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Daniel K. Finn

*College of Saint Benedict/Saint John's University*

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# Philosophy, Not Theology, Is the Key for Economics: A Catholic Perspective

Daniel K. Finn<sup>1</sup>

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In spite of all its strengths, mainstream economics is deeply inadequate. Three problems stand out: an inadequate conception of human choice, the eclipse of real causal forces that occur within the ‘black box’ of the market, and an inadequate conception of method in social science. People of religious faith have religiously-founded objections to these inadequacies, but it does not take religious faith to recognize the problems, nor to address them. Although some people have argued to the contrary (Milbank 2006), economics does not need an infusion of religious or quasi-religious formulations; it needs, rather, the insights of other social sciences as well as of the philosophy of social science.

The title of this essay describes my view as a “Catholic” perspective on the question because, more than any Protestant denomination, Roman Catholicism has always had a strong confidence in what human reason can grasp, even reason as unaided by the divine revelation of the Bible. The theologians of the early centuries of Christianity borrowed heavily from the secular philosophical traditions of Greece and Rome, particularly from Stoicism. The most important theologian in the history of Catholic theology, Thomas Aquinas, extended Aristotle’s “pagan” understanding of the structure of the world into a “natural law” ethics, by which both believers and non-believers can discern what leads to a flourishing human life, the basic characteristic of virtues in both Aquinas and Aristotle. The fundamental conviction that God both established the natural order of the universe and revealed

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1. St. John’s University, Collegeville, MN 56321.

himself in the Scriptures led Aquinas (and leads Catholic teaching today) to the conclusion that there cannot be any fundamental contradiction between the authentic insights arising from these two sources.

What the Catholic intellectual tradition provides is not simply a list of moral do's and don'ts. Far more broadly, it presents a way of understanding that has many similarities with secular modes of understanding. The Catholic tradition presents both description and prescription. It is for this reason that Catholic social thought has long rejected the economist's view of human decisionmaking as utility maximization.

Nonetheless, my perspective does not imply that economics needs religious insight in order to improve its description of economic life. The inadequacies of the three issues identified above have been thoroughly investigated within purely secular intellectual traditions as well. Catholic theology itself has philosophical underpinnings (in addition to religious ones) and is quite able to rely on non-religious social science, as long as that science adequately describes the earthly realities it explores.

The descriptively inadequate view of human decisionmaking as utility maximization has been widely criticized by many over the 140 years since it was developed by William Stanley Jevons (1871), Carl Menger (1871), and Léon Walras (1874). John B. Davis (2011) has provided a helpful overview of issues in his *Individuals and Identity in Economics*. And many other expositions exist. Behavioral economics over the last three decades has begun to investigate the shortcomings of the standard rationality assumptions. Still, this work has not yet had much influence on either the basic microeconomic paradigm of the science or the belief by most economists that people really do attempt to maximize their utility.

The second shortcoming of the mainstream paradigm is its highly abstract conception of markets as a 'black box'. Economists pay little or no attention to what actually occurs 'inside' markets; those sorts of things are considered part of sociology. Economists focus on prices. Thus, to take a classic example, a freeze in the coffee growing regions of Colombia is vaguely assumed to work its way through the chain of economic relations from the coffee plantation to the American grocery store, but basic microeconomic theory ignores those relations and instead models the effect of price changes overall. A more adequate view of the market for coffee will understand it as a social structure, which requires some insight from sociology. But before we can understand the potentially helpful relation between sociology and economics, we need to turn to the third problem and return to the second later.

The third fundamental shortcoming of the mainstream paradigm is its empiricist foundations. The shortcomings have been illuminated by the British philosopher Roy Bhaskar, the developer of "critical realism" in the philosophy of science, who has set out to overturn 250 years of empiricism since David Hume.

Hume's fundamental influence on science was rooted in an epistemological limitation. The only thing that we humans can be really certain of, he argued, are our sense perceptions. The only reliable knowledge is what we perceive through our five senses.<sup>2</sup> This means, however, that the everyday notion of causality possessed by the man-on-the-street had to be rejected, since we have no access to any underlying mechanisms of causality in the world. John Stuart Mill put it quite simply a century later.

We have no knowledge of anything but Phænomena. . . . We know not the essence, nor the real mode of production, of any fact, but only its relations to other facts in the way of succession or similitude. . . . Their essential nature, and their ultimate causes, either efficient or final, are unknown and inscrutable to us. (Mill 1866, 6)<sup>3</sup>

As a result, scientific laws in empiricism can be nothing more than statements about the regularity of succession of sense perceptions. And the cause of a phenomenon is, as Mill describes it, "the antecedent, or the concurrence of antecedents, on which it is invariably and unconditionally consequent" (Mill 1874, 245). All we can say about causes is that if A always and unconditionally precedes B, then A is the cause of B. We cannot delve into why or how the causality works. When I drop my shoe, it hits the floor 'because of the law of gravity', but there is no 'why' or 'how' behind that scientific law that we can have any access to.

Similarly in economics, the effect of empiricism is that we say that following a freeze in Colombia the price of coffee at the supermarket will rise 'because of the law of supply and demand'. Mainstream economists tend not to be doctrinaire empiricists, and so could, if they wished, do interviews of a coffee grower and the buyers who deal with him or could study the relation between final consumers and the supermarkets where they shop. But in fact mainstream economics almost always stops at the assertion of the law of supply and demand.

In contrast, Roy Bhaskar asserts that the empiricist description of science conflicts fundamentally with what scientists actually do. The physicist working in a

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2. This limitation of what humans can know played a large part in Hume's rejection of religious faith. Interestingly, although it seems to have been no part of his intention, Bhaskar's project, if successful, would make religious faith more intellectually defensible even from a secular perspective since it defends the intelligibility of ontologically real 'things' that are not sense-perceptible.

3. Mill in this paragraph was describing the thought of Auguste Comte, later adding: "The conviction. . . that knowledge of the successions and co-existence of phenomena is the sole knowledge accessible to us. . . was probably first conceived in its entire generality by Hume, who carries it a step further than Comte, maintaining not merely that the only causes of phenomena which can be known to us are other phenomena, their invariable antecedents, but that there is no other kind of causes: cause, as he interprets it, *means* the invariable antecedent" (Mill 1866, 7-8).

highly controlled atmosphere called a laboratory works creatively to eliminate most of the influences that exist in the world so that an experiment can focus on one or two relationships. In this “closed” system of the lab, the scientist may discover Humean regularities of sequence, but such regularities almost never occur in the “open” system of the real world. In addition, most physicists do not think they are only describing a sequence of sense perceptions but are describing how real objects in the world interact, otherwise they would have little reason for confidence that the insights they come to in the lab would have applicability in the world outside (Bhaskar 1975).

From the point of view of critical realism, scientific laws are *not* the causes behind the things that happen in the world. Rather, laws are the scientist’s best effort to *describe* the “intelligible connections”—ontologically real relations—among things in the world (Bhaskar 1975, 45-56; 1998/1979, 2). That is, scientists surely start with their sense perceptions of what occurs around them, but they can come to understand the mechanisms in the world that cause things to occur. As a result, the shoe does not hit the floor because of the law of gravity but because of the ontologically real relation between the shoe and the earth which Newton’s inverse square principle aims to describe. Similarly, then, the price of coffee does not rise after a freeze because of the law of supply and demand. Rather, the law of supply and demand is the economist’s best effort to summarize the causality that is embedded in the ontologically real relations among market actors that stretch from the coffee grower to the consumer in aisle six. This shift of perspective to attend to economic relations has large implications for economic science, but it runs against the grain of orthodox economics.

One of the central reasons that mainstream economists undervalue the relations that occur within the social structure we call the market is that they generally take a sharply individualistic interpretation of the world. Methodological individualism (Buchanan 1975, 1) is an approach to describing the social world that asserts that any social phenomenon can be understood (or ‘explained’) only by tracing it to the actions of the individual persons involved in it. Critical realism rejects this individualism as quite simply a misunderstanding of agency and social structure. To take a simple example from our political life, an individualistic interpretation of elections is that their results are caused by the decisions of individual voters. Although this is surely a critical part of the cause of the outcome, in an election system such as exists in the United States, the gerrymandering of election districts to favor one party over another can and regularly does make a significant difference for the election results. Understanding markets as only the outcome of individual decisionmaking is similarly naive; it’s like analyzing elections while ignoring the shape of election districts.

Critical realist sociologist Douglas Porpora (1989) describes a social structure as a system of relations among pre-existing social positions. Consider the local factory as a social structure. There are many sets of relations there, but the most fundamental is that between a production worker and a supervisor. When anyone enters, say, the position of supervisor at a factory, they encounter a series of restrictions, enablements, and incentives built into that position, some of which might lead that person to do things (for example, be stern with a subordinate) that this person would not ordinarily do in the other parts of life. At the same time, however, this person is now enabled to do various things, such as organize the work to be done, influence the work atmosphere, and have an income to support a family. These restrictions and enablements are experienced as incentives which the supervisor now faces. Similarly, any individual who enters into the position of factory worker thereby enters the pre-existing relation of worker/supervisor and also encounters a series of restrictions (such as the obligation to do what the boss says), enablements (such as on-the-job training), and incentives arising from those restrictions and enablements. There will always be unique characteristics generated when one particular worker interacts with one particular supervisor, based on their personalities, hobbies, or other characteristics. But the vast majority of what happens between them is causally conditioned by the relation between workers and supervisors that existed before either of them took on their jobs.

In critical realist sociology (Archer 1995), only persons are agents, but social structures have powerful causal impact in the lives of agents simply because those agents will make decisions to accomplish their goals within a field of restrictions, enablements, and incentives generated by the relations into which they enter. There is no determinism here; a subordinate might refuse to do what the boss says, or a boss might refuse to implement an overly strict rule his superiors insist he must enforce. But if either happens, the one violating the restriction will typically face penalties, perhaps even the loss of the job. Structures are powerful causes even though only people make decisions.

Much more could be said about both the philosophy of science and the sociology of social structures, but we can now return to our earlier critique of the market as a black box, employing a critical realist analysis.

Markets are social structures. When I buy a shirt at Macy's, I enter into the pre-existing relation between consumer and clerk at a department store. The individualistic economic interpretation here is that I simply face an opportunity set and choose the shirt with the combination of price and quality which will help to maximize my utility. But under a critical realist sociological interpretation, when I enter the position of consumer I take on restrictions, enablements, and incentives. Among restrictions is the fact that I am not allowed to bargain over the price of the shirt, even though in some markets such bargaining is quite standard. Among

the enablements is the ‘returns’ policy at Macy’s, more generous than at some other stores. And, of course, the clerk also faces restrictions, enablements, and incentives. For example, she must remain calm even in the face of an unreasonable customer, a patience she might never show in the rest of her life.

The chain of relations that makes up the market for shirts extends then from consumer/clerk to clerk/supervisor, and through a series of intermediate relations to the relation of factory owner/factory supervisor in China and the relation between supervisor and seamstress. Each relation between pre-existing positions is a causally critical, ontologically real link in the chain we call the market for shirts.

The first thing to note is that price signals—whether arising from a change in taste of consumers or from a change in the minimum wage of seamstresses—are causally relayed through the various relations among pre-existing positions that constitute the market. Price changes do not simply “jump” from one end of the chain to the other (even though the ability of a textiles analyst to predict a change in price may tempt economists to think the causal chain isn’t really there).

The second thing to note is that price is only one of many economically important restrictions, enablements, and incentives that exist in each of those links in the chain. Work conditions and days off are a critical part of the relation between seamstress and supervisor (and in many other links in the chain), while the consumer may find important the ‘atmosphere’ in the store, the attitude of the clerks, and, for some, even knowledge of whether the seamstresses who made the shirt were treated justly.

This last idea brings us back to why many with a religious faith yearn for a more adequate economic science. A disembodied market, the black box of neoclassical economics, does not allow people of faith to understand the ontologically real relations that causally connect me, a shopper at Macy’s, with the people half a world away who make the shirt I buy. Nonetheless, it is not only people of faith who care about these issues, and the needed changes in economics that would be required do not entail an infusion of explicitly religious notions. What is required is the inclusion of a more adequate view of human decisionmaking, a careful attention to the internal workings of the market, and a more adequate, non-empiricist science—all of which are available in our world today, whether or not an economist has any religious commitment.

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## About the Author



**Daniel Finn** is Clemens Professor of Economics and Professor of Theology at St. John's University, Collegeville, Minnesota. He earned an M.A. and Ph.D. at the University of Chicago. He is a past president of the Association for Social Economics, the Society of Christian Ethics, and the Catholic Theological Society of America. His books include *Christian Economic Ethics: History and Implications* (Fortress, 2013), *The Moral Ecology of Markets: A Framework for Assessing Justice in Economic Life* (Cambridge, 2006), *Distant Markets, Distant Harms: Economic Complicity and Christian Ethics* (editor, Oxford, 2014), and *The True Wealth of Nations: Catholic Social Thought and Economic Life* (editor, Oxford, 2010). His email address is [dfinn@csbsju.edu](mailto:dfinn@csbsju.edu).

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