

# Faith, Heresy and Economic Theory

ANSHUMAN SINGH

John Rapley's recent book *Twilight of the Money Gods: Economics as a Religion and How It All Went Wrong* is a riveting tale of the development of economic thought. "This fundamental critique of economics," writes Avinash Persaud in his review ("The Corruption of Economics," *EPW*, 24 February 2018), "is a must-read for all." I argue here that although this is indeed a very important book for our times, one cannot agree with the first part of Persaud's assessment.

I base my assertion on the following counts: It traces developments in the core methods and beliefs of mainstream economic thought without the conceptual rigour such a project demands. (Our age requires that the problem of faith/belief be located at the conceptual level of value itself. "Faith in the prophets," which forms Rapley's central point of attack, must remain central to the progress of all science.) It shows rather convincingly that economic "truths," like those of any other science, are historically conditioned. It creates the theoretical space for new heresies.

I will begin, however, by asking the reviewer a deceptively simple question. *Why* does Rapley succeed in achieving these commendable results? What is it about his prose that makes it so "lucid and high-paced"? (p 22) Since the facts themselves are not new, must we not conclude that the novelty of his endeavour lies entirely in its presentation?

This is broadly what I argue here. In my view, Rapley's success lies in nothing more than the felicity of his rhetorical arsenal. History falls into his prose as elegantly as it does only insofar as he turns economic principles into "catechisms," articles into "encyclicals" and experts into "gods." Of course, underlying these multiple reversals is the

theoretical black box called "faith" and its relationship with money—a deep conceptual problem for our times which he leaves unexplored. Since Persaud's review also underplays this aspect, I use it to locate his fundamental misreading of the significance of Rapley's project. By limiting the "corruption of economics" to the (important but surface-level) problem of academic funding, he shirks from asking tough conceptual questions about belief and value theory. And in so doing, he inadvertently arrests the development of economic thought by not being "heretical" enough.

## Persaud's Basic Criticism

Doubtless, Rapley's basic premise is that schools of economic thought operate like religious sects, since the rise and fall of experts (read "gods") depends on their capacity to create "miracles" in times of distress. To invoke one of the key examples of the book: though Keynesian statism initially seemed like a heretical gamble against the tenets of neoclassicism, it was eventually vindicated by the realities of the post-war world. Be it Friedman, Greenspan or Singh, Rapley manages to show with equal ease how most economists operate within similar historico-political confines. Fear of being exiled brings them squarely into the service of power—a claim not far from Persaud's own comment on academic funding and lobbying. In this context, it may seem evident that the predominant lesson of the book is that politicians and economists must be brought down from their high horses; that they must cease posturing as the knights-errant of universal and objective economic principles.

To be sure, this is exactly where Persaud locates his primary criticism of the book. He uses the same historical

moment as Rapley, only to draw a contrary conclusion—arguing that the very reason why the 2008 financial crisis did not descend into a "great depression" was because of sound economic policy (that is economic "expertise"). From this he concludes that "the world is back to genuflecting at the high priests of economics. If 2008 was the twilight for the money gods, the night was short." His rejoinder to Rapley is therefore simple—"high-priests" are necessary for any theoretical discipline to take root, and economics is no exception. What must be blamed instead, he adds, are the financial structures and incentives which determine academic output. "Even the hardest sciences", he says, "can be corrupted by their funding." This is surely an oversimplification of the matter. But allow me to return to this after a brief conceptual detour.

## On Money and Faith

I must first clarify my own position vis-à-vis Rapley's book. It is by all measures a historical and not a theoretical account in my view. What is both novel and brilliant about it is its form, that is, the very language of "apostasy," "heresy" and "proselytisation" in which it tells the history of economic thought. This is precisely what accounts for its coherence and readability; as well as its wonderful ability to make the reader *see* how the failings of one school are inseparable from its historico-political context and also (perhaps more importantly) from the birth of rival factions and successors.

However, the inability of the narrative to go beyond this outward change of form is also the book's central failing. One could argue that, conceptually speaking, it both begins and ends with Thomas Kuhn's insights on the structures of scientific progress. Even as a footnote in the very first chapter alerts us to this intellectual debt, it is only towards the end that Rapley returns to general reflections on economics qua science. Unfortunately, however, for a student of economic thought, these are too vague, too scattered, and often too moralistic to be of any real significance.

In the age of bitcoins, derivative finance and demonetisation, a book-length account of money and faith must surely go much further (for are these not the true heretical questions of our time?). How is it possible for a Prime Minister to untether money from value using nothing more than a single televised speech? Does it suffice to say in response that currency notes are simply glorified rous (I owe you)? Should we not push further and examine the inherently “promissory” nature of money itself?<sup>1</sup> That is to say, if money is simply a promise then how and wherefrom does it get its value? As Rapley highlights, the traditional (Smithian/Ricardian) answer to such questions lies in the notion of labour-time (Rapley 2017). But we know from Sohn-Rethel’s pioneering work that labour-time itself (as a form of what he calls “social synthesis”) arises only within an exchange relation, that is, when two commodity-owners confront each other.<sup>2</sup> Marx too, while exploring the notion of “fetishism” famously highlights how the simplest commodity dwells in “metaphysical subtleties and theological niceties” (Marx 1990).

Because of their sheer complexity neither of these segues can be fully developed here. Yet that is my point—the links between money and belief are at once more profound and far-reaching than Rapley allows. It is not enough to say that economic sects rely on the continuing faith of the people for their own legitimacy. One must also explore how each and every act of exchange conceals a hidden economy of beliefs. For instance, when we pay the grocer for our vegetables we automatically believe that there is something inherent in the vegetables as well as in the currency notes. Our very action betrays the unconscious conviction that it is the equivalence of inherent values (contained in the vegetables and the paper currency) which facilitates exchange.<sup>3</sup> In this way, we project onto the thing a property which we ourselves have created through our labour in production (just as we project onto god anthropomorphic qualities). Is this not Marx’s key insight—that the link between money and faith is purely qualitative, having nothing to do with the

quantity of value embodied in a commodity? (pp 163–77)

### Significance of Rapley’s Project

This is precisely where Persaud gets it wrong. It is not that our belief in something determines its economic value (if this were true the poor majority could simply will itself out of poverty). For similar reasons, it is inaccurate to say that “if enough people believe that bitcoin is valuable, then it will rise in value” (if this were the case then asset bubbles would never burst). Prices may depend on what people believe at a particular moment but the value of a commodity is an objective social fact: the labour-time socially necessary to produce it (p 129). To take a trite example: *irrespective of what people believe* the value of diamonds will never fall below those of pencils (unless of course a radical shift occurs in the production processes of either).

Because of this basic confusion Persaud’s review is contradictory if not schizophrenic. On the one hand it celebrates Rapley’s intervention as a “fundamental critique of economics,” while on the other it defends economic models based on “diminishing returns” and “differential algebra,” ignoring that these are merely more sophisticated ways of measuring utility.<sup>4</sup> The deeper truth of Rapley’s criticism is that subjective satisfactions and conscious beliefs cannot explain the quantity of value embodied in a commodity.<sup>5</sup> And to this extent he is fully justified in chastising the methodology of “orthodox economic modelling.”<sup>6</sup>

For my own part, I do not consider Rapley’s work to be a successful critique of economic theory. It certainly raises very important questions for economics in our times (some of which I delineate in the next part) but it criticises the wrong limb of the money–faith nexus. I find his central claim, that “by its very nature the success of an economic doctrine depends on our faith in it and our confidence in the priesthood,” wholly disingenuous.<sup>7</sup> Neither Kuhn nor Popper could support such a view. Scientific communities invariably cluster around a few core beliefs (their “paradigm” in the Kuhnian sense) which keep

self-correcting over time through interpretative debate, disagreement, criticism, and consequent factionalism (Kuhn 1970). To imagine otherwise would be to set up an impossible demand—that of absolute knowledge and consensus over the object of study.

Persaud is therefore right in saying that our faith in economic theory cannot be shaken by Rapley’s intervention. Instead, what one requires today is a new round of heretical questioning, coupled with a profound reconstitution of the pantheon of economic gods. It is perhaps no historical accident that I have been relying so heavily on Marx’s work (is he not the heretical economist par excellence?).

### New Heresies

In short, it is inaccurate to locate the money–faith nexus at the level of conscious subjective action—a view that makes the whole Persaud–Rapley debate about “high-priests” largely irrelevant. The real challenge today is to shift this analysis to the conceptual bedrock of value theory.<sup>8</sup> In this respect, a closer engagement with Marx’s theoretical universe becomes not only useful but necessary. Mainstream economists must reinvigorate his thesis that value (and money as its developed form) represents a social relation hidden from producers. In other words, they must rescue the notion of commodity fetishism from both its heretical obsolescence as well as its deep academic slumber.

It may be useful here to rehearse the broad contours of such a (daunting, if not impossible) project. During an actual act of exchange, Marx claimed, we proceed as though value is internal to the object. Consequently, money starts representing value as its own inherent socio-natural property, distinct and isolable from the

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concrete activity of social production (pp 164, 165). There are thus two distinct levels at play here—one, the material (socio-natural) level of actual commodities; and two, the (purely social) immaterial relations between commodity producers (Derrida 1994). Mindful of this distinction, new economics must develop ways of tackling question such as the following:

- (i) What role does faith/belief play in sustaining the invisible/immaterial layer of production relations?
- (ii) What role does the legal superstructure play in maintaining this fiction?
- (iii) What does this shift (from the material to the immaterial level) mean for a discipline fixated on marginal utilities and subjective preferences?
- (iv) How should we study and disentangle the money gods that reside, in an unconscious way, within every act of exchange?

Rapley deserves credit not only for revealing the constitutive role of belief in economic theory, but also for doing so in highly accessible prose. His shortcoming, however, has been to abandon this project

halfway, to refuse to examine the historical evolution of the twin notions of money and belief in their complex interrelation. One must agree with Persaud that such an effort does little to dismantle the resilient and dynamic foundations of political economy itself. Rapley's own account is ample evidence that economics will self-transform to withstand the historical storm and stress of scientific development. The book is a must-read, no doubt, primarily because it gives the act of heresy center-stage in our most cloistered and inward looking social science.

Anshuman Singh ([anshuman.singh@apu.edu.in](mailto:anshuman.singh@apu.edu.in)) teaches at the Azim Premji University, Bengaluru.

#### NOTES

- 1 For a penetrating analysis of derivatives from this standpoint, see Arjun Appadurai: "Banking on Words: The Failure of Language in the Age of Derivative Finance," London: University of Chicago Press, 2016.
- 2 Alfred Sohn-Rothel, "Intellectual and Manual Labour: A Critique of Epistemology," London: Macmillan Press, 1978, Ch 3, 4.
- 3 Supra No v, Ch 2. This key chapter distinguishes between a thought-abstraction and a real-abstraction. For our present purpose it is the

latter which is significant insofar as it denotes the operation of a hidden objectivity in our very action. Crucially for Sohn-Rethel, the commodity-abstraction is produced by how we unconsciously act (in the world), not by what we consciously think (in isolation from the world).

- 4 Utility must be located at the qualitative level of value—that which Marx calls "use-value," Supra No vi, p 126.
- 5 Following Marx, we must fundamentally distinguish between value (socially necessary labour time) and price (its monetary expression).
- 6 In psychoanalytic terms, one could say that these models falsely privilege the subject of cognition over the subject of the unconscious. For a detailed exposition on how this distinction may be productively employed for contemporary rereadings of Marx, see Samo Tomšič, *The Capitalist Unconscious: Marx and Lacan*, London: Verso, 2015, Ch 1.
- 7 Supra No iv, p 403.
- 8 I see Appadurai's aforementioned work as a move in this direction.

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