Economics and the Virtues

Building a New Moral Foundation

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OXFORD UNIVERSITY PRESS
Introduction

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As the twenty-first century marches on, economics is being pulled in a number of directions. The exponential increase in computing power and “Big Data” is expanding the ability of mathematical and computational economists to model and predict the behavior of individuals, industries, and economies. At the same time, advances in game theory, experimental economics, and behavioral economics point to the complexity of economic behavior and social interaction in light of psychology and neuroscience, some of which washes out when data are aggregated and averaged, but some of which represents valuable information that risks being lost in the wash itself.

But not every recent development in economics has been in terms of technique (technê) to the exclusion of prudence (phronésis), to use the terminology of Aristotle. There is also a broader movement to incorporate more explicit ethical thinking into modern economics. This movement picked up considerable steam after the financial crisis began in 2007 and indicted academic economists, professional financiers, and government actors alike. The public began to question the moral basis of financial markets and regulation like never before, and economists started to reflect on the extent to which their profession had become mired in formal, mathematical methods while losing sight of the real world and the people affected by their predictions and recommendations. Ironically, these very modern concerns have inspired people to look back to classical economics, which in its time had not yet been separated from ethics. Adam Smith, the father of modern economics, was well known in his day as a moral philosopher, and stressed the importance of ethics in his Theory of Moral Sentiments long before heralding the role of self-interest in markets in The Wealth of Nations. John Stuart Mill and David Hume are better remembered today as philosophers, but both made seminal contributions also to economics, as did Aristotle himself.

To be fair, ethics never left economics, although it has been taken for granted for the last century or so. Although John Stuart Mill had the closer
link to modern economics, it was Jeremy Bentham’s simpler utilitarianism that became embedded in economic practice (and of which Mill himself was very critical). As maximization became the standard technique in economics for the purposes of individual choice, firm behavior, and public policy, utility or welfare took center stage as the natural and rarely questioned *summun bonum* of economics. Eventually, the utilitarian roots of modern economic practice were forgotten, replaced with technical terms such as “cost-benefit analysis” and “Kaldor–Hicks efficiency” that granted Bentham’s reform-minded utilitarianism a scientific gloss. As a result, the valuable moral aspects of utilitarianism, such as the concern for human welfare and equality of treatment, were lost. While it would be hyperbole to claim that this negligence of the moral nature of utilitarianism is responsible for the inability of modern economics to predict or effectively remedy the recent financial crisis, it is safe to say that a return to ethics, in all of its varied forms, is called for.¹

As it happens, the rest of the philosopher–economists mentioned above are not utilitarians, but are associated to some extent with the ethics of *virtue*. Most commonly connected to Aristotle but also represented in different forms by the Stoics, the Scholastics, sentimentalists such as Adam Smith and David Hume, and even non-Western philosophers such as Confucius, virtue ethics is a broad term encompassing views of ethics that focus on persons and character traits, rather than choices or actions (as judged by utilitarians and deontologists), as the locus of goodness (or virtue). Rather than determining the rightness of actions based on their consequences or their adherence to rules or duties, philosophers in the virtue tradition focus on the character of the person performing the action and the dispositions of that person that led to it after being judged appropriate.²

In light of the growing dissatisfaction among the public— and even some economists—with the formal, antiseptic methods used in mainstream economics, the ethics of virtue provides a fresh perspective from a time-tested source. A focus on the person, character, and judgment in economics is not unprecedented even today: for instance, many heterodox schools of economics stress a renewed focus on human beings, schools such as social economics, feminist economics, humanistic economics, and post-autistic economics. A small but distinguished number of economists, such as Deirdre McCloskey, Irene van Staveren, and Andrew Yuengert, have engaged with the philosophical literature on virtue to expand the ethical perspective of economics, and a recent survey article in a key mainstream economics journal has exposed even more economists to the concept of virtue.³

*Economics and the Virtues* contributes to this growing literature with a dozen original essays on the importance of virtue ethics for economics. Our contributors, drawn from prominent philosophers and economists around the globe, reveal novel connections between scholars in the virtue tradition, ranging from Aristotle to Alasdair MacIntyre, and economic thought, theory,
and methodology. The combination of the time-tested ethics of virtue, with its focus on the person, character, and judgment, with deep thinking on the history, theory, and practice of economics, is certain to further discussion on the moral and humanistic foundation of economics as we continue through the twenty-first century.

This book is divided into three parts. The essays in Part I, “Approaches to Virtue and Economics,” focus on both the proven and potential impact on economics of five key thinkers or schools within the ethics of virtue. In “Aristotelian Virtue Ethics and Economic Rationality,” Christian Becker, with one eye on today’s economic methodology, submits for analysis Aristotle’s seminal contribution to economics and human reasoning. In “The Epicureans on Happiness, Wealth, and the Deviant Craft of Property Management,” Tim O’Keefe offers up the Epicurean method of reconciling economics and virtue, one rarely considered today, despite the influence of the approach’s hedonism and materialism. In “Economic Good as Indifferent: The Stoics’ Radical Approach,” Jennifer A. Baker suggests that only a Stoic approach, with its account of virtue along with an account of goods “indifferent” to virtue, can reconcile ethics to behavior in markets. In “Adam Smith on Virtue, Prosperity, and Justice,” James Ottersen walks readers through the complexities of Smith’s account of ethics and then defends the viability of Smith’s own notion of economic justice against modern arguments based on social justice. Finally, in “The Virtues of a Kantian Economics,” Mark D. White defends a reading of Immanuel Kant’s ethics as “virtue-ous” and offers an account of moral judgment, based on Kantian ethics as well as the jurisprudence of legal philosopher Ronald Dworkin, which focuses on character, a key concern of virtue ethicists.

The essays in Part II, “Virtue and Economics in Theory,” examine the history, methodology, and theory of economics and find numerous threads of virtue in past writing and future developments. In “On Virtue Economics,” Michael Baumann and Geoffrey Brennan argue, against previous claims to the contrary, that virtue is of relevance to economics in several different ways and for both normative and explanatory reasons. In “The Separation of Economics from Virtue: A Historical–Conceptual Introduction,” Eric Schliesser takes us from Sidgwick to twentieth-century debates over economic methodology in order to explain why virtue, in the Smithian sense, is no longer considered germane to economics (though virtue of a sort still is). Finally, in “The Space Between Choice and Our Models of It: Practical Wisdom and Normative Economics,” Andrew Yuengert carefully describes the gap between the formal analysis of choice in economic modeling and the reality of human decision-making, emphasizing the practical significance of this gap, and suggesting that the Aristotelian notion of practical rationality might fill the breach.

The essays in Part III, “Virtue and Economics in Practice,” explore the interrelationships between markets, profits, and justice, all in the context of
virtue and vice. In “Virtues of Productivity versus Technicist Rationality,” Christine Swanton challenges the omission of productive virtues from modern accounts of virtue ethics, referencing both Alasdair McIntyre and Ayn Rand in her critique of an overly “technicist” read of practical rationality and, in the process, expanding the way we think about reason and virtue. In “Virtues as Social Capital,” David Rose proposes that we conceive of virtue both as social capital and as a public good, predicting when certain types of virtue will be underprovided and how we can address this. In “Can Trust, Reciprocity, and Friendships Survive Contact with the Market?” Ginny Choi and Virgil Storr revisit claims made in the eighteenth century by Montesquieu, Paine, and Smith concerning whether commercial society can enhance social bonds and have an “ameliorative” effect on our baser instincts. Finally, in “Do Markets Corrupt?” Jason Brennan looks at the same issue through the perspective of market critics, responding to their arguments with empirical research, which he claims is missing from popular critiques of the market as corruptive of private and civic virtues.

We hope that this collection will advance the ongoing discussion of economics and the virtues, in theory as well as practice. If economics is to retain its identity as a humanistic social science, it needs a humanistic core of ethics to support both its positive and normative aspects. Technique is of crucial value, but that value is greatly reduced if it is not joined with prudence. Knowing what to do is necessarily prior to knowing how to do it, and an ethics of virtue is ideally suited to helping us decide what we ought to do.

NOTES
