it constructs an alternative narrative for that literature. While there are no theorems, proofs or lemmas, there is a connected argument that goes far beyond the pabulum found in most wide-ranging popular books.

Since the book covers so much ground, it is difficult to describe in a short review—but I will try, talking briefly about each of the broad issues that Mueller addresses.

First, history of thought. Most standard history of thought stories quickly go through Greek and Scholastic thought, so they can quickly get to Smith and “Classical economics.” Mueller says, not so fast—there is much more in Augustine than historians highlight. Specifically, Augustine integrated morality into economics in a way that Classical didn’t. Mueller argues that Augustine had a four dimensional theory; Classical reduced it to two dimensions; neoclassicals increased it to three dimensions.

Mueller’s neo-Scholastic economics will bring it back to four dimensions, by reintegrating morality into economist’s analysis.

To make the need for, and possibility of, such a reconstruction convincing to me would have required a much longer discussion than Mueller could fit in. But his overriding point is substantive and worth considering. He sees scholastics as having humans choose both the ends and the means, Classical economists as having humans choose neither the ends nor the means, and neoclassical economics as having humans choose the means but not the ends. His Neo-Scholastic economics would return to seeing humans as choosing both ends and means. Essentially this implies that it would analyze humans as moral beings, or as homo-economus.

I fully agree that economics has not done a good job integrating morality into economics, and that morality needs to be integrated into the agents we study. Individual’s motivations are far more complicated than attributed to homo-economus, and any attempt to use economics for policy had better take that into account. Modern behavioral economics is a baby step in that direction. I fully agree with Mueller up to that point.

But Mueller goes further—he argues that Christian thought provides the appropriate moral basis upon which to base policy, and upon which to model individuals. Once that is done his Neo-Scholastic economics can tell us the best policy. That is further than I am willing to go.

His distributional point is even less convincing to me; he argues that Classical economics didn’t have a theory of distribution. I agree—it didn’t have a complete theory. But it, and early neoclassical economics, saw their work as only part of the social analysis—the subbranch of social science that looked at material welfare. High Classical, such as John Stuart Mill, saw distribution as determined by all branches—political, social, and cultural, so no purely economic theory of distribution was necessary or possible.

Mueller’s critique of neoclassical economics takes issue with the Stigler-Becker branch that pushes economic imperialism. His solution is to add moral analysis into economics to make economic imperialism work. My solution is for the economics profession to give up economic imperialism and to work to reintegrate the

social sciences, recognizing that the humans are much more complicated than standard economics assumes; they have moral and social, as well as private, goals and any relevant model of them must include those broader dimensions. Humans can decide in a civic manner or they can decide in a selfish manner—which manner they operate in depends on their moral training and institutions. But to say that the humans should be seen as moral beings is not to say that economic science should incorporate a particular morality.

The last three chapters apply Mueller's neo-Scholastic theory of American public choice with the certainty that can be expected from a morally based theory. He argues that his proposed policies are the most just, politically popular, and economically efficient. He specifically attacks Levitt's argument that legalizing abortion reduced crime, arguing the opposite. Mueller argues that legalizing abortion increases crime and that, to avoid what he calls demographic winter, either legal abortion must be ended or else social benefits must decrease. To solve inflation, he proposes a gold standard combined with a low rate, broad based income tax and a balanced, pay-as-you-go Social Security system. Each of the proposals has something to be said for it, but the arguments for them are nowhere near as convincing to me as Mueller seems to think they are.

In summary; there are numerous insights in the book. Outside-the-box is good. But the box is there for a reason. It will take much more than a 365 page book to convincingly make even one of the arguments he presents, let alone all of them.

DAVID COLANDER
Middlebury College

Economics Evolving: A History of Economic Thought. By Agnar Sandmo. Translation. Princeton and Oxford: Princeton University Press, [2006] 2011. Pp. viii, 489. \$90.00, cloth; \$45.00, paper. ISBN 978-0-691-14063-6, cloth; 978-0-691-14842-7, pbk.

JEL 2011-0455

This is a fine, up-to-date volume in the long tradition of books on the history of economic ideas. One can only agree with the judgment of Avinash Dixit that the book “. . . gives us simple, succinct, and thoughtful accounts of

the ideas that have shaped the subject over the past three centuries.” As such, it can serve well and appropriately as the preferred textbook for any course on the history of economic thought.¹ Having said this, what else is left for a reviewer to say? There remain only trivial quibbles and minor differences of opinion that the author may or may not choose to take into account in future editions of the book.

On Adam Smith and The Invisible Hand

This book is not alone in discussing Smith's invisible hand passage as a tribute to the happenstance virtues of the free market and the ability of the competitive mechanism to lead self-seeking “merchants and manufacturers” onto paths that serve the general welfare. Sandmo quotes a well-chosen portion of the passage (p. 43). But for reasons I have never understood, he, like most others who discuss this passage, omits those remarkably illuminating final lines of Smith's paragraph: “I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.” This is a telling piece of sarcasm, and its frequent omission deprives readers of a beautiful example of the capability of Smith's pen.

But the omission also helps to conceal a much more important matter. As Jacob Viner, that great student of economic ideas, was never tired of emphasizing, this passage also makes reference to a contentious religious debate. In the eighteenth century, the term “invisible hand” had a very clear meaning that is lost to us today—it referred to the hand of God. This passage has a heavy element of the then-contemporary religious debate on the reconciliation immoral behavior in the presence of an omnipotent deity, and Smith can be

¹ It is noteworthy that after a long period of drought in the arena of history of economic ideas this book appears at nearly the same moment as a remarkable volume on the subject, *Grand Pursuit: The Story of Economic Genius* (2011) by Sylvia Nasar. This is not the place for comparison of the Sandmo and Nasar volumes, except to note that the latter is a unique and enormously readable biographical exposition on the personalities and personal histories, as well as the ideas, of the great names in our field.