Economics and Morality

Economists may prefer to be value neutral, but many critics find fault in the relationship between economics and virtue

Timothy Taylor

ECONOMISTS prefer to sidestep moral issues. They like to say they study trade-offs and incentives and interactions, leaving value judgments to the political process and society.

But moral judgments aren't willing to sidestep economics.

Critiques of the relationship between economics and moral virtue can be grouped under three main headings: To what extent does ordinary economic life hold a capacity for virtue? Is economic analysis overstepping its bounds into zones of behavior that should be preserved from economics? Does the study of economics itself discourage moral behavior?

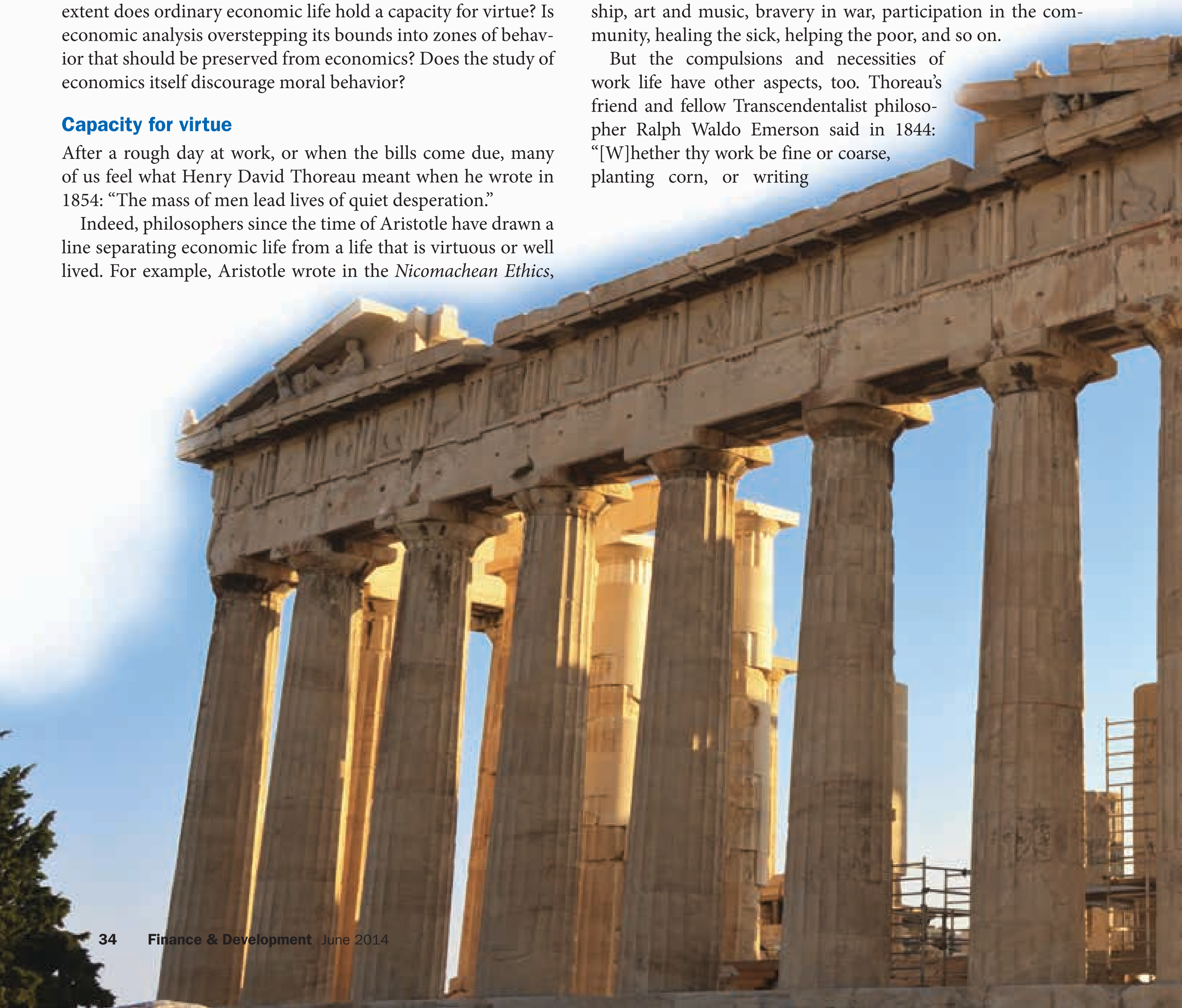
Capacity for virtue

After a rough day at work, or when the bills come due, many of us feel what Henry David Thoreau meant when he wrote in 1854: "The mass of men lead lives of quiet desperation."

Indeed, philosophers since the time of Aristotle have drawn a line separating economic life from a life that is virtuous or well lived. For example, Aristotle wrote in the *Nicomachean Ethics*, "The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else."

These philosophers note that people often work only to earn money for such necessities as food, shelter, and clothing. In contrast, they point to a range of freely chosen human activities that are better aligned with virtuous behavior: love and friendship, art and music, bravery in war, participation in the community, healing the sick, helping the poor, and so on.

But the compulsions and necessities of work life have other aspects, too. Thoreau's friend and fellow Transcendentalist philosopher Ralph Waldo Emerson said in 1844: "[W]hether thy work be fine or coarse, planting corn, or writing



> **“The mass of men lead lives of quiet desperation.”**
>
> *Henry David Thoreau*

epics, so only it be honest work, done to thine own approbation, it shall earn a reward to the senses as well as to the thought: no matter, how often defeated, you are born to victory. The reward of a thing well done is to have done it.” Do the job well, whether serving fast food to hungry customers, driving a cab, cleaning a hotel room, pouring concrete for road building, organizing an off-site miniconference for the office, or anything else. The work may be for pay, but in this view, honest work done well offers compensation beyond money.

Indeed, an alternative philosophical tradition about the relationship between economic life and moral virtue, with roots in the work of John Locke and explicitly opposed to the Aristotelian tradition, views work and economic activity not as the grim and amoral drudgery of wage slavery and money making, but as a way individual humans relate to the world around them and shape themselves.

Andrzej Rapaczynski (2013) described this perspective: “[W]hat labor produces is not just goods or commodities, but the very autonomous human beings who now live the lives they themselves design and determine. Thus, labor, which is at the basis of economic life, far from enslaving those who engage in it, is the prime expression of human creativity, a true production of new reality governed by human intellect and imagination, in which we can recognize and shape ourselves in accordance with our own will.” While art, literature, and music, because of their “particularly sophisticated nature . . . may be more clearly recognizable as the primary artifacts of human culture . . . their place in human life is not in principle different from the other objects we produce both to consume and to define the fundamental conditions of our own existence,” the professor of law and philosophy wrote.

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In a similar spirit, modern economist-philosophers have compiled a list of virtues that can be intrinsic within market behavior. Deirdre McCloskey (2006) wrote of seven virtues of middle-class economic life: love (benevolence and friendship), faith (integrity), hope (entrepreneurship), courage (endurance and perseverance), temperance (restraint and humility), prudence (know-how and foresight), and justice (social balance and honesty). Similarly, Luigino Bruni and Robert Sugden (2013) have suggested that participation in work and commerce is congruent with such virtues as

Who’s dismal?

The “dismal science” is the most prominent verbal hand grenade lobbed at economics. But economists who know the history of the wisecrack wear it as a badge of honor.

In an 1849 essay, the historian and essayist Thomas Carlyle wrote that the subject of political economy was “a dreary, desolate, and indeed quite abject and distressing one; what we might call, by way of eminence, the dismal science.” But Carlyle’s essay, titled “Occasional Discourse on the Negro Question,” is an argument that poor black laborers in the West Indies suffer from “the vices of indolence and insolence.” For them to achieve virtue, he argued, the “idle Black man in the West Indies” should “be compelled to work as he was fit.” Carlyle wasn’t only a racist. He believed that poor people around the world of all races “the whitest alike and the blackest” should experience “the divine right of being compelled (if ‘permitted’ will not answer) to do what work they are appointed for.”

In short, Carlyle called economics a dismal science because it was built on ideas like “letting men alone” and “ballot-boxes,” or what we would call personal freedom and democracy.

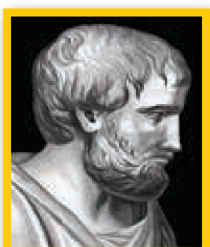
John Stuart Mill, the economist and political philosopher, published a scathing critique of Carlyle’s essay in 1850. Mill pointed out that the rich often oppressed the poor and that when the actions and attitudes of the poor seemed uncooperative or dysfunctional, it stemmed from the negative incentives caused by oppression rather than any defect of character. Mill ended with this thought: “Though we cannot extirpate all pain, we can, if we are sufficiently determined upon it, abolish all tyranny.” In the actual historical debate over the dismal science, the enlightened economist is the clear-cut winner.

self-help, enterprise and alertness, trust and trustworthiness, respect for the wishes of others, and perceiving others as potential partners in a mutually beneficial transaction.

Rather than focusing on philosophical abstractions about the moral content of work, consider a prototypical family: parents working, raising some children, friendly with coworkers and neighbors, interacting with extended family, involved with personal interests and their community. It seems haughty and elitist, or perhaps betraying unworldly detachment, to assert that people who work are condemned to live without virtue—unless they can squeeze in a bit of virtuous activity in their spare time. On the other hand, it seems bizarrely and unrealistically high minded to assert that daily work surrounds people every day with transformational opportunities for virtue. A middle ground might be to accept that while moments of grace and opportunities for virtue can occur in all aspects of life, including economic life, the range and variety of opportunities for virtue may vary depending on the characteristics of one's economic life.

Mission creep for economics

Even if economic life is not necessarily antithetical to morality and virtue, a related concern is whether the values of economic life may creep outside their appropriate zone.



"The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else."

Aristotle

For example, economic values may be useful when growing wheat, making smartphones, shopping for a refrigerator, or saving for retirement. But applying those values in other contexts may seem more dubious—at least to noneconomists who read about a type of "ecotourism" that charges hunters large sums to shoot elderly elephants and lions, ostensibly to elevate local incomes and discourage poaching; companies that buy permits that allow them to emit certain quantities of pollution; or some doctors and economists who advocate paid kidney and blood donors rather than volunteers.

At some level, the concern that economics may overstep its bounds is well founded. Even economists agree that it would be immoral to sell a child or enslave a human being. You can't purchase a true friend. And, as the Beatles sang, "Can't buy me love." Most economists don't act as if monetary value is all that matters: even economists give gifts on special occasions, not just cash.

Harvard philosopher Michael Sandel (2013) has been at the forefront of a movement to raise difficult questions about the expansion of economics into other areas. He wrote:

"[P]utting a price on every human activity erodes certain moral and civic goods worth caring about. . . . Should sex be up for sale? What about surrogate motherhood, or pregnancy for pay? Is there anything wrong with mercenary armies, and if so, how should military service be allocated? Should universities sell some seats in the freshman class in order to raise money for worthy purposes, such as a new library or scholarships for well-qualified students from poor families? Should the United States sell the right to immigrate? What about allowing existing U.S. citizens to sell their citizenship to foreigners and swap places with them? Should we allow a free market in babies up for adoption? Should people be allowed to sell their votes?"

Sandel is a model of philosophical caution. He asks questions, rather than asserting that he has answers, and leaves open the possibility that even if certain moral and civic goals are eroded, in some cases an expanded use of monetary prices may be acceptable. In a similar spirit of inquiry, it's worth remembering that our sense of what kinds of market transactions are repugnant has shifted over time. Here are some examples from the U.S. context, but other countries have certainly seen similar changes.

In 19th century America, buying life insurance was considered a morally unacceptable practice of gambling against God, until it was transformed—by a promotional campaign directed at churches—to become viewed as a prudent way of showing love for family. In early 20th century America, the sale of alcohol was morally unacceptable for 14 years, until the repeal of Prohibition in 1933. Until the 1960s, state lotteries were considered immoral in the United States; selling contraceptive products across state lines and even their use at home was illegal in many states. Paying ordinary soldiers a living wage was considered morally unacceptable in the United States until the end of the military draft and the beginning of the all-volunteer force in the 1970s. Allowing in vitro fertilization to be provided as a service in the health care market was highly controversial. Until the 1980s, it was morally unacceptable to allow professional athletes to participate in "amateur" events like the Olympic Games.

Paid blood donation is still unacceptable to many Americans. But blood plasma and sperm donors are commonly paid. A woman cannot receive money for donating a kidney, but she can be paid for her eggs or for bearing a child as a surrogate mother. Differences in where the price mechanism is allowed vary considerably across countries: for example, some have legalized prostitution and certain recreational drugs, while others forbid payment of interest on loans.

If a price incentive "erodes certain moral and civic goods worth caring about," as Sandel suggests, then more radical proposals may be worth considering. Perhaps there should be little or no pay for workers in health care, education, social work, or government, because we would not wish to erode the moral virtue of such jobs. Perhaps we shouldn't pay for recycling or installing energy insulation, because such activities should be undertaken for their environmental virtues rather than monetary reward. Charitable giving should be its own reward, because it would erode civic virtue to publicize donors' names or reduce their tax bill.

These suggestions are meant to provoke discussion, not to be serious proposals. But they do illustrate that economic incentives need not always be viewed as inconsistent with civic and moral virtue. And when we observe society's shifting attitudes about the morality of certain economic transactions, it is wise to refrain from assuming that today's boundaries will be the same tomorrow.

Indeed, when economic thinking has been expanded to areas outside its traditional scope, the results have often proven fruitful. For example, economists have built on the work of the late Nobel laureate Gary Becker and others to show how economic thinking can explain the dynamics of subjects previously not considered to be economic topics, such as marriage, child rearing, crime, and discrimination against particular groups of people. The idea that the armed forces should attract employees with pay, benefits, and career options, rather than compel service with a draft, is now a mainstream view. So is the notion that environmental problems can be fruitfully addressed by putting a price on pollution—for example, through deposits on cans and bottles, taxes on goods such as gasoline that contribute to pollution, and company purchases and sales of permits for certain pollutants, which provide an incentive to reduce pollution at a lower social cost.

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It is tempting to seek to build a fence around moral and civic virtues to prevent the encroachment of economic values. But as the United States learned with its attempt to ban alcohol during the early 20th century, economic forces are not easily blocked, and a well-regulated marketplace often proves to be a more pragmatic way of balancing moral and civic values than laws that ban behavior based on moral arguments.

"To restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature."

Adam Smith

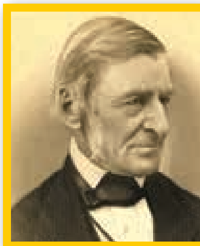
Corrupting influence

A standard complaint about studying economics is that the subject is "all about getting money and being rich." But this is a straw man argument that misrepresents what economics is about. Even basic introductory economics courses are focused on thinking about how to deal with the trade-offs that are inevitable in a world of scarcity. Such introductory courses discuss supply and demand and markets, of course, but also anticompetitive behavior, pollution, poverty, unemployment, and the pros and cons of globalization and trade. Those with a little more background in economics know that great economists—starting with Adam Smith, in his 1776 classic, *The Wealth of Nations*—have struggled for more than two centuries with the issues of inequality, fairness, the rule of law, and social welfare.

A sophisticated complaint about the study of economics maintains that because the basic economic model posits that people seek their own satisfaction ("maximize utility" is the term of art) and firms seek profits, those who study economics are more likely to morph into people who also believe that selfishness is virtuous. Just to be clear, economists themselves do not argue that greater selfishness is desirable. As Smith wrote in 1759, in his first monumental work, *The Theory of Moral Sentiments*, "[H]ow disagreeable does he appear to be, whose hard and obdurate heart feels for himself only, but is altogether insensible to the happiness or misery of others! . . . and hence it is that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety."

Economists can feel unfairly singled out by this complaint. After all, many academic subjects study unsavory aspects of human behavior. Political science, history, psychology, sociology, and literature are often concerned with aggression, obsessiveness, selfishness, and cruelty, not to mention lust, sloth, greed, envy, pride, wrath, and gluttony. But no one seems to fear that students in these other disciplines are on the fast track to becoming sociopaths. Why is economics supposed to be so uniquely corrupting? After all, professional economists run the ideological gamut from far left to far right, which suggests that training in economics is not an ideological straitjacket.

Some evidence suggests a link between the study of economics and less cooperative or empathetic behavior, although overall, the research that attempts to link an area of academic study to altered personality traits has not been especially rigorous. For example, a U.S. survey in the early 1990s found that academic economists were more likely to donate nothing to charity than were academics in other



"The reward of a thing well done is to have done it."

Ralph Waldo Emerson

fields, although the same study found that the median gift from economists was slightly larger (Frank, Gilovich, and Regan, 1993).

A number of studies compare students who have taken economics with those who haven't. One study surveyed students at Cornell University about how they would react, and how they would expect others to react, if they benefited from a billing error and wound up with 10 computers but had paid for only 9. After taking a class in economic game theory, students were less likely to say that they would report the error and less likely to believe that others would report it (Frank, Gilovich, and Regan, 1993). But another study used a "dropped letter" experiment in which stamped, addressed, unsealed envelopes containing $10 and a brief note were left on the floor before classes in economics and other classes at The George Washington University. More than half the letters left in economics classrooms were sealed and dropped in the mail with the money included; less than a third of those on the floor in other classes were mailed back (Yezer, Goldfarb, and Poppen, 1996).

Of course, such comparisons may mean only that economics attracts people who are more likely to react in certain ways, not that the study of economics causes people to act

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in this way. Indeed, a wave of social science research in the past few decades has confirmed the importance of "framing" or "priming" effects: how a researcher phrases a question or sets up a situation strongly influences the subjects' reaction. In yet another study, business executives were first given a task of unscrambling 30 sentences, some of which had economics words—like *continues, economy, growing, our*—while others had words like *green, tree, was, a* that were unrelated to economics. Next, the executives did role-playing exercises in which they wrote letters to an employee being transferred to another city or being disciplined for lateness. The researchers found that executives who had unscrambled the economics words expressed less compassion in these letters, both because they felt less empathy and because it felt more "unprofessional" to express it (Molinsky, Grant, and Margolis, 2012).

What this kind of study illustrates to me is not "beware of studying economics," but rather "beware of being overly influenced by how questions are framed and by the broader context of decision-making situations." I have become wary over the years of questions framed in a way that seeks to pit economics against moral virtue in a winner-takes-all brawl.

No economist would recommend consulting an economics textbook as a practical source of transcendent moral wisdom. As the recent global economic crisis reminded anyone who needed reminding, economics doesn't have answers for all of the world's economic problems. But to be fair, moral philosophers don't have answers for all the world's spiritual and ethical problems.

In his famous 1890 *Principles of Economics* textbook, the great economist Alfred Marshall wrote that "economics is the study of people in the everyday business of life." Economists cannot banish the importance of moral issues in their field of study and should not seek to do so. But when moral philosophers consider topics that touch on the ordinary business of life, they cannot wish away or banish the importance of economics either. ■

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