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Maximization Is Fine— But Based on What Assumptions?

Abstract: The Prologue to this issue discusses how the flatness of economics leaves out aspects of reality that do not fit neatly into its formulations. I agree that much is left out, but I am not so sure that methodology is to blame. Rather, the omission is caused by our restriction of economic methodology to particular assumptions about reality. In this essay, I will first show that something like utility maximization has long been present in Christian theology. To be sure, economics is “flat” in its style and, unlike religion, excludes by custom certain scholarly tools which would complement the flat approach. I will argue, however, that the essential difference is that some religions, in particular Christianity, take their start from belief in factual assumptions that economics ignores.

Keywords: Economics, religion, God, happiness, utility maximization, Calvinism, rhetoric.

JEL Codes: A11, A13, Z12.

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I am a Christian from a general Protestant upbringing who attends a fundamentalist Calvinist church unaffiliated with any denomination. My doctorate is from the MIT Economics department of 1984 and I am a product of the modern synthesis of MIT’s relentless maximization-subject-to-constraints and Chicago’s Beckerian imperialism and skepticism of government intervention. Given that combination, what would I say about flat methodology, religion, and economics? Pause for a moment, and perhaps you can make a prediction.

Economics does ignore much of human motivation. In particular, it leaves out man’s sense of right and wrong and his yearning for what is beyond the mundane. People worry about more than direct consumption, and even in consuming they disbelieve Bentham’s claim that “push-pin is as good as poetry,” at the same time as many admit they derive more pleasure from push-pin. “Man does not strive after happiness, only the Englishman does,” said Nietzsche, and this was a criticism of economists more than of Englishmen.¹ Nietzsche’s target was utilitarians such as Bentham and Mill and, more generally, the bourgeois viewpoint that generated the science of economics.

Long before Bentham, however, the idea of happiness as the highest human goal was fundamental for major Christian authorities, who took happiness as the *summum bonum*. Thomas Aquinas (described by Pope Leo XIII as “the prince and master of all Scholastic doctors,” *The Catholic Encyclopedia* 1917a), said:

¹Nietzsche (1889, “Maxims and Arrows” 12) The other, less-known, part of that aphorism is “If we have our own why in life, we shall get along with almost any how.”

“All men agree in desiring the last end, which is happiness.” Why then do men disagree so much? “For imperfect happiness, such as can be had in this life, external goods are necessary, not as belonging to the essence of happiness, but by serving as instruments to happiness, which consists in an operation of virtue, as stated in *Ethic.* i, 13. For man needs in this life, the necessaries of the body, both for the operation of contemplative virtue, and for the operation of active virtue, for which latter he needs also many other things by means of which to perform its operations. On the other hand, such goods as these are nowise necessary for perfect Happiness, which consists in seeing God.”²

Blaise Pascal was a less orthodox Roman Catholic (a Jansenist, his movement was condemned for some years as crypto-Protestant) but he agreed with Aquinas on this point:

All men seek happiness.³ This is without exception. Whatever different means they employ, they all tend to this end. The cause of some going to war, and of others avoiding it, is the same desire in both, attended with different views. The will never takes the least step but to this object. This is the motive of every action of every man, even of those who hang themselves.

Undoubted Protestants also agreed with Aquinas. Richard Hooker says in his Church of England classic, *Of the Laws of Ecclesiastical Polity*, that “All men desire to lead in this world a happy life. That life is led most happily, wherein all virtue is exercised without impediment or let.” (Hooker, 1694/1662, 1-10-2). Jonathan Edwards, a Puritan who so vehemently disagreed with Hooker on ecclesiology, said in a 1738 sermon (and repeated elsewhere, as Piper 1987 shows):

Although therefore riches be a thing which every man wisheth, yet no man of judgment can esteem it better to be rich, than wise, virtuous, and religious.... That a man should love his own happiness, is as necessary to his nature as the faculty of the will is; and it is impossible that such a love should be destroyed in any other way than by destroying his being. The saints love their own happiness. Yea, those that are perfect in happiness, the saints and angels in heaven, love their own happiness; otherwise that happiness which God hath given them would be no happiness to them; for that which any one does not love he cannot enjoy any happiness in.

²Aquinas (1274, 2-1-4-7, “Whether any external goods are necessary for happiness?”) The Latin word used by Aquinas (and Augustine, below) is *beatitudinis*, not *gaudium* or *felicitas*; all are conventionally translated as “happiness” but have different shades of meaning. Aquinas is quoting and following Aristotle’s *Ethics*, which similarly makes happiness the goal and virtue an instrument. The Greek equivalent is *eudamonia*, *ευδαιμονια*, which means something like “longterm happiness” as opposed to “pleasure” or “sudden joy”, a usage established long before Aristotle’s time (see Lauriola, 2006, for discussion of the word’s use in Greek poetry).

³ Pascal (1667, 425). The word translated as “happy” is “*heureux*”: “*Tous les hommes recherchent d’être heureux.*”

Thus, Thomists, Jansenists, Anglicans, and Calvinists agreed with economics in putting utility maximization at the center of human psychology, in contrast to the “rights” system of ethics and the view of human behavior as driven by unconscious urges. Like Aristotle’s, theirs is a “eudaemonist” ethics. As Sigbjørn Sønnesyn says,

In contrast to eudaemonist systems, deontological ethics are based on an account of rightness and duty divested from any account of the good; its proponents hold as the duty of a moral subject to act rightly without consideration of his or her own happiness. Today such an ethical paradigm is usually associated above all with Kant...
(Sønnesyn, 2008)

Indeed, St. Augustine makes us think of economists in his chapter, “The Will To Possess Blessedness Is One in All, but the Variety of Wills Is Very Great concerning that Blessedness Itself” (Augustine 417, 13-4-7). For a joke, a certain comic actor told his audience that he would reveal to them the secret of life. Augustine says that the actor:

...promised that he would say in the theatre, in some other play, what all had in their minds, and what all willed; and when a still greater crowd had come together on the day appointed, with great expectation, all being in suspense and silent, is affirmed to have said: “You will to buy cheap, and sell dear.” And mean actor though he was, yet all in his words recognized what themselves were conscious of, and applauded him with wonderful goodwill, for saying before the eyes of all what was confessedly true, yet what no one looked for.

Why, then, isn’t everyone Christian, if seeing God is the source of happiness? The theologian’s reason is the same as the economist’s: Imperfect information and poor information processing lead to market failure. “Those who sin turn from that in which their last end really consists: but they do not turn away from the intention of the last end, which intention they mistakenly seek in other things,” Aquinas puts it in the same *Summa* section as the earlier passage. People do not understand what is good for them. Attributing wrong living to wrong thinking is not specifically Christian. Augustine quotes Cicero on the mistakes of the uneducated consumer of life:

For he [Cicero] says: “But, behold! people who are not indeed philosophers, but who yet are prompt to dispute, say that all are blessed, whoever live as they will;” which is what we mean by, as pleases each. But by and by he has subjoined: “But this is indeed false. For to will what is not fitting, is itself most miserable; neither is it so miserable not to obtain what one wills, as to will to obtain what one ought not.” Most excellently and altogether most truly does he speak. (Augustine 417, 13-5-8)

The Christian explanation for sinful activity is thus the defectiveness human reason caused by rejection of God. As Pascal says:

[God] only is our true good, and since we have forsaken Him, it is a strange thing that there is nothing in nature *which has not been*

serviceable in taking His place;⁴ the stars, the heavens, earth, the elements, plants, cabbages, leeks, animals, insects, calves, serpents, fever, pestilence, war, famine, vices, adultery, incest.

Some seek good in authority, others in scientific research, others in pleasure. Others, who are in fact nearer the truth, have considered it necessary that the universal good, which all men desire, should not consist in any of the particular things which can only be possessed by one man, and which, when shared, afflict their possessor more by the want of the part he has not, than they please him by the possession of what he has.

The solution is conversion and repentance, or, in economic terms, the better information and elimination of bias in information processing, reforms that eliminate market failure. In the sermon quoted earlier, Jonathan Edwards puts it like this:

The change that takes place in a man, when he is converted and sanctified, is not that his love for happiness is diminished, but only that it is regulated with respect to its exercises and influence, and the courses and objects it leads to. . . . When God brings a soul out of a miserable state and condition into a happy state, by conversion, he gives him happiness that before he had not [namely, in God], but he does not at the same time take away any of his love of happiness.

So where is the key difference between theologians and economists? It is true, as the Prologue of this symposium says (Klein 2014), that economists flatten action down to optimization, decision to choice, knowledge to information, motivation to incentive, or discovery to search. Those things, plus how markets work, are what give economics its punch; they are the “organon” that organizes research as George Stigler said in the 1971 work that the Prologue cites. If, as the Prologue suggests, economics is to be infused with something from religion, what economics needs, is not “religious formulations” but religious *assumptions*, along with certain rhetorical *tools* of scholarship that seem out of keeping with the mathematical precision that entered economics in the 1950s.

Let me defer religious assumptions and begin with these other tools. Looking back, you’ll see that I’ve made use of quotation, authority, anecdote, and humor. “Quotation” is partly just the presentation of evidence, e.g. the words that Aquinas actually wrote as evidence of his views. That is data in the same sense as a table of numbers. A second use of quotation is to give the reader words which express an idea unusually well.

“Authority” is a tool closely related to quotation. Not only are the quoted words apt, but in some cases (Aquinas, if not, perhaps, Sønnesyn) they are the words of someone we think wise enough that they could contain more meaning than the quoter (me) might be able to paraphrase.

“Anecdote” is exemplified by St. Augustine’s story of the comic actor. Augustine could have gotten roughly the same information across in fewer words without mentioning the comic and the suspense of his audience, but it would not hit as hard and we would not remember the idea as well.

“Humor,” too, is illustrated by that story. Humor is a welcome relief from the heavy mental concentration one needs in reading technical works of theology. The reader of

⁴A better translation might be “*which has not been capable of taking His place*”; the original is “Et depuis qu’il l’a quitté c’est une chose étrange qu’il n’y a rien dans la nature *qui n’ait été capable de lui en tenir la place*.” The passage is from the same section of the *Pensees* quoted earlier, Pascal (1667, 425).

mathematical economics could use similar relief, though jokes are all too rare in mathematical economics (as, indeed, they usually are in theology; Augustine, unlike Aquinas, was a trained rhetorician).

These techniques, along with metaphor, poetry, and allegory, are felt (not “considered”--- “felt,” I think) by many of us to be unmodern, unscientific, and unprofessional. At the highest level of the profession, though, these tools have yielded spectacular successes. Think of Albert Tucker’s two prisoners (Tucker 1950/1980), Paul Samuelson’s chocolates (Samuelson 1958), Amartya Sen’s bickering characters Prude and Lewd (Sen 1970), and Peter Diamond’s coconuts (Diamond 1982). I wish we economists felt freer to use rhetorical tools wherever they would add accuracy, even if they reduced precision.

But let return to the matter of religious assumptions. Christianity, Judaism, and Islam are fact-based religions.⁵ To be Christian, you must believe that Jesus rose from the dead. To be Jewish, you must believe that God gave Moses the Law. To be Moslem, you must believe that God gave Mohammed the Koran.⁶ Each of these three things either happened or did not happen. Religions are divided by which religious assumptions the religion thinks are true. Jesus either did or did not rise from the dead, though of course one may also take an agnostic position.

From religious assumptions flow positive and normative implications.⁷ The Christian authors quoted above believe that people maximize happiness, but they also believe that people are wrong in the way they go about it. Thus, their policy recommendation would not be the same as the atheist’s.

Economists are used to investigating what flows from a given set of assumptions, so it should be routine for us to accept religious assumptions and see what results they give us. To do so, one does not need to believe the assumptions, and the analysis can be intellectually interesting even if one believes the assumptions are false. I, a Christian, could use my economics tool kit to clarify how one should use the Talmud to decide how much a seller should have to tell a buyer about product quality; Aaron Levine’s *Economic Morality and Jewish Law: A Halakhic Approach* is fascinating whether you are Orthodox Jewish or not. Without myself believing the policy desirable to God, I could tackle how the level of a head tax on non-Moslems (the *jizya*) would affect their conversion rate if modern Egypt revived the tax. Without being an environmentalist who believing that conserving oil is a good thing, I could estimate what combination of taxes, quotas, and research funding would most cheaply reduce our consumption of oil to given target.. Without being Roman Catholic, I could help to

⁵Not all religions are fact-based. I’m inclined to think that most varieties of Buddhism would be little affected if we omit the historical Gautama, though I may well be wrong, and that the Krishna devotee would not abandon his faith if conclusive evidence were discovered that the *Mahabharata* was pure fiction.

⁶Some people would disagree and say that one’s religion is based on one’s affiliation or behavior rather than one’s beliefs. Affiliation is clearly wrong as a definer: a person can call himself a triangle but that does not make him a triangle. Behavior is a useful definer of religion, but in ordinary language if someone says he is a Christian (for example) yet also admits he is entirely insincere, ordinary people would not say he is a Christian. This distinction is recognized in the ideas of the Church Visible and the Church Invisible, two non-nested sets. Jewishness, though not Judaism, is different in that it is often used for ethnicity or culture rather than religion. At the heart of both religion and culture, however, is Passover, the celebration of a historical event with ceremonies that revolve around telling its story.

⁷ The implications of religious assumption are not always obvious. One can believe that Jesus rose from the dead without being a Christian. The standard cite is *James 2:19*: “Thou believest that there is one God; thou doest well: the devils also believe, and tremble.” Belief in historical facts is just a starting point.

compare the marginal costs of reducing one's time in Purgatory via different indulgences.⁸

In practice, practically all economists, including myself, use the implicit assumption that religious assumptions are false. If I do not mention the possibility that Jesus rose from the dead, the result is the same as if I explicitly assume He did not. For most analyses, to be sure, the Resurrection does not matter; the Resurrection's reality does not affect which exclusive-dealing contracts can raise a firm's profits. Even when religious assumptions do matter, leaving them out reduces things to a least common denominator, simplifying the model and appealing to the widest audience. It is always useful to know what maximizes surplus before adding other considerations. I wrote an article on desecration, for example, taking an ideologically neutral position and simply comparing the utility costs and benefits without introducing any considerations of liberty, patriotism, or respect for God (Rasmusen, 1998). Law professor Cass Sunstein describes my article as "somewhat hilarious" and a good example of why economics is flawed since "the idea that 'wealth maximization' is the appropriate goal of a social order is not very plausible" (Sunstein 2000, 336). Most law professors would agree with him; most economics professors would not. If we do not start with ideologically neutral analysis, we would soon find that liberals would say that freedom of expression is good in itself regardless of social surplus, and conservatives might say that what matters is God and Country, not social surplus--- an impasse.

Nonetheless, while we may start with simple models that lack religious assumptions, that does not mean we should end there, any more than to begin a paper with a model in which firms lack market power means that the second half of the paper should not incorporate the more complicated assumption. I do hope to see more economic analysis based on religious assumptions. Look, for example, to Stephen Bainbridge (1992) for application of law and economics to the view on corporate law expressed in the U.S. bishops' *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy*, or to Steven Brams (1980) on applying game theory with asymmetric information to episodes in the Old Testament, or to the theoretical and empirical analysis in Edward Glaeser and Spencer Glendon (1998) on how belief in predestination affected economic development.

Thus, where I think economics is lacking is not in methodology but in which assumptions are made about this world and the next. Religious assumptions are disputatious, but to ignore them is to assume religion away without confronting the importance of the assumptions. Neutrality is not possible, and we should think about what the different postulations corresponding to different religions imply about economic behavior and policy.

⁸In an "indulgence", the Church releases a person from some or all of the punishment required for his past sins. Indulgences for donations to the Church were one cause of the Reformation. Indulgences are still common, but for such things as pilgrimages rather than for money. (*The Catholic Encyclopedia* 1917b).

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