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**Economic Writing on the Pressing Problems of the Day:  
The Roles of Moral Intuition and Methodological Confusion**

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## **Abstract**

Economists are often called on to help address pressing problems of the day, yet many economists are uncomfortable about disclosing the values that they bring to this work. This essay explores how an inadequate understanding of the role of methodology, as related to ethics and human emotions of concern, underlies this reluctance and compromises the quality of economic advice. The tension between caring about the problems, on the one hand, and writing within the existing culture of the discipline, on the other, are illustrated with examples from U.S. policymaking, behavioral economics, and the economics of climate change and global poverty. Potential steps towards a more responsible, "strongly objective," and policy-useful economics are discussed.

Keywords: economics, ethics, policy, methodology, climate change, financial crisis, poverty, inequality, feminist economics

# **Economic Writing on the Pressing Problems of the Day: The Roles of Moral Intuition and Methodological Confusion**

**Julie A. Nelson**

## **Introduction**

Economists are increasingly being called upon to comment on—or, more urgently, to help solve—pressing problems of the day. In recent months the chaos of financial collapse, new evidence of financial fraud and institutional failure, and the travails of the income-losing, foreclosed-upon working and middle classes in the United States have put economists freshly in the limelight. New political appointees such as economist Larry Summers are particularly placed in pivotal roles. As people try to come to terms with the erratic nature of financial markets, behavioral economics, engaged in by scholars such as George Loewenstein, has been among the fields receiving more attention. More deeply and broadly, the persistent issue of global poverty and inequality, recently addressed in popular writings by economist Jeffrey Sachs, is another realm where problems are distinctly “economic” as well as severe. Meanwhile, the science on global climate change is increasingly grim about the well-being prospects for future generations and nonhuman species. People are looking to economists such as William Nordhaus for advice on how to deal with climate change. Since the global poor are likely to be the most hurt by climate change, these last two problems are, as pointed out by economist Partha Dasgupta, deeply interwoven.

The argument of this essay, however, is that two central “folk beliefs” held by many economists systematically *impair* meaningful and effective policy action on the economic problems of the day. These beliefs are that (1) “scientific” economic research precludes ethical engagement and reflection, and (2) people are fundamentally self-interested in their economic dealings. Both of these folk beliefs stem from a confusion about what it is, exactly, that methodology is supposed to *do* for a scholarly and policy-oriented discipline. Both beliefs are quite at odds with authentic scientific practice, envisioned as a process of open-ended inquiry. Both are quite at odds with contemporary research into human psychology—evidence that (behavioral) economists have begun to apply to our understanding of the behavior of economic agents, but that economists have not yet begun to apply to ourselves.

The first section explores one explanation for how these folk beliefs have come to hold sway within the profession. The next section suggests more adequate approaches, drawing on recent developments in other disciplines. Then several recent policy-related works by the above-named economists and others are briefly analyzed, revealing evidence of both active concern about the problems of the day and evidence of hobbling by folk beliefs. Thoughts regarding the challenge of creating a more responsible economics concludes.

While this essay will make use of findings of contemporary psychology, it should be emphasized that the argument made here is not *ad hominem*. The thesis is not that particular individual economists are morally incompetent or uniquely methodologically challenged. That many of the economists whose work is discussed below are highly intelligent and concerned about human well-being is not in dispute. Nor does it argue that the above-mentioned folk beliefs are consciously held. Rather, the argument is that these folk beliefs are important in the largely unconsciously-absorbed culture of the profession, and, because of this, impinge on policymaking.

### **The Origin of the Folk Beliefs**

Many years of work in the field of economics (as well as evidence from some of the works to be analyzed below) reveals that a common view of the way methodology functions within economics is something like the following: "We assume that people are self-interested because we want to be hard-nosed realists. It would be dangerously sentimental to think that people generally care about each other and are altruistic. Besides, the power of our analysis comes from the rigor of assumptions such as this one. By separating ourselves from elements of connection, subjectivity, or emotion, we can become detached and objective observers of the way economies actually work. We deduce principles from the fundamental laws of economic functioning, laid out in our theories of rational choice, utility and profit maximization, and equilibrium. Because our methodology guarantees the objectivity of our results, we do not have to deal with questions of ethics. We are neutral scientists, whose only function is to inform policy-makers of the economic laws and facts pertaining to the case. If we were to depart from our logical, mathematically provable, observation-based methodology and in any way become personally interested in what we study—if we were to try to impose our values on the issues at hand—this would create bias and compromise the objectivity of our work."

This view is not entirely misguided. The aspiration to creation of a science not compromised by individual biases, that is a part of this view, is admirable and worthy of respect. The beliefs that the assumptions of orthodox neoclassical economics are somehow self-evident, and that following the associated methodological procedures somehow guarantees the desired objectivity, however, deserve closer inspection.

Where did this approach come from, and is it really as observation-based and objective as it claims? Before turning to contemporary policy writings, let us briefly examine this view's historical roots, consider reasons why it has persisted, and compare it with more rich and thoughtful notions of what it means for a human-made science to aspire to the creation of a generally shared body of knowledge.

#### **Historical Antecedents**

Often cited as the original source of the notion of "economic man," John Stuart Mill's 1836 essay "On the Definition of Political Economy" attempted to carefully

distinguish economics from the physical sciences and technology, from ethics, and from a more general study of social behavior. Political Economy is distinguished from physical science, he wrote, because it is about “phenomena of *mind*” (Mill, 1836, 29, emphasis in original) rather than about physical laws. Among the mental sciences, it is further distinguished by the particular “part of man’s [*sic*] nature” (36) with which it deals. Conscience, duty, and other feelings relevant to a person’s dealings with other individuals were consigned by Mill to the realm of ethics (34). Principles of human nature that have to do with life in society were consigned by Mill to the realm of “speculative politics” (35). With issues concerning physical bodies, ethics, and social interactions split off and assigned to other disciplines, Political Economy would deal with what was left. It should, Mill wrote, deal with “man [*sic*]...solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end” (38).

Why did Mill believe that he had to separate out a very thin slice of human nature for analysis by each of the various fields? He believed that this was required by the nature of *science*. Significantly, his model for science was geometry. Political Economy, Mill thought, could only proceed as a “pure” and “abstract” science, resulting in general truths and timeless laws, if it posited a minimal set of starting principles. Political Economy and geometry, he claimed, both “must necessarily reason...from assumptions, not from facts” (1844, 46). Political Economy presupposes “an arbitrary definition of man” for the same reason that “[g]eometry presupposes an arbitrary definition of a line, ‘that which has length but not breadth’” (46). That is, Mill’s fundamental assumption of material self-interest was not derived from observation, but from the presumed requirements of scientific methodology. This is a critical point: the two folk beliefs outlined earlier—the illusion of ethical neutrality and the assumption of self-interest--and came not from a broad evaluation of evidence, but from Mill’s conscious intention to align economics with geometry and clearly distinguish it from everything social and ethical.

Mill, to his credit, in principle left his premises open (64). He argued that no political economist would ever be “so absurd as to suppose that mankind” is really described by only the parts of human nature selected for study in Political Economy (38). He explicitly presented his assumptions of self-interest and rationality as arbitrary and partial, chosen not for comprehensiveness but for the goal of creating conclusions by logical deduction. In any application, he said, Political Economy would need to be complemented by the insights of other sciences that had focused on other parts of human nature and other circumstances (58), and also by practical knowledge of specific experiences (68).

Unfortunately, however, what remained and flourished in later economic thought was not Mill’s modesty concerning the *ad hoc* premises and limited applicability of the geometry-like discipline he proposed, but rather his idea that Political Economy must become an axiomatic-deductive enterprise in order to be “scientific.” This approach received a big boost in the late 19<sup>th</sup> century when neoclassical economists (including Edgeworth, Jevons, Walras and Pareto) found that they could mathematically formalize

Mill's idea of the "desire for the greatest amount" of wealth in terms of maximization of profit and utility functions. In the 1930's, economist Lionel Robbins (1935) offered his precedent-setting definition of economics as the science of *choice-making* in the face of unlimited wants and scarce resources. Through such an historical process, the original broader meaning of economics in terms of processes of household management, wealth creation, and distribution increasingly faded, to be replaced by the currently dominant, narrower emphasis that approaches policy design from the direction of the formal modeling of choice and market exchange.

### An Explanation of Persistence

There still remains the question of *how* such a way of thinking--which vastly narrows the scope of economics, its toolbox, and its potential for productive engagement with problems of real human interest--gained such a near stranglehold on economics. Feminist theorists and others who have studied the role played by gender in the rise of modern science offer one explanation for which there is considerable historical and psychological evidence (Harding 1986, Keller 1985).<sup>1</sup>

The term "gender" does not refer to biological sex, but to the social constructions that cultures make on the base of sexual dimorphism. Of particular interest for our purposes is what we might call *cognitive gender*, or the way that our Western minds tend to organize a variety of disparate concepts on the basis of the dualism "male/female." Most people in Euro-American cultures will, for example, think of dogs as somehow masculine and cats as somehow feminine (even though of course both species come in both sexes). Psychological research shows that cognitive gender schemas are important ways in which we "organize incoming information and integrate it—through no conscious act of will—into clusters" (Most, Sorber, & Cunningham, 2007) and that these gender associations pervade perceptions about academic fields (Whitehead, 1996).

Very often this dualistic metaphorical structure is also hierarchical. The term "virile," for example, refers to a masculine trait with a positive connotation, while the term "effeminate" carries negative valence. Masculinity is traditionally associated with strength, and femininity with weakness. When John Stuart Mill set up geometry as the model for economics, he drew on the Cartesian tradition in the philosophy of knowledge. According to Descartes, the cosmos is split into a *res cogitans* (a thinking something which has no spatial extension) and a *res extensa* (a spatial something which has no psychic qualities). The mind is considered to be the active, valuable part with which "rational man" identifies, reigning over the passivity of matter and the body. In characterizing "rational man" by traits of mind, activity, rationality, detachment, and a search for generalities, all the human characteristics not included in this picture were split off—and projected onto women. James Hillman has written, "The specific consciousness we call scientific, Western and modern is the long sharpened tool of the masculine mind that has discarded parts of its own substance, calling it 'Eve,' 'female' and 'inferior'" (quoted in Bordo, 1986, 441). The counterpoint to "rational man," Elizabeth Fee has pointed out, is "woman [who] provides his connection with nature; she is the mediating

force between man and nature, a reminder of his childhood, a reminder of the body, and a reminder of sexuality, passion, and human connectedness.” (Fee, 1983).

The outcome of such splitting in economics can be summarized by examining core vs. marginalized characteristics of method and assumptions about human nature, and their general associations, as in the table below. The current orthodox neoclassical approach is thoroughly permeated by an elevation of the characteristics in the left-hand column, and denigration of those in the right. Methodologically, mainstream economists aims for rigor, precision, and a sense of being value-free and objective. The fact that, as human beings, we carry with us a capacity for intuition and the tendency to see the world filtered by particular values and personal perspectives is deliberately ignored, as is the fact that not all phenomena are amenable to precise analysis,. "Economic man" is autonomous, self-interested, and rational; the fact that humans are vulnerable (especially when young, sick, or elderly) and are social and emotional beings is deliberately overlooked. The cultural connotations of these dualisms reflect longstanding associations of masculinity with high-status attributes of mind, culture, and detachment, and of femininity with low-status attributes of body, primitive or animal life, and embeddedness.

Splitting the World: Dualisms in Contemporary Economics	
“Economics”	“Not Economics”
rigorous	intuitive
precise	vague
positive	normative
objective	subjective
autonomy	interdependence
self-interest	altruism
rationality	emotion
masculine	feminine
mind	body
cultured	primitive
separation	connection

The point of such a table is not to reify these dualisms, but rather to bring them out from an unconscious level into the light of awareness where they can be examined. This table is in no way meant to endorse the idea that women are “by nature” more emotional or intuitive—or, a la Lawrence Summers’ comments, less able in mathematics and science. Rather, the point is that these dualisms reflect a cognitive habit that deeply permeates our Western and modern way of thinking, while the dualisms are also imposed, externally and socially, onto differently sexed bodies—and onto academic cultures.

The result is a splitting of reality in half: aspects of human existence associated with embodiment, with sociality, with moral judgment and with any kind of connection



or interdependence are—a priori, and with not even a pretense to confirmation by empirical observation—shunted aside. This is, of course, a radically reality-denying move, by a field that at the same time aspires to be objectively reality-describing; and a heavily normative move—valuing, for example precision of analysis over richness of analysis, and rationality over emotion—by a field that denies any normative leanings.<sup>2</sup>

## **Towards More Adequate Understandings**

If economics were not bound by Mill's preference for geometry, how would objectivity be gained, and ethics and economics form a more fruitful collaboration?

### **What About Objectivity?**

Mathematical formalization seemed to offer an entryway into a detached, cool world of pure reason. Mathematical models can be praised for their clarity, logical rigor, precision, elegance, parsimony, and generality. But the sort of error that mathematical modeling protects one against is simply that of logical inconsistency within the overall design of a given model. It does not guarantee that the assumptions of the model, the definitions of variables used in the model, or even the assumption that such modeling is the best way to approach a problem, are free of subjective bias.

Feminist philosophers of science have pointed out that, instead of objectivity, what a strict adherence to narrow methods leads to is a romantic belief in the possibility of connection-free knowledge from an outside-of-nature, perspective-free viewpoint. Evelyn Fox Keller (1985) calls this “objectivism” while Sandra Harding (1993a, 1993b) calls this “weak objectivity.” The reality is that scientists—and economists—are inherently embedded in nature, embedded in society, and hence part of, and inherently interested in, the very phenomena we study. Even in physics, with the advent of puzzles in quantum mechanics, the significance of the presence of the observer in any observation has become known. There is no Cartesian “view from nowhere.”

The fear, of course, on the part of those who are loyal to objectivism, is that the only alternative is “anything goes.” This is, however, far from the case. The essence of the aspiration to objectivity is the desire to create knowledge that can truly be shared—that is, knowledge that is not dependent on the word of a single researcher, or the tools of a particular lab, or that has been shaped and distorted to fit the interests of a particular group. From this aspiration comes the true scientist's commitment to openness to challenge, to replication, and to review by a community of researchers.

It is, of course, however, all too easy for any *particular* community of researchers, who may share a set of background cultural or professional viewpoints and values, to create a body of *shared* biases. In a patting-each-other-on-the-back way, biases that are in fact particular to a group can, for lack of challenge, gain a false veneer of universality. So objectivity requires holding up the results of research to *ever-more-inclusive* communities of inquiry. Objectivity as an activity of the community has been

called “strong objectivity” Harding (Harding, 1995). In a similar manner, economist Amartya Sen (1992) has used the term “positional objectivity” to describe “an objective inquiry in which the observational position is specified (rather than being treated as an unspecified intrusion--a scientific nuisance).” Sen has argued that any attempt at position-independent objectivity must build on positional views (i.e., be “trans-positional”), rather than ignore the position-dependence of views. A truly objective practice of science must include an element of self-reflection—a concerted effort to understand how one’s personal and cultural standpoint are entangled in one’s work—and elements of actual dialog and communication with those who see things differently. Or, as put by philosopher Helen Longino,

The *objectivity* of individuals...consists in their participation in the collective give-and-take of critical discussion and not in some special relation (of detachment, hardheadedness) they may bear to their observations. Thus understood, objectivity is dependent upon the depth and scope of the transformative interrogation that occurs in any given scientific community. This communitywide process ensures (or can ensure) that the hypotheses ultimately accepted as supported by some set of data do not reflect a single individual’s idiosyncratic assumptions about the natural world. To say that a theory or hypothesis was accepted on the basis of objective methods does not entitle us to say it is true but rather that it reflects the critically achieved consensus of the scientific community. In the absence of some form of privileged access to transempirical (unobservable) phenomena it’s not clear we should hope for anything better. (Longino, 1990, emphasis added)

Strong objectivity, or objectivity that does not degenerate into “objectivism,” is based not on an illusion of detachment, but rather on a recognition of one’s own various attachments and on the partiality this location lends to one’s views. The antidote to subjectivism and personal whim comes not from purity in method, but from comparison and dialog among various views within an open community of scholars.

What about Ethics?

In regards to the relation of ethics and economics, the deepened notion of strong or positional objectivity recognizes that we unavoidably bring myriad normative judgments to our work. This is not necessarily a bad thing: Our normative interests are what make us want to do good work instead of bad, and—in cases such as financial crises, persistent poverty, and climate change—want to do something to make the world a better (or at least, not worse) place. It also suggests, however, that it is far better to be explicit about these normative interests, than to hide them under a cloak of objectivism. Then when we meet up with someone with different ethical views, the difference can be recognized and dealt with head-on, rather than being hidden in a fog of objectivist rhetoric.

Many economists, as will be seen below, attempt (unsuccessfully) to sidestep issues of ethics entirely. But there is a second layer of impoverishment of discussion of ethics within our discipline that relates back to the dualisms shown in the table above, and which is common to much philosophical discussion as well. When economists, and most analytical philosophers, *do* discuss ethics, it is in terms of moral rules or principles—that is, *reasons* why particular acts are ethically defensible or not. Emotions and social relationships are considered to be unnecessary, or even distracting and detrimental. Yet—taking our human embodiment and social embeddedness seriously—contemporary cognitive neuroscience suggests that this may be a fundamentally misleading way of approaching questions of moral judgment. Emotion and socialization may play a much larger role than we have commonly believed. While economists have begun to examine the role of culturally varying moral intuitions—for example, noticing that people draw on norms of fairness in Ultimatum Games (Henrich et al., 2004)—we have yet to turn this analysis on ourselves.

In studies using brain imaging, observation of people with specific brain damage, and other techniques, psychologists have found that moral judgment is—initially at least, and often entirely—more a matter of affective moral response than of moral reasoning (J. Greene & Haidt, 2002; J. D. Greene, Sommerville, Nystrom, Darley, & Cohen., 2001; Haidt, 2001). Moral reasoning, rather than being part of the process of coming to a judgment, is more often involved in possible *post hoc* justifications of a judgment already arrived at intuitively. That is, we sense the "rightness" or "wrongness" of something, and then may work to come up with reasons for what we feel. This is not to say that moral reasoning plays *no* role—people may in some circumstances consciously reflect on their intuitive judgments, and then change their mind. But this seems to be relatively rare. And sometimes no rational basis can be expressed at all: When asked to give reasons for a moral judgment originating in a "gut feeling," people may sometimes "stutter, laugh, and express their surprise at their inability to find supporting reasons" (Haidt, 2001).

For questions of positive moral *action*—as opposed to moral judgment—emotional responses such as empathy, sadness, and shame seem to be particularly important, while the role of moral reasoning is particularly weak. One can be an expert on the many ways of formulating principles of justice, but if one does not *care* about acting justly, all the principles in the world will have no effect on behavior.<sup>3</sup>

Setting aside issues of metaphysical rightness or wrongness, the contemporary study of moral judgments tends to define them in empirical—and social—terms. Jonathan Haidt (2001), for example, defines them as "evaluations (good vs. bad) of the actions or character of a person that are made with respect to a set of virtues held to be obligatory by a culture or subculture." Investigation into the shaping of moral judgments suggests that "[c]ultural knowledge is a complex web of explicit and implicit, sensory and propositional, affective, cognitive, and motoric knowledge" (Haidt, 2001). In various cultures, some moral intuitions will be nurtured more than others, and some principles will be considered more acceptable and binding than others. Moral *theories* can then be characterized, empirically, as "a pool of culturally supplied norms for evaluating and criticizing the behavior of others" (Haidt, 2001). It also suggests that while we as

profoundly influence each others' moral beliefs, we rarely do so through arguments about moral principles. Affective persuasion that raises new intuitions—new ways of seeing things—seems to be more important.

This literature also suggests a process that can foster improved moral judgment: If the principal difficulty in objective moral reasoning is the biased search for evidence ... then people should ... get other people to help them improve their reasoning. By seeking out discourse partners who are respected for their wisdom and open-mindedness, and by talking about the evidence, justifications, and mitigating factors involved in a potential moral violation, people can help trigger a variety of conflicting intuitions in each other. If more conflicting intuitions are triggered, the final judgment is likely to be more nuanced and ultimately more reasonable. (Haidt, 2001)

Perhaps it should not be surprising that the requirements for good scientific practice and good moral practice both involve being willing to subject one's views to challenge, and to attempt to see the world from perspectives other than one's own.

### **Analyzing the Texts**

Looking at an assortment of recent writings on pressing issues of the day, one can see a spectrum of positions taken concerning the proper relationship of ethical engagement to economic science and policy advising, arranged from the most dogmatic to relatively more adequate. These can be roughly classified according to the following schema:

1. Positivist, reflecting a belief that economists can be detached observers above any ethical fray.
2. Ethical, taking a position about the rightness or wrongness of some phenomena
  - a. With no explanation
  - b. Attempting to explain the judgment as enlightened self-interest
  - c. Attempting to explain the judgment through moral principles
  - d. Including some self-consciousness about the role of moral intuition

In accord with the discussion above, the first position ("positivist") can be considered the most dogmatic and misleading. The first three of the "ethical" positions reflect attempts to include human moral judgment within the human practice of economics, but with no grounding or within an inadequate, purely rationalistic framework. The last is the growing edge at which the discipline could increase in sophistication--although as we will see, the movement in this direction is barely begun and fraught with problems.

## The Positivist Extreme

The positivist viewpoint has come to public prominence in discussions of the economics of climate change. After the review for Her Majesty's Treasury in the U.K. by a team led by economist Sir Nicholas Stern (2006) advocated quick and decisive policy action directed at mitigation, several U.S. economists were quick to distance themselves from the analysis. The Stern report had explicitly discussed the ethical responsibilities of the current generation towards future ones and argued for a near zero discount rate on future benefits and costs. William Nordhaus countered with the argument that discount rates must be derived from observable market phenomena, ridiculing Stern's ethical discussions as a form of elitism (Nordhaus, 2007; see also Nordhaus, 2008). Furthermore, Nordhaus asserted, economists must take the existing income distribution as a given. Positioning himself as the proponent of "scientific" optimal growth theory and empirical observation, his own analysis calls for only modest policy changes. Implicit in this judgment is an apparent adherence to the notion of "weak objectivity"—the belief that it is possible, by strict adherence to a methodology, to analyze the economics of a situation and prescribe policy informed only by models and "facts," without recourse to any evaluative judgments. To make ethical evaluations, the undertone of Nordhaus's writing suggests, injects undesirable "subjectivity" and therefore compromises the objectivity of the practice.

Considering these positions from a perspective of "strong objectivity" rather than "weak objectivity," however, gives a radically different picture. Stern's consideration for the future arises largely from considering how present decisions will appear to those in future generations—that is, Stern includes future people in the "community," at least imaginatively, and considers their likely perspectives on the issue. Other scholars of climate change take seriously the perspectives of poor residents of the Global South in light of both their equity claims and the real-world political practicalities of getting agreement on issues affecting the global commons (Baer, Athanasiou, & Kartha, 2007). From the viewpoint of future generations or the global poor, the self-serving nature of Nordhaus's status-quo-bias is crystal clear. The idea that his judgments, hidden under a veneer of objectivism, are somehow universally shared and objective is revealed as preposterous.

The positivist extreme has also recently figured in discussions of behavioral economics and neuroeconomics, which in turn feed into popular discussions of the current financial and economic crises (e.g., Bennett, 2008), as well as issues such as savings behavior (of special concern in countries with aging populations). One can see the concern with defending the positivism clearly illustrated in a recent volume in this area, *The Foundations of Positive and Normative Economics: A Handbook*, edited by Andrew Caplin and Andrew Schotter (2008). Of central concern in this volume is the finding from neuroscience that people often do *not* act rationally, in a way that best serves their own well-being. Two of the chapters in this volume take an extreme positivist stance. Gul and Pesendorfer (2008) argue, essentially, that economics was never supposed to be about well-being, anyway. Therefore its core methodology is unchallenged by findings about nonrational behavior. The chapter by Caplin (2008)

likewise gives primary place to allegiance to objectivist methodology, using vocabulary rife with opposition to all things soft, broad, rich, or uncertain (or human). Psychological data poses "a significant threat to the hard-won unity of our discipline," Caplin writes. "The challenge before us concerns how best to open up new avenues of exploration while retaining the essential coherence of economic thought." (337). He praises classical decision theory for its "harmony," "solid axiomatic foundations," "complete understanding," "powerful positive externalities," and "strong communication" and proposes a "minimalist" methodology that gives "precise implications," "tight characterizations," and which "places the axiomatic method at the center of theoretical enquiry and imposes no restriction on the formal content of theories" (337). Thus the ghost of Mill's essay still lingers today.

Looked at from a perspective of "strong objectivity," it is puzzling why a 19<sup>th</sup> century vision of economics based in 17<sup>th</sup> century Cartesianism and Newtonian mechanics would be allowed to trump the findings of 21<sup>st</sup> century neuroscience. Openness to challenge is a hallmark of real science; loyalty to doctrine a hallmark of dogma. Prioritizing the goal of narrow methodological purity over the goal of finding the best explanations and solutions to economic chaos is, of course, a normative choice—and one that becomes more visible, the more the relevant community includes those hurting from economic chaos, rather than just an in-group of like-minded scholars.

### Ethical Positions

Not all economists believe that the profession can entirely avoid issues of well-being. But, given the folk belief that ethical engagement and reflection is not necessary for—or even compatible with—"scientific" economic research, the ties of ethics and economics have tended to remain largely subterranean. On the one hand, the economists about to be discussed want to make a statement about things being good or bad—and often even want to move individuals and policy-makers towards taking the good action. On the other hand, the legacy of objectivism is evident in an apparent discomfort in dealing with normative issues, and attempts to (inadequately) ground them in rationalist principles.

George Loewenstein and Emily Haisley's chapter in the Caplin and Schotter volume (2008) is a case in point. Accepting a social (or, as they call it in the book, "therapeutic") role for economists, they write "Economists, we believe, should be and...to a very great extent already are in the business of 'discussing criteria of what ought to be' and attempting to devise economic institution that maximizes the likelihood that what ought to be in fact occurs" (238). Their particular interest is in the role that policy can play in preventing people from making "mistakes." Of course, deciding that something is a "mistake" is itself a normative judgment, and they spend a number of pages discussing the *principles* that might be applied in making such judgment. They propose a dominance criterion (e.g. "leaving money on the table" is a mistake) which is essentially an efficiency criterion, and a self-officiating criterion that falls back on people's own presumably more enlightened (portrayed as less emotional) judgments (whereby people "not...in the heat of the moment" decide their goals, and decide on policies to forward

them) (221-223). They also propose that "clearly negative outcomes" such as bankruptcy be considered mistakes, and also that policymakers "should have some discretion to impose 'values,' such as the improvement of health or the reduction of poverty, on others" (221). These last, arguably, arise from a fundamental *sense* that bankruptcy, ill-health and poverty are bad: No purely rational argument is given for these, nor does (a non-contrived) one seem possible. Yet there seems to be no recognition here that the grounds have shifted from reasoning on principles to moral intuition.

The phenomena of group-think encouraged by objectivism is also evident in another part of this discussion. Loewenstein and Haisley's statement about policymakers and action on health or poverty continues, "...particularly if it can be done without limiting individual autonomy" (221). The overriding priority given to individual autonomy is taken as simply self evident throughout the chapter, in line with its common prioritization in neoclassical thought.

Economists who take positions on poverty and inequality also exemplify ethical positions. Larry Summers, for example, has recently taken the position that inequality in income in the United States—as well as inequality in educational access and life expectancy—has become too extreme. In a short op-ed piece in 2007, he simply poses the situation as shockingly wrong ("If middle income families had shared fully in the economy's income growth over the past generation their incomes would have risen twice as rapidly!") and goes on to discuss what could be done about it (Lawrence Summers, 2007; Larry Summers, 2008). In an address to business elites in 2008, he hits two quite different notes. On one hand, he uses explicitly ethical language, making appeals to "fairness" and decrying the fact that "after Guantanamo, after Abu Ghraid, after Katrina" the United States is no longer the "moral beacon" he believes it was ten years ago (Larry Summers, 2008). On the other hand, he appeals to the "long-run interest" of business leaders in preserving the "legitimacy" of capitalism, arguing that a lessening of inequality is necessary for "saving capitalism from itself." That is, Summers seems to appeal to moral intuition on the one hand, and to self-interest on the other.

A thorough-going believer in the folk-beliefs of self-interest and ethical neutrality might believe that Summers' appeal to rational self-interest is the core of his position that we should "make sure that the system works for the workers" (2008), while the ethical intuition is mere rhetorical window dressing. Perhaps, however the reverse is the case. A report of a dialog between Summers and Jared Bernstein, an economist at the progressive-left-leaning Economic Policy Institute, suggests that discomfort at not being able to find reasons for a gut feeling (as delineated by psychologist Haidt, see above) may be at play. As reported in the *New York Times*, "[A]t a recent meeting, Mr. Bernstein recalled: 'I told him, "Boy, Larry, your views on trade, on income inequality, on stimulus spending, they're approaching ours at E.P.I." And he sort of huffed and puffed, and said, 'Oh well, changing circumstances' '"(Calmes, 2008).

Jeffrey Sachs (2005) and Partha Dasgupta (2005, 2007a) have taken explicit positions concerning the responsibilities of the worlds' rich to those in the world who are

extremely poor. As in Summers' case concerning U.S. inequality, they give various justifications for why we should be concerned.

The introductory pages of Sachs's 2005 book make reference to lofty values including "the world's shared commitments to human dignity (xvi), the "common bond of humanity" (3) and concern for the relief of suffering. That is, the first part calls out to the readers' moral intuition that preventable deprivation and suffering is wrong. The next sixteen chapters treat the elimination of extreme poverty as a patently obviously good thing, presenting Sachs personal views about how it might be accomplished. Then, far in the back of the book various *rationales* for caring about poverty are finally set out. In Chapter 17, he first presents extreme poverty as a threat to national security—as a hotbed for terrorism, etc--so that he can make an enlightened-self-interest argument for its elimination.<sup>4</sup> He then moves on to the more ethical argument that the U.S. should live up to promises made in many international agreements and declarations, retreats to self-interest with an argument about prosperous trading partners, and then moves back to ethical and religious arguments. In Chapter 18, the final chapter of the book, he invokes systematic ethical principles drawn from Enlightenment rationalism, citing Thomas Jefferson, Immanuel Kant, and others.

Dasgupta's concern with global inequality is unquestionable: In his *Economics: A Very Short Introduction* he makes this the central motif, and begins his preface with a discussion of ethics. At the same time, he displays a positivist loyalty to mathematical modeling as the key to knowledge. This makes for some very strange reasoning about the relationship of values to economics. In his 2005 article "What do Economists Analyze and Why: Values or Facts?" Dasgupta argues that the ethical foundations of modern economics are "so broad and strong" (226) that economists have little need to engage in further discussion of them, and can instead concentrate on facts. He locates economists ethical thinking in Bergson-Samuelson social welfare functions, and he claims that "economists" have expanded these to include not only individual utility but also social factors such as civil liberties. However, as pointed out by philosopher Hilary Putnam and economist Vivian Walsh (2007a; see also 2007b), Bergson and Samuelson's work—far from being an attempt to give economics ethical foundations--was part of a positivist campaign to *separate* economics from ethics. In Dasgupta's reply to Putnam and Walsh (2007b), he appeals to the pro-development values held by *development* economists, which is perhaps a clarification of his earlier claim that all economists share his anti-poverty views.

In light of the neuroscience of moral behavior, Summers', Sachs' and Dasgupta's writings can be seen as, primarily, communicating the idea that we all share (or should share, or at least development economists share) a moral intuition that too much inequality or the existence of extreme poverty are bad. But then, rather than recognizing the source of this assertion in moral intuition, they go on to dress up their claim in various disguises of self-interest, rationalist philosophy, and/or mathematical formalism.



An interesting discussion that just begins to bring up the issue of moral intuition is contained in a recent article by Richard Tol (2008) concerning climate change. After reviewing the results of models run by himself, Nordhaus, and others, Tol writes:

Nonetheless, the policy suggested by cost-benefit analysis – emission reduction, but not enough to stabilize emissions let alone concentrations – *is intuitively wrong*. It cannot be the case that the best policy is to let the world get warmer and warmer and warmer still... [*c*]ommon sense suggests that climate change should be stopped at a lower level. Our best estimates challenge the common sense, *but it is as yet unclear whether our research findings are superior to our gut feelings*. (439, emphasis added)

The rest of the article goes back and forth between parts which, in accord with Tol's moral intuition, lean towards faster policy changes and concern with equity, and parts which show a pronounced allegiance to "hard-nosed neo-classical" (439) methodology and a view of the economist as neutral observer bound to observe the "reality" of decision-makers' tendency to follow selfish interests. But at least the existence of gut feelings and intuition is recognized.

What damage is done by these approaches to economics and ethics? On an intellectual plane, the misattribution to self-evidence, self-interest, or rational principles of urgings that are primarily affective and social creates a muddled thinking. On a policymaking level, the findings of neuroscience reviewed above suggest that the techniques of principled argument will be relatively ineffective in actually motivating people to address the pressing issues of the day, and that reframing and affect-related approaches could be more efficacious.<sup>5</sup> But the most profound damage may be done by the way in which these approaches to economics and ethics serve to further buttress, rather than challenge, the self-interest folk belief.

### **The Negative Effects of the Self-Interest Folk Belief**

Lest the assumption of self-interest be thought of as a "straw person"—many economists will defensively reply that mainstream economics can accommodate other-interest through tricks such as interdependent utility functions—consider the focus of *The Foundations of Positive and Normative Economics: A Handbook*, discussed above (Caplin & Schotter, 2008). The title, by invoking "foundations" and billing itself as a "handbook" suggests that it contains discussion of the full scope of "is" (positive analysis) versus "should be" (normative judgments) questions within economics. Yet the entire discussion focuses purely on, as put by Loewenstein and Haisley, how economists may (or may not) "counteract cognitive and emotional barriers to the pursuit of *genuine self-interest*" (215, emphasis added). Nowhere is it even suggested that normative economics might encompass how people should act in regard *to others*.

The findings of Robert Frank et. al (1993) that taking a course in economics can be associated with acting in more self-interested ways are relatively well-known.

Psychologist Dale T. Miller (1999) goes further to suggest that "the theory of self interest" expounded by neoclassical economics "has spawned a norm of self-interest" (1053) that is more widely spread, and can be detected in the decision-making of ordinary people. For example, in studies of social attitudes, people tend to believe that the support of others for social policies will be congruent with their self-interest, even though their own attitudes and interests may not be so aligned. People may come to believe that acting in a self-interested way is the rational and appropriate thing to do, even though their own motivations may not lean in that direction.

A number of the economics writings reviewed above continue to preach the doctrine that people are—and, implicitly or explicitly, appropriately *should* be—self-interested in their economic lives, even while trying to convince people to take action that would require them to stretch beyond their narrow self-interest. Tol raises questions of equity, but then associates "hard-nosed" economics with the assumption of self-interest (439). Sachs and Summers, as was noted above, include appeals to self-interest in their works. Assuming self-interest, of course, begs the question of why anyone—these economists included—would care about poverty, inequality, or future generations, or, for that matter, want to do quality research (in the face of more lucrative options).

Self- and other-interest are often treated in a dualistic fashion in the economics literature: either one is purely self-interested, or purely "altruistic." Dasgupta, for example, sets out a hard-and-fast dichotomy between the market sphere, in which "we should not worry about others" and the public sphere in which such worry is appropriate (2005, 2007a). One must wonder, of course, whether widespread acceptance of such a notion an ethics-free market sphere might not be behind some of the financial fraud of recent years. And one need not be a public choice theorist to wonder if the public sphere is capable of bearing the full ethical load on its own. The dualistic view often also takes an explicitly gendered form: markets, considered a masculine realm, are often associated with material self-interest, while realms of families and caring labor (such as nursing) are associated with ethereal self-giving.<sup>6</sup> This impoverished language of motivation leaves no middle ground or space for complexity—no space for interest in the common good, mixed motives, complex attitudes towards work, or notions of appropriate responsibility.

In fact, actual contemporary market economies (as opposed to abstract model economies) depend on quite a large amount of honesty, cooperation in the form of honesty, care, and interest in the common good, even within the largest corporations or most arms-length markets (Nelson, 2006; Paine, 2002). Recent literatures on "puzzles" such as the Ultimatum Game (Henrich et al., 2004) only begin to get at the complexities involved. The self-interest assumption so convenient for modeling is far from being an observable, systematic "fact" of economic life.

But economists' dogmatic reliance on the assumptions of autonomy and self-interest *reinforces in the popular mind* an attitude that Jean Drèze and Amartya Sen have called "complacent irresponsibility": that is, a sense that, while bad things are happening in the world, they are distant enough from oneself that one has no responsibility for their solution. As they write,

The fact that so many people [suffer famine and endemic deprivation] is a calamity to which the world has, somewhat incredibly, got coolly accustomed...Indeed, the subject often generates either cynicism ('not a lot can be done about it'), or complacent irresponsibility ('don't blame me--it is not a problem for which I am answerable')....Perhaps this is what one should expect with a resilient and continuing calamity of this kind. But it is not at all easy to see why we do not owe each other even the minimal amounts of positive sympathy and solidarity that would make it hard for us to cultivate irresponsible complacency.  
(Drèze & Sen, 1989)

Economists' pronouncements about what (supposedly) is have slipped over into becoming self-fulfilling prophecies about what should be. And these prescriptions are in direct opposition to the development of "positive sympathy and solidarity." However, if scholars—economists and otherwise—and policymakers become more aware about the inadequacies of the stance orthodox economics has been promulgating, we may have the opportunity to replace this vastly inadequate understanding of the world with one that is better adapted to helping the world's people (and other species) survive and flourish.

## Conclusion

The folk beliefs are that "scientific" economic research precludes ethical engagement and that people are fundamentally self-interested have been internalized among the bulk of professional economists, and run through economists' writing on pressing issues of the day. The result is that the discipline at large not only fails to adequately analyze of the problems the world faces, but, through a status-quo bias and the preaching that self-interest is "the way the world works," can actively *discourage* sympathy, solidarity, and responsibility.

While economists at the most rigid end of the spectrum believe that ethical issues can be avoided by allegiance to a thin and (supposedly) pristine methodology, this essay argues that the attainment of adequately objective perspectives, as well as the attainment of a more useful economics and better policy, depends on our cultivating the strength, dedication, and clarity of vision to meet ethical issues head-on.

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## NOTES

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<sup>1</sup> An alternative (and perhaps complementary) explanation is that economics developed this way to serve the interests of those with economic and political power, since the focus on abstract models of choice diverts attention from questions of distribution and justice.

<sup>2</sup> Exposing the distortions caused by the dualistic thinking has been one of the major projects of feminist economics since the early 1990s (Ferber & Nelson, 1993, 2003). This analysis will not be repeated here.

<sup>3</sup> See Haidt (2001) for a discussion both in terms of contemporary cognitive psychology and the philosophy of David Hume.

<sup>4</sup> This is rather unconvincing, however, since the people most likely to create a stability and security threat to the rich are not the extreme poor (who have no resources with which to act), but the moderately poor.

And Sach's suggestions do not cover the moderately poor.

<sup>5</sup> The assumption of general self-interest (discussed below) along with neoclassical economics' preference for marginalism (small changes) also tend to mean that any activism proposed tends to be overly modest—that is, we should just take moderate action, and only if it does not cost too much, etc.

<sup>6</sup> See Folbre and Nelson (2006) for a discussion.

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