

GETTING THE CORE CONCEPTS RIGHT

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Three articles appearing back to back in the September 2000 issue of the *Journal of Economic Perspectives* call attention to a problem which has plagued economics from the very beginning: Does human sociality play a role in economic behavior or is it strictly human individuality which is the proper domain of economic science? Indeed, *Wealth of Nations* embraces human individuality while *Theory of Moral Sentiments* opts for human sociality. The placement of these articles back to back strongly suggests that the board of editors of the *Journal of Economic Perspectives* share some concern that perhaps all is not right in mainstream economics. Fehr and Gächter frame the issue in terms of the adequacy of a pure self-interest model.

We believe that for important questions in these areas [such as labor market interactions, public goods, and social norms] progress will not come from additional tweaking of a pure self-interest model, but rather from recognizing that a sizable proportion of economic actors act on considerations of reciprocity [Fehr and Gächter, p. 178].

Ostrom phrases the question in terms of the cogency of the self-interested agent.

It is possible that past policy initiatives to encourage collective action that were based primarily on externally changing payoff structures for rational egoists may have been misdirected -- and perhaps even crowded out the formation of social norms [such as reciprocity, trust, and fairness] that might have enhanced cooperative behavior in their own way [Ostrom, p. 154].

Manski presents the issue in terms of the accuracy of the core concepts.

The very first step in undertaking research on social interactions is to get the concepts right. The core concepts -- of preferences, expectations, constraints, and equilibrium - - offer a coherent framework within which one can define rigorously and analyze constructively many interaction processes [Manski, p.132].

Coincidentally, it seems, Joseph Henrich in his article in the September 2000 issue of the *American Economic Review* adds his voice to theirs by raising the question of the role of culture in economic

affairs, and by strongly suggesting that the social norms which govern economic behavior somehow are linked to culture. We argue that culture does matter because culture is the means by which social norms are expressed, challenged, transmitted, and reinforced.

Oddly, though, the summer 2000 issue of the *Journal of Economic Perspectives* also contains Bernard Saffran's recommended reading list which enumerates first Alan Blinder's article in the January 2000 issue of *Business Economics* and which underscores Blinder's remark that Adam Smith has made a worldwide comeback (Saffran, p. 233). However, Blinder's use of key phrase "invisible hand" (Blinder, p. 232) *per se* does not reveal whether this comeback relates to *Wealth of Nations* or *Moral Sentiments* because this phrase appears in both. Additionally, the passage in which "invisible hand" is imbedded has different meanings. In *Moral Sentiments* the passage [refers] to the distribution of the means to happiness; in *Wealth of Nation* the passage [refers] to maximization (Raphael and Macfie, p. 184). Elsewhere in his article, Blinder approvingly references "homo economicus" as a "rational, self-interested calculating machine" (Blinder, p. 18).

At the same time, nowhere in Blinder's article does one find reference to reciprocity, trust, and fairness which are central to Smith's *Moral Sentiments*. Thus, we infer that Blinder means a return to the Smith of *Wealth of Nations* and does not share the views expressed by Henrich and the others. Thus do we see played out in the pages of the *Journal of Economic Perspectives* the very same problem which Smith encountered and is reflected in the individualism of *Wealth of Nations* and the idealism of *Moral Sentiments* (Haney, pp. 207-244). Though Raphael and Macfie (pp. 20-25) adamantly object to the idea that there is any conflict between *Moral Sentiments* and *Wealth of Nations*, we do not find their argument convincing. As we already have noted, in both the *American Economic Review* and the *Journal of Economic Perspectives* the issue of the underlying philosophy

of economics -- whether individualism, idealism (or what we prefer to call humanism), or utilitarianism -- is not settled.

CORE CONCEPTS

Manski is right about getting the core concepts right, but the concepts which he offers -- preferences, expectations, constraints, and equilibrium -- are not the hard core concepts with which mainstream economics begins. Waters (1988, pp. 115-117) identifies them correctly: (1) the *individual* is the basic unit of the economy, (2) who acts freely, self-interestedly, and calculatedly in a self-regulating economy,¹ (3) whose economic behavior is grounded in reason and, though it changes as economic conditions change, is predictable and knowable with mathematical certainty and empirical precision, and (4) whose ultimate worth is determined instrumentally.

Thus, the underlying philosophy of mainstream economics is a somewhat awkward blending of individualism and utilitarianism. Individualism presents human beings in economic affairs as individuals who are free to choose; utilitarianism presents them as Amachines@ to use Blinder-s own word. The difference is much more than just a matter of semantics.

Competition is the corollary to these hard core concepts and their origins lie in the 17-18 Century Enlightenment, making mainstream economists today children of the Enlightenment (Waters 1988, p. 114). These premises have a direct bearing on how mainstream economists understand and describe economic affairs and put forward policy recommendations. Consequently, going back to

¹ The Law of nature@ are Waters exact words. See Fitzgibbons (pp. 75 -94) for more on Smith and the law of nature.

Smith means going back to these premises which focus on the individual and competition, and which take us back to the 17-18th centuries.

Waters also articulated the four premises of what is becoming known today as personalist economics. To paraphrase him again, the four hard core premises of personalist economics are: (1) the *person* is the basic unit of the economy, (2) who acts freely but within certain limits, self-interestedly but often with regard for others, and calculatedly but at times impulsively, whimsically, or altruistically, in a self-regulating economy which from time to time must be constrained deliberately in order to serve the common good² and to protect the weak and the needy, (3) whose economic behavior is grounded in reason and faith³, changing as economic conditions change but at times reflecting moral rules and principles, predictable and unforeseeable, and knowable with mathematical certainty and empirical precision but sometimes mysterious and beyond human

² Defined by Dempsey (pp. 272-273) as the fulfilment of the needs of human beings which arise from their living together, as in the case of public health, instead of each one living alone. Two characteristics set these needs off: (1) they are common to all, and (2) they can be met only through the united efforts of all members of the community acting together. The fulfillment of these common needs depends critically on each person contributing to the community because the community by itself has nothing to contribute to its members apart from what its various members contribute to it (Dempsey, pp. 219-220). Thus is the common good dependent on contributive justice since this principle of economic justice demands that insofar as a member of the group derives benefits from belonging to the group he/she is obliged to maintain and support the group.

³ Reason discovers truth from direct, personal experience; faith accepts truth on the word of another. Both pathways rest on the premise that there is such a thing as absolute truth which is knowable by human beings.

understanding, and (4) whose worth at times may be construed instrumentally but finally is not reducible to economic calculus because it rests squarely on the conviction that humans have a worth and dignity beyond measure. Thus, the central differences between mainstream economics and personalist economics all originate in and are reducible to the differences between the individual and the person.

There are two corollaries to the premises of personalist economics: competition which activates economic affairs on the human disposition to undertake certain tasks individually for the individual reward, and cooperation which activates economic affairs on the human disposition to undertake certain tasks collectively because those tasks cannot be completed as well by individuals acting alone or in any way other than through collective effort. Competition expresses our individuality and depends on the social value of freedom. Cooperation expresses our sociality and depends on the social value of community. Competition and cooperation are employed in economic affairs according to the strength of the social value which attaches to these activating principles.

Personalism replaces individualism by arguing that human nature is a fusion of individuality and sociality such that the two are distinguished but cannot be separated. Personalism replaces utilitarianism but maintains a hold on the concept of utility by arguing that human nature is a fusion of matter and spirit which likewise can be distinguished but not separated. By representing humans as a fusion of individuality and sociality, personalism points the way to finally eliminating the artificial division of economic theory into micro which focuses on human individuality and macro which centers on human sociality.

Personalism insists that humans are not machines. Furthermore, humans cannot be objectified in that manner without in effect reinstating slavery, that is the buying and selling of humans as

commodities which Blinder takes note of (p. 20) and without objection identifies as part and parcel of the mainstream model.⁴ Personalism, on the other hand, presents a human being as a materialized spirit, a body inside a spirit, a being who is nearly divine. This conceptualization is captured visually in Michelangelo's Sistine Chapel wherein Adam and God are rendered as alike with their fingers actually touching. This is just one small instance in which culture is informed by religion and gives expression to the social norm that humans are precious beyond measure and never are to be commodified.

We turn next to why personalism objectively speaking is superior to both individualism and utilitarianism and not simply a matter of tastes and preferences. We address the role of culture in economic behavior in the context of personalism because person and culture are inextricably intertwined.

PERSONALISM AND CULTURE

Avery Dulles provides a definition of culture which is well-suited to our purposes.

Culture almost defies definition because it is a pervasive atmosphere rather than an articulated system. It is a social force that encompasses individuals and welds them into communities. It shapes their prejudices, ideas, values, habits, attitudes, tastes, and priorities ... Whereas politics and economics are concerned with proximate and limited goods, culture has to do with the meaning of human existence as a whole. It

⁴ Distinguishing between labor and labor services as a way of finessing around the issue of reducing workers to commodities is not compelling because the two are inseparable. Buying the one means buying the other. If it were otherwise, worker motivation would not be such a key factor in the quantity and quality of the labor services rendered.

inquires into what we are as human beings, and what reality is in its most comprehensive dimensions (Dulles, p. 2).

Walter Ong (1970, p. 17) who has written extensively on culture asserts that, in terms of the communication media, cultures can be divided into three successive stages: (1) oral or oral-aural, (2) script which originates with the invention of the alphabet and alphabetic movable types, and (3) electronic. According to Ong, only high-tech cultures give rise to personalist philosophies (Ong 1981, p. 200). The telephone and e-mail, for instance, break through human isolation and autonomy, making human beings much more aware of others, of themselves, and of their interconnectedness to an extent which was nearly impossible before they were invented and put to such widespread use.

Man is a communicating being. Communication brings the human person himself not only to knowledge of things and other persons, but also to his own self-awareness. Although I myself am unique, and in a way closed in on myself -- for no other man knows what it feels like to be this AI@ that I am -- nevertheless I become aware of myself as myself only through communication with others (Ong 1967, p. 1).

Thus personalism brings economics into the electronic age whereas a return to Smith and even more emphatically a return to Bentham takes us back in time to the script age, effectively erasing the gains made of late in understanding who we humans are, what we are, and to whom we belong. Ong's own words are clear on this matter.

The late typographic age is the age of empire building and of laissez-faire economics; Adam Smith had begun his academic career at Edinburgh as professor of rhetoric and belles lettres, a typographic communications man with lingering oral commitments (rhetoric) ... It is certain that our present electronic age is more explicitly and programmatically social than any other age man has known and that its socialization has been made possible by developments in the media ... The sense of the presence and of participation results, however, not merely from the speed of communication today but also from the ability of electronic media to deal with verbalization as sound. Sound, bound to the present time by the fact that it exists only at the instant when it is going out of existence, advertises presentness. It heightens presence in the sense of the existential relationship of person to person (I am in your presence; you are present to me), with which our concept of the present time (as against past and

future) connects: present time is related to us as is a person whose presence we experience. It is *A* here. It envelopes us. Even the voice of one from the dead, played from a recording, envelops us with his presence as no picture can. Our sense of global unity is thus due not merely to the fact that information now moves with near-instantaneity across the globe. It is also due to the electronically implemented presence of the word as sound (Ong 1970, pp. 99-101).

As technology improves communication and makes it more accessible and as economies of scale make it more affordable, humans become even more aware of themselves as persons. Thus, the very heart of the hard core premises and therefore the very beginning of mainstream economics is the unique individual whose economic behavior is free of the influence of others. Similarly, the beginning of personalist economics is the irreplaceable person who acts with an awareness of others. We say nothing further herein about the utilitarianism because the slavery it reinforces is totally repugnant to any truly civilized view of humankind.

For economic science, there is a second reason as to why person and personalism are superior to individual and individualism as we move well past the onset of the electronic age in 1844 with the first demonstration of the telegraph (Ong 1970, p. 101). Gender differences are recognized as significant with regard to person in that competition is the organizing principle favored more by the aggressive masculine gender trait and cooperation is the organizing principle favored more by the nurturing feminine gender trait (O-Boyle 1994, pp. 320-324). By embracing the individual as their starting point and given the overwhelming disposition in Western intellectual tradition to construe individual in masculine terms (Tarnas, p. 441), it follows that mainstream economists would represent competition as the only principle organizing economic affairs from the very beginnings of economics to the present day. In contrast, both competition and cooperation are affirmed as organizing principles by humanists such as Lutz (1990, p. 254) though we have not observed Lutz

and Lux⁵ or any other advocate of humanist economics linking competition and cooperation to masculinity and femininity respectively.

Human beings are made male and female, masculine and feminine. Economics must recognize those differences and the inevitable relation between the two when they relate to economic affairs. Even so, more fundamentally true is that all humans are persons which means that economics does not end with one economics for men and another for women. Key to a proper understanding of such matters is a personalist economics which includes and respects the masculine dimensions of human nature as well as the feminine dimensions, and the special needs of women as well as the special needs of men in the context of family and society. Tarnas asserts that

the crisis for *modern man is an essentially masculine crisis*, and I believe that its resolution is already now occurring in the tremendous emergence of the feminine in our culture: visible not only in the rise of feminism, the growing empowerment of women, and the widespread opening up to feminine values by both men and women, and not only in the rapid burgeoning of women's scholarship and gender-sensitive perspectives in virtually every intellectual discipline, but also in the increasing sense of unity with the planet and all forms of nature on it, awareness of the ecological and the growing reaction against political and corporate policies supporting the domination and exploitation of the environment, in the growing embrace of the human community, in the accelerating collapse of long-standing political and ideological barriers separating the world's peoples, in the deepening recognition of the value and necessity of partnership, pluralism, and the interplay of many perspectives ...Man is something to be overcome and fulfilled in the embrace of the feminine (Tarnas, pp. 442-443, 445; emphasis in the original).

Returning to Smith, strictly speaking, means migrating back in time to an age when individual meant masculine, effectively opening the door to unnecessary misunderstandings especially with feminist

⁵ For instance, in an extended commentary on gendered economics Lutz and Lux (1995, pp. 121-131) make no mention of any linkage between competition and masculinity or cooperation and femininity.

economists and closing it to the various ways in which feminine according to Tarnas has influenced our world view today.

Culture is expressed through art, architecture, literature, music and the like reflecting long-lasting social values such as equality, freedom, and community and such cherished traits of character as courage, fidelity, and truthfulness. Pop culture also finds expression in art, architecture, literature, and music, and with the passage of time may or may not endure. At this point it is useful to refer to Henrich's article in the *American Economic Review* because he address the issue of the possible linkage between culture and economic behavior in the form of three questions. First, where do people get the rules, expectations, or notions of fairness from? Second , why do these rules, expectations, and notions affect real economic behavior? Third, how much can the varying rules, expectations, and notions affect real economic behavior? (Henrich, p. 978). For convenience sake, we use social norms in place of rules, expectation, and notions of fairness. The answers to these questions will either re-affirm the neo-classical assumption that humans share the same economic decision-making processes, that the individual is culture-free, or overturn it (Henrich, p. 973).

As to Henrich's first question human beings develop their own set social norms by reflecting on their own life experiences (reason), by accepting them on the word of another (faith), or both. The university is one institution which studies human behavior to understand it better for the purpose of confirming old social norms and setting down new ones in the form of: (1) codes of ethical conduct for the professions; (2) statutory law governing criminal behavior; (3) tax codes specifying how the burden of supporting the government is to be distributed, and the like.

Reason alone informs us that justice is necessary to constrain competition so that it does not collapse into suicidal price wars and to contain cooperation so that it does not degenerate into

collusive price fixing. Reason also tells us that sympathy, generosity, and caring are necessary because in their absence no human community can survive. Faith says that we are all the children of one Father, we are one human family, thereby reinforcing the need for community and for the civic virtues which make it possible. Faith also tells us that we are more than slaves, instrumentalities, individuals, or human beings. The Judaeo-Christian tradition insists that we are human persons who are nearly divine. Social norms may differ for the moral absolutist and the moral relativist, or they may be the same because the two share the same faith and frequent the same place of worship. In any case social norms develop over years and are transmitted and reinforced at various times by the family, the school, the church-temple-synagogue, the judicial system, and political and other social institutions.

Ultimately, though, social norms are inspired by the words and deeds of human beings who often then become role models and leaders. In U.S. history, notice the power and influence of such social norms as *No taxation without representation*, *Ask not what your country can do you, ask what you can do for your country*, *We shall overcome*, *Look for the union label*, *Buy American*.

Kohlberg (pp. 347-480) identified six stages in a person's *cognitive moral development*: (1) avoidance of punishment; (2) desire for reward; (3) anticipated disapproval of others; (4) anticipated dishonor; (5) maintaining respect of equals and community; and (6) self-condemnation for departing from one's principles. Rest (pp. 1-2) then developed a test which allows one to classify a person accordingly. In general, a person progresses to higher stages of moral development with age, but there is no assurance that he/she will have progressed to the last stage upon reaching adulthood. It follows that different persons likely are at different stages of their own cognitive moral development and therefore some are better prepared than others to handle ethical issues in economic affairs, and in

fact may act differently in the same situation. Thus, *employers* following virtually the same decisionmaking process but at different stages in their cognitive moral development likely will behave differently. To illustrate, due to differences in cognitive moral development an employer at the avoid-punishment stage might take no action at all in a clear case of workplace discrimination especially if there is no punishment likely to befall him/her, whereas an employee in anticipated-dishonor stage might act promptly in order to avoid any dishonor. Some *senior managers* might be more prone to schemes which defraud their stockholders when the payoff is large enough, while others would not, whatever the size of the payoff, because the former have an underdeveloped conscience while the latter are much further along in their ethical development. Similarly, *workers* in the same firm may respond differently to defects in workmanship or unsafe work processes, one blowing the whistle while others remain silent. And for the same reason *consumers and employees* may respond quite differently to the same shoplifting and embezzling opportunities.

Students of economics today are ill prepared address ethical issues in economics with the possible exception of matters relating to distributive justice. In effect, justice in exchange (commutative justice) and justice in working with others in the community (contributive justice) are dismissed because all such matters are addressed by the free and informed interaction between economic agents in a market economy or are subsumed under the common good which is served through the *Ainvisible hand*.[@] In other words, issues of conflict wherein ethics plays a role are sorted out by *homo economicus*, and the hard, concrete decisions in the marketplace and the workplace are drained off into abstract rules. Thus is the issue of social norms dismissed in mainstream economics

and are students pointed in the direction of Smith's *Wealth of Nations* with little or no attention called to his *Moral Sentiments*.⁶

To answer Henrich's second question, social norms affect economic behavior because they are the mechanisms used to bring economic behavior into compliance with the dominant social values of the culture. When there are changes in the values which are formalized by specific social norms, the transmission mechanism must change as well to produce the desired economic behavior with as little disruption as possible. Insufficient attention was given to these mechanisms in guiding the transition of the former U.S.S.R. into a market economy. The chaos and gross injustices which have attended that transition were predictable.

Social norms change as our insights into human action deepen. For example, in the Early Middle Ages and well into the Late Middle Ages charging interest on loans was regarded as sinful. After the Protestant Reformation, and with a better understanding of risk and waiting, Christian lenders no longer were guilty of sin by requiring that interest (within limits) be paid on their loans. Much more recently, we have come to understand the silent injustice of the gentlemen's agreement, the glass ceiling, redlining, and many other unjust practices and we are witnessing considerable efforts to condemn these practices as unacceptable behavior in economic affairs. As social values change or are ranked differently as to their importance, economic behavior changes too under the influence of the new social norms such as took place over a long period of time with regard to interest on loans.

⁶ Or perhaps more accurately students are directed to J.B. Say (see Gide and Rist, p. 126) or David Hume (see Fitzgibbons, pp. 190, 193).

Changes such as these originate in and are reinforced by changes taking place deep within the socioeconomic order and which are changing the very institutions which we rely upon to provide stability and continuity as to the social norms governing economic behavior. At the moment, we are in the midst of two powerful revolutions. One is technological in origin -- the new economy -- and is affecting virtually every economic process including production, distribution, exchange, consumption, and investment. The other revolution originates in a shift along the four axes of tension underlying the social order and the basic institutions which express the fundamental values embodied in culture: (1) away from the sacral toward the secular; (2) away from the absolute toward the relative; (3) away from the objective toward the subjective; and (4) away from the group toward the individual. The shift toward individualism is being felt across all institutions including the family, the school, the state, the church, and the armed forces (see Becker 1992, pp. 353-355). Culture matters in economic behavior and becomes much more visible when economic institutions are shaken by revolutionary change. Furthermore, the movement toward individualism in effect validates the central philosophical underpinnings of mainstream economics. But this movement is misguided for the two reasons mentioned previously: (1) it sets aside the developments in social consciousness brought on by the electronic age; and (2) it returns us to a concept of the individual which effectively denigrates if it does not actually deny the emergence of the feminine in our culture.

At the present, these shifts along the four axes of tension -- toward the individual, the secular, the subjective, and the relative -- are slowly redefining our culture from one of life and hope to one of death and despair.⁷ This cultural revolution, in turn, is further promoting the individual and

⁷ In *Evangelium Vitae* John Paul II (p. 14) warns explicitly of the dangers to humankind originating from a culture of death. They include murder, genocide, abortion, euthanasia, willful self-destruction, mutilation, torments inflicted on body or mind, attempts to coerce the will itself, subhuman living conditions, arbitrary

dismissing the person by redefining how we perceive economic realities around us. The *freedom* of choice of individuals increasingly is regarded as more important than one's *duty* to others. To illustrate, tax relief today for those with much is rationalized even when it leads to less assistance for those with little.

imprisonment, deportation, slavery, prostitution, the selling of women and children, disgraceful working conditions, where people are treated as mere instruments of gain rather than as free and responsible persons. On November 28, 2000 the Associated Press (p. 1) reported that the Dutch parliament approved a bill ... to allow euthanasia and physician-assisted suicide, making it the first country to formally legalize the practice.®

Notice how these two revolutions are linked by internet sales of pornography, by chat rooms which redirect human behavior from spouse and children to others through human imagination and fantasy, by video games, motion pictures, and cable television which are deliberately marketing adult materials to children which Senator Joseph Lieberman recently attacked as leading to a *A culture of carnage* (p.1). And by day-trading over the internet which can distort the true risks involved in such practices, replacing them with the false promise of instant wealth and a lifetime of ease and comfort. Notice as well internet sales of powerful drugs without a prescription are raising false expectations that essentially uninformed self-medication will produce more favorable outcomes than better-informed prescribed medication.⁸ And take note of the huge and growing demand for illegal drugs in the U.S. alone⁹ which are taken ostensibly to meet the needs of the human body or human spirit but all too often lead to death and despair in addiction and homicides attributed to an overdose or a *deal which went bad*. Notice how suicide and mercy killing increasingly are rationalized by mainstream economics on cost-benefit (pleasure-pain) considerations. Conventional economics rationalizes a human life which is not worth living. Such a proposition is unthinkable in personalist economics.

Finally, as to Henrich's third question, culture itself and cultural change can and do affect real economic behavior profoundly. Note, for instance, the huge cultural change which occurred after the end of World War II and how the baby boom which followed is still affecting economic affairs. Note as well how the new social norm which accepts babies born out-of-wedlock and raised by their biological mothers has had a profound impact, for example, on place of work and place of residence.

⁸ The Food and Drug Administration (p. 1) identifies five specific risks in purchasing medicines online including fake, unapproved, outdated, or sub-standard products.

⁹ Federal drug seizures in the U.S. climbed from 619 tons in 1990 to 1,897 tons in 1998 (*Statistical Abstract*, Table 36).

Sixty years ago the social norm was that a woman's place is in the home. Notice how the development of the birth control pill, a new social norm has emerged such that women can pursue professional careers and, with the passage of time, have done so in even greater numbers and proportions with the approval of the rest of society.

For personalist economics to replace the neo-classical paradigm, it is necessary to expunge from mainstream economics the long-standing but erroneous assertion that cooperation invariably is collusion and to recognize competition and cooperation -- within defined limits and grounded in the twin social values of individual freedom and authentic community respectively -- as true partners in activating economic affairs. In other words, the neo-classical paradigm sees economic affairs leaning heavily toward the individual end along the individual/group axis of tension, and personalist economics sees the same affairs more nearly toward the center of that axis of tension, blending the two into a relationship which is neither strictly individualist nor wholly collectivist.

RECONSTRUCTING ECONOMICS TO INCORPORATE CULTURE

We conclude that mainstream economics must be reconstructed to put right its various flaws. We are by no means the first in economics to call for reconstructing the way we think about economic affairs. In 1985 Nobel Laureate James Buchanan (p.15) took the profession to task in language which hardly can be misunderstood: "Our graduate schools are producing highly trained, highly intelligent technicians who are blissfully ignorant of the whole purpose of their alleged discipline." Fifty years earlier, John M. Keynes (pp. 16-17) offered a similar criticism: "The classical theorists resemble Euclidean geometers in a non-Euclidean world who, discovering that in experience straight lines apparently parallel often meet, rebuke the lines for not keeping straight -- as the only remedy for the unfortunate collisions which are occurring." In 1963 Jacob Viner (p. 6) stated

that Alt was only in its choice of premises and in its mode of reaching its conclusions that the (classical) school was vulnerable to the charge of undue and arbitrary abstraction.®

Others more recently have been calling attention to the errors of omission and commission in contemporary economics. For instance, last year James Galbraith (p. 1) fired a broadside at the American Economic Association for its meetings in Boston at which the great issues of economic policy -- inflation and unemployment, economic growth and stabilization, the government's budget, inequalities of income and wealth -- were missing.® This omission, we suggest, is a natural reflection of the individualism and the strong preference for decisionmaking by the *Many* in the One-Many dichotomy which underlies our culture, our economy, and our economics. Notice that the issues which Galbraith enumerates as missing from the program are macroeconomic issues in which decisionmaking by the *One* in the same dichotomy is critical. Mika Pantzar (pp. 16-17) in 1996 argued that the very premises of rational choice theory -- stability and homogeneity of consumer preferences -- are being challenged by those who see a link between culture and economic behavior and he calls for a re-thinking of mainstream theory regarding food choices. Schor in 1999 asserted that what is missing in the neoclassical theory of consumer behavior are the social and symbolic functions of spending such as one finds in anthropology, sociology, and literature and which challenge the neoclassical premise that tastes and preferences are randomly distributed. This critical view also argues that understanding consumer behavior requires more than the standard variables of family structure, income, and the like which neoclassical economists use in modeling that behavior (Schor 1999, p. 38).

Sources outside economics have exposed some of the weaknesses in the basics of economic science as affirmed by mainstream economics. A *Business Week/Harris Poll* last year indicated that fully 95 percent of the adult respondents supported a new social norm for business enterprises.

U.S. corporations should have more than one purpose. They also owe something to their workers and the communities in which they operate, and they should sometimes sacrifice some profit for the sake of making things better for their workers and communities (Arndt et al. p. 149).

In their systematic study of the beliefs and practices of high-level managers and executives with regard to spirituality in the workplace, Mitroff and Denton (p. 10) found that profits follow directly from being ethical, not the other way around. Louise Witt (p. 25) calls attention to the illusion of validity which describes the cognitive errors made by stock market investors who assume they are thinking and acting rationally when they're not. Sparks (p. 106) says that in the years ahead instead of pitting one company against another competition will involve groups of companies confronting one another through alliances, joint ventures, and partnerships. She reports, for example, that Oracle has more than 15,000 business alliances. Other examples of new or different social norms abound.

If we agree that economics must be reconstructed and if we have the energy to overcome the inevitable resistance to new things, how do we proceed? Since the problem originates in our premises, it follows that we must begin there. Accordingly, we propose five points of departure.

First, we must examine much more carefully the idea that economic affairs are best understood and economics is best taught in terms of the autonomous, self-interested, thoroughly rational (in economic decisionmaking), utility calculating and maximizing individual. Buchanan's remarks (p. 26) are instructive and are not easily dismissed: I suggest that the mathematical perspective takes hold once we so much as define *persons* as utility or preference functions and

implicitly presume that these functions exist independently of the processes within which *persons* make actual choices¹⁰ (emphasis added). To insist that the autonomous individual is absolutely essential to the way in which one thinks about economic affairs requires one to absolutely reject the cultural environment as informing economic behavior, all the while clinging to the logical inconsistency that the physical environment is a factor in economic decisionmaking.

Fortunately, it is not necessary to cast aside *homo economicus* which construes human nature in terms of the human body and intellect. What is required is to add the social dimension to the individual dimension in a way that can be represented as *homo socio-economicus* which construes human nature in terms of body, intellect, and spirit. In brief, mainstream economics puts the *individual* at the center of economics. We propose replacing the individual with the *person*.¹⁰ This revision would acknowledge that the economic behavior of consumers, for instance, is at times other-centered, utility-satisficing, dependent, and driven by such powerful emotions as fear and love, and that poverty, for example, is a problem of insufficient resources to meet minimal material *needs* and should be fully integrated into our treatment of consumer behavior.

Second, we must again emphasize the importance of literary skills both in terms of presenting our premises as well as describing economic affairs and proposing policy recommendations. Some concepts and ideas are better rendered in literary form than in the mathematical form. For example, what mathematical expressions adequately substitute for such enduring expressions as *the invisible hand*, *the Protestant ethic*, *the euthanasia of the rentier*, *there is no such thing as a free lunch*, *the tragedy of the commons*, *the prisoner's dilemma*, *in the long run we are all dead*, *creative destruction*, and *the reserve army of the unemployed*? Helping students acquire literary skills

¹⁰ For more on person see Karol Wojtyla.

means that it is necessary to reverse the systematic purging from the economics curriculum of the courses on history of economic thought, comparative systems, and economic history, not to mention ethics and metaphysics where mainstream economics is woefully inadequate.

Third, in bringing greater understanding to economic affairs, some modeling less exact and mechanical than econometric models but more deeply probing of the person and therefore at once more accurate and more personalistic is necessary. Mathematical models use reductionism to deliver more precision and detail to our description of economic realities, and thus more *superficial* certainty. What we need, even more so, is greater accuracy and understanding of the very same economic realities, even when it means less *authentic* certainty.

Fourth, we must re-examine the philosophical foundations of economics beginning with the recognition that individualism which emerged in the script stage -- well before the introduction and diffusion of such means of communication as telephone, telegraph, radio, television, fax, e-mail, cell phone, and internet, all of which have broken down the isolation of the autonomous individual -- no longer serves us well in the electronic stage. Taking seriously Ong's (1981, p. 200) observation that only high-tech cultures have given rise to personalist philosophies, it is entirely reasonable to argue that for the 21st century personalism is a better foundation for thinking about human behavior in economic affairs than is individualism. One may object to Ong's assertion as disregarding the personalism of Aquinas and Augustine. Our view is that their personalism relies more on faith and abstract thinking in an age of human isolation which precedes the development of alphabetic movable types, whereas Ong's draws on faith and reason supported by direct experience in an age when telephone conversations with persons at great distances are commonplace.

Very recent times have activated concern with the human person as person to a degree of explicitation unknown before, and that at many levels of awareness. At the highest level of speculative thinking such philosophers as Martin Buber and Gabriel Marcel and many phenomenologists have worked out self-consciously personalist philosophies. Such theologians as Hans Urs von Balthasar have pointed out that in the past, when nature overshadowed humanity, human beings had approached God through nature, whereas today, when technology has reduced nature's dominance and put human beings over nature, philosophy has become anthropologized and tends to approach God through the human lifeworld and the human person. Existentialism is a by-product of the technological scenario ... Earlier cultures, less able to analyze themselves than is a high-technology culture infused by thought processes made possible by the technologies of writing and print (and now electronics), were less explicit about both depersonalization and the personal problems of the human person (Ong 1981, pp. 200-201).

Fifth, and very much related to the first point of departure, it is necessary to replace the premise that an individual has value only in instrumental terms with the premise that all persons are precious quite apart from any instrumental value and are properly considered an *end* and not just a *means* (of production). Thus, following John Paul II (1981, pp.15-17), the effect of work on the person who works is more important than the things which are produced through work. Clearly, these contrasting views which are importantly shaped by faith and reason are fundamental to cultural development. In this regard, note that such enduring works of art and music as *The Last Supper* and *The Messiah* are inspired by faith and revelation, and such magnificent structures as the Brooklyn Bridge and the Eiffel Tower spring from the human mind and spirit.

CLOSING REMARKS

Attention to the role of culture in economic affairs acknowledges that humans are more than the one-dimensional, autonomous individuals, as premised in mainstream economics, whose very existence is temporal, whose role in economic affairs is strictly instrumental, and whose behavior is entirely rational and virtually the same across cultures. Though living in different cultures, humans

according to mainstream economics are not influenced by those differences when it comes to economic affairs. In the mainstream way of thinking, the individual to quote again from Waters (1988, pp. 115-117) is the basic unit of the economy, who acts freely, self-interestedly, and calculatedly in a self-regulating economy, whose behavior is knowable with mathematical certainty and empirical precision, and whose worth is determined instrumentally.

We have argued instead that each human being is two-dimensional twice over. First, humans at once are individual beings and social beings: solitary *and* communal, self-made *and* culture-bound, autonomous *and* dependent, rational *and* emotional, self-centered *and* other-centered. In that regard, our argument conforms to the judgment that human development depends on both nature and nurture. Second, humans at once are both matter (the visible outwardness) and spirit (the invisible inwardness): not a spirit inside a body which suggests that the spirit is subordinate to the body, but a body inside a spirit -- an embodied spirit -- which underscores both as essential, and differentiates a human person from a pure spirit. A job which is challenging and a concert which is inspiring are two examples as to how the needs and wants of the human spirit may be met and satisfied in the workplace and the marketplace.

Following John Paul II (1998, ' 28), the human being is the one who pursues the truth, and whose body is the medium whereby a person expresses him/herself (Wojtyla, p. 204). Anton Pegis (pp. xxiii-xiv) asserts that in order to pursue knowledge adequately, the human must be material. Accordingly, we represent a human being as a *Materialized spirit*,[@] not a dualism in which the body is subordinated to and separable from the spirit, but a fusion of body and spirit, or as Pegis (p. xxii) puts it in line with the philosophy of Thomas Aquinas, *The body that is in the soul, and not the soul in the body.*[@]

The individuality and sociality of the human person afford an opportunity to unify economic theory wherein individuality (the Many) is the focus of microeconomics and sociality (the One) is the center of macroeconomics. Putting the isolated individual at the very heart of economics and assuming that economic laws are the sole measure of human activity close down that opportunity and assure that mainstream economic theory will remain truncated indefinitely. At times it is difficult to determine where in economic affairs human individuality ends and human sociality begins. It is clear, however, that in both the marketplace and the workplace a one-time interaction with another human being is not the same as a personal relationship. Following Ong (1967, pp. 1-2), the determining factor is whether there is contact between the two or communication. Contact is superficial. Communication, whether it takes the form of touch, taste, smell, sight, or sound, is at the very core of human existence, and it is communication through sound which is paramount. We begin to know one another and ourselves more fully when we speak to one another. Ong (1967, p. 16) argues forcefully that developments in communication have imposed a critical problem on humankind today: How are we to manage the tension between a growing interiorization of human consciousness and a growing exteriorization? In our terminology, How are we to deal with the tension between a growing human individuality and a growing human sociality?

Three examples drawn from ordinary economic affairs help make this point. A newly hired worker begins as an isolated individual but with the passage of time may become a full participant in the company, like one of the family. A person buying and selling shares of stock in publicly traded corporations over the telephone or by internet may never experience any oneness with his/her broker or other traders. Enterprises which rely on repeat business, such as the corner grocer or neighborhood pharmacy, may be operated by a proprietor who understands that in order to forge a long-term

relationship it is necessary to *know* one's customers beyond the perfunctory "Have a nice day." These examples underscore the artificiality of dividing economic theory in two, and the uneasiness which mainstream economists clinging to the autonomous individual sometimes experience in teaching macroeconomics. Economic theory is one because the human person is one. It is our task to unify the two divisions of theory into an undivided whole.

By avowing the isolated individual and denying the role of culture in economic behavior, mainstream economists tend to see humans as instrumentalities, as *things*. This objectification of humans is *necessary* because culture, as Dulles (p. 2) observes, is inseparable from religion. It is essential, therefore, to exclude culture and the values associated with it through its inseparability from religion and thereby cling fast to the claim that economics must be value-free in order to have any authenticity as a discipline. This exclusion reflects as well as helps fortify the shift away from the sacral toward the secular mentioned previously, and serves an additional purpose as well. Reducing humans to objects gives the appearance that economics can be constructed strictly in terms of things and since only humans can be moral agents thereby excludes any need to examine economic affairs in terms of justice.

The needs of the environment originate in human need which never can be subordinated to environmental needs without diminishing the person. The needs of the environment are additional evidence of human sociality, this time in relation to the entire ecosystem. We require an economics to better provision human need and protect human well-being. Protecting the environment is necessary for human survival but it is not the final purpose of human earthly existence. Respecting the person is the best way to protect the environment. In this regard, limits imposed on production, distribution, exchange, and consumption by public or private groups can be helpful. Leaving the

provisioning of human need entirely to the market and the *Invisible hand* is rhetoric more so than theory and analysis which misconstrues human nature and disrespects every person's essential equality and dignity.

Because it deals most fundamentally with human well-being, economics is not a physical science. Accordingly, mainstream mathematical modeling which regards all human behavior as self-interested and strictly rational is constrained by its own dated premises. Human behavior cannot be completely represented by a logic and method drawn from the physical sciences, because humans are informed by both faith and reason. In economics, notice Schumpeter's *creative destruction* is more widely and frequently referenced than any mathematical expression. There is no economics which is value-free through the complete separation of fact and value. Economics, all economics, is normative because human behavior can no more be separated from the values inhering in human nature than economics can be divorced from its premises.

The makeover of economics will take much time because the mainstream way of thinking about economic affairs is deeply entrenched. To illustrate, the notion that economics is more nearly akin to physics than to natural history originates with J.B. Say in the early nineteenth century (Gide and Rist, p. 126). Adam Smith was deeply conflicted. He says one thing in *Wealth of Nations* and another in *Moral Sentiments*. Smith could not make up his mind as to whether economics begins with the individual at the center and with competition energizing economic affairs through markets or it begins with living, breathing humans at the center and with government intervention to constrain market behavior so that it better serves the common good. But Smith knew that human beings are prompted by self-interest and by sympathy, generosity, and caring. So Blinder's

endorsement of the Arational, self-interested calculating machine@ points not so much to a comeback of Smith but a re-appearance of Bentham.

As with Smith, John Stuart Mill was conflicted. When classical economics was put to its most stringent test in the Irish Famine of 1845-1850, at first AMill the practical man and libertarian drew back from the radical conclusions of Mill the political economist@ (Lebow, p. 7). By the 1860s, however, AMill the pragmatist and Victorian libertarian had finally accepted the compelling logic of Mill the political economist@ (Lebow, p. 13).

For both Mill and Smith, there was no way to admit of sympathy, generosity, and caring without casting aside the autonomous individual, and no way to throw off the individual without rejecting a fundamental tenet of the Enlightenment -- individualism -- which Smith himself had helped to frame. The Ainvisible hand@ is Smith's *deus ex machina* to extricate him from this dilemma; today it is enlightened self-interest. In fairness to Smith and Mill and to other like-minded students of economics from the script age, they were addressing economic affairs with insufficient awareness of others, of themselves, and their interconnectedness to be able to appreciate that human beings are two-dimensional, not strictly individuals, but more fundamentally persons. Today Smith's and Mill's ambivalence is captured in the discourse regarding equity versus efficiency which begins (more often than not implicitly) with individualism. If one begins instead with personalism, the issue is better stated as how are we to deal with the tension between human sociality and human individuality.

The makeover of economics will take place once neo-classical economists acknowledge the confusion regarding ends and means in their way of thinking. That is, once they accept that the ultimate *end* of economic systems and therefore economics itself relates to provisioning human material needs wherein mathematical modeling, powerful though it may be, is merely one means to

achieving that end and useful only when the user knows his/her premises well enough to articulate and defend them effectively, as was recommended by Young (p. 656) in 1990. Thirty years before Young, Becker (1961, p. 10) put it simply and directly.

This monograph is a partial appraisal of benefit adequacy in unemployment insurance ... The body of data was provided by a number of studies recently conducted by some of the states in co-operation with the federal Bureau of Employment Security ... The aim of this monograph is to present the findings of these studies in relation to meaningful norms of benefit adequacy. To do this involves first the development of norms and then their application ... the process of selection of norms serves the additional purpose of revealing my personal value judgments (they have probably influenced my selection and arrangement of the data) so that anyone who disagrees with my judgments can the more easily pinpoint the disagreement and substitute his own set of values (Becker 1961, pp. 9-10).

Just as we have argued herein that individualism is a product of 17-18th century Enlightenment and for that reason is not well suited to economic affairs in the 21st century, Alfred Chandler in 1977 presented substantial historical evidence that Adam Smith's *Invisible hand* is outdated.

The visible hand of management replaced the invisible hand of market forces where and when new technology and expanded markets permitted a historically unprecedented high volume and speed of materials through the process of production and distribution. Modern business enterprise was thus the institutional response to the rapid pace of technological innovation and increasing consumer demand in the United States during the second half of the nineteenth century (Chandler, p. 12).

More recently, Fitzgibbons debunked the *Invisible hand* as *mythical paraphernalia* and expressed his own hope that renewed interest in Smith would lead to a new moral liberalism which promotes virtues, civic values, public commitment, and human responsibility (Fitzgibbons, p. 194).

If the world were not so dramatically divided between the few in the Northern hemisphere who are wealthy and the many in the Southern hemisphere who are poor, we might hold fast to Smith's one-dimensional individual, free markets, and the *Invisible hand* even though all are ideas

from the distant past. But because of this division between rich and poor, it is necessary to think about economic affairs in contemporary, information-technology terms. Thus do we recommend an economics for the electronic age and beyond based on the two-dimensional person, equitable markets, and social institutions supported by the principle of subsidiarity to assure the common good.¹¹

Value-free mainstream economics values humans for what they are mostly on the basis of individualism, at times reaching higher to replace the underlying foundations with humanism and at other times stooping lower to take up utilitarianism instead. Value-laden personalist economics begins with humans as they are but values them for what they were intended to be -- precious beyond measure even when instrumentally they may be worth nothing. By focusing narrowly on human individuality, materiality, and *having* more, conventional economics is essentially silent about the gods of the postmodern age -- hedonism, consumerism, and materialism -- and offers assistance to the needy through the *Athe invisible hand*[®] in a market system which is constrained by the available resources. In contrast, by including human sociality, spirituality and *being* more, personalist economics calls attention to the false gods and idols of our times, and offers help through the caring hand in a market system which is not similarly constrained because caring or more precisely charity is the one human resource which springs into existence when it is used, is worthless when it is hoarded, and is renewed and replenished when it is put to use.

¹¹ For more, see my *Personalist Economics: Moral Convictions, Economic Realities, and Social Action* and *Teaching the Social Economics Way of Thinking*.

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