



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

GLOBAL DEVELOPMENT AND ENVIRONMENT INSTITUTE

WORKING PAPER NO. 12-07

---

**Poisoning the Well, or How Economic Theory Damages  
Moral Imagination**

Julie A. Nelson

October 2012

---

*Drafted for submission to The Oxford University Press Handbook on Professional  
Economic Ethics, ed. George DeMartino and Deirdre McCloskey*

---

Tufts University  
Medford MA 02155, USA  
<http://ase.tufts.edu/gdae>

*View the complete list of working papers on our website:*  
[http://www.ase.tufts.edu/gdae/publications/working\\_papers/index.html](http://www.ase.tufts.edu/gdae/publications/working_papers/index.html)

**Abstract:**

Contemporary mainstream economics has widely “poisoned the well” from which people get their ideas about the relationship between economics and ethics. The image of economic life as inherently characterized by self-interest, utility- and profit-maximization, and mechanical controllability has caused many businesspeople, judges, sociologists, philosophers, policymakers, critics of economics, and the public at large to come to tolerate greed and opportunism, or even to expect or encourage them. This essay raises and discusses a number of counterarguments that might be made to the charge that current dominant professional practice is having negative ethical effects, as well as discussing some examples of the harms inflicted in the areas of law, care work, the environment, and ethics itself.

## **Poisoning the Well, or How Economic Theory Damages Moral Imagination**

**Julie A. Nelson**

### **What if....?**

Let's begin with a thought experiment. *What if* the following were true?

- *What if* people might act out of social and other-regarding concerns, as well as reasonable self-interest in their economic lives, but are pushed by the economic theory of self-interested utility maximization to believe that it is permissible—and perhaps even appropriate—to be irresponsible, opportunistic, and selfish in when participating in markets?
- *What if* business leaders might pay attention to the implications of their decisions for workers, communities, the environment, and others who are affected by their firm's actions, but economic theory encourages them to believe that they should—and in fact *must*--focus on getting every last dollar of profit possible?
- *What if* we all live in a world that is deeply interdependent, fundamentally unpredictable, and even rather dangerous, but economic theory lulls us into a false confidence that prevents us, as individuals and societies, from taking actions that might prevent dramatically harmful outcomes?
- *What if* the way in which economic theory has directed our attention towards self-interest and predictable "laws" and "mechanisms" has contributed in a major way to economic upheavals and human suffering, including financial crises, environmental deterioration, and a resource-starved care sector?
- *What if* the belief in the tenets of economic theory have become so widespread, that even those who seek a more humane and sustainable world suffer from a severe dearth of moral imagination when it comes to commerce?
- *What if*, in short, economic theory creates myths that strengthen the hands of the most powerful, greedy, and short-sighted economic actors, while needlessly undermining normal human ethical sensibilities and normal human aspirations for a society that is prosperous, just, and sustainable?

If one follows the thought experiment and at least momentarily accepts these premises and the characterizations of economic theory, then the conclusion that there is something ethically troubling about a profession that promotes such an economic theory is inescapable.

But are these premises and the conclusion correct? This essay argues that they are, and that contemporary mainstream economics, which centers around notions of utility- and profit-maximization and mechanism, is having hugely negative effects on human society. But many people will not agree. Among the objections that may immediately be raised to the this line of argument are:

- Commercial life really doesn't require ethical concern.
- Commercial life really doesn't permit ethical concern.
- The assumptions of economic theory are required for scientific rigor.
- Economic theory is broader than that.
- So what if economics is narrow? Something else will fill the gaps.

This essay examines each of these in turn.

## **"Commercial Life Really Doesn't Require Ethical Concern"**

First, it may be argued that commercial and market behavior *really doesn't* require ethical concern. Economists, from Classical times up through Neoclassical and much present teaching, have tended to promulgate a vision of economic life as qualitatively similar to the phenomena studied by classical Newtonian physics. The image of economies as value-free, a-social, controllable systems whose "mechanisms" are driven by the "energy" of individual self-interest has become so much a part of the air we breathe and water we drink that it is rarely questioned.

Historically, Adam Smith's famous passage in *The Wealth of Nations*, is, of course the most cited quote used by those who argue for this view: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages." While Smith himself was a much more sophisticated ethical thinker, this one passage has since been blown up into a whole philosophy about how individuals' pursuit of their own self-interest will made, by the amazing mechanism of a self-regulating market system, to serve the common good. Perhaps nearly as often cited is Milton Friedman's assertion that "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible" (1982, 133). From such a perspective, explicit consideration of ethics is all or largely unnecessary.

And these ontological beliefs about the nature of market-using, capitalist economies are not confined only to very politically conservative economists, such as Friedman's or others of the University of Chicago school of economics. They also ground the thinking

of many who are in favor of a greater role for community-feeling and action at a societal level. Political liberals who call on governments to serve the public interest by appropriately “intervening” in “the economy” are coming from the same basic perspective. This very phrasing suggests that the economy is imagined to be a freestanding, fundamentally private, mechanical, and ethics-free sphere, into which a public-spirited state must enter from the outside. Development economist Partha Dasgupta, for example, has set out a hard-and-fast dichotomy between the market sphere, in which he claims that self-interest is appropriate and “we should not worry about others,” and the public sphere, in which concern for others is appropriate (2005, 247; 2007, 151). *Within* the market sphere, it seems, we are justified in adopting an attitude that has been described by Amartya Sen and Jean Drèze as “complacent irresponsibility” (Drèze and Sen 1989, 276).

Before examining these beliefs more closely, let us examine how they have spread beyond the economics profession.

### **"Commercial Life Really Doesn't Permit Ethical Concern"**

The belief, preached by economists, that capitalist or market-using economies are fundamentally systems set apart from human ethics is also shared by many who entirely condemn capitalist systems as immoral and a source of evil. To such critics, the (assumed) fundamentally selfish, profit-driven, and mechanical nature of these means that moral action within them is impossible. Classical economist Karl Marx, for example, followed Smith in adopting mechanical metaphors, creating among his followers firm beliefs in the “inherent dynamics of capitalism,” the “logic of markets,” and the “forces of capital accumulation.”

The writings of sociologist and philosopher Jürgen Habermas have more recently been influential in disseminating this view. Habermas distinguished what he called the “lifeworld” arena of communicative action from the “system” arena driven by unconscious, objectifying forces (Habermas 1981). The lifeworld, Habermas claimed, is the area of truly social public and private life, and the arena of norms, aesthetics, and conscious and deliberative action. Systems, on the other hand—in which Habermas included both economies and state bureaucracies—are “steered by” the nonhuman media of money or power (Habermas 1981, 164). Within the latter, people are dehumanized—“stripped of personality structures and neutralized into bearers of certain performances” (308).

As a result of sharing the belief in that capitalist systems are fundamentally mechanical, much of the “critical” literature tends to fall into a pattern of simple reactivity in prescribing solutions. If economists and capitalists are pro-growth, then critics must be diametrically anti-growth; if the conventional approach is pro-globalization and large-scale, then critics must be diametrically pro-local and small-scale; if current elites are pro-technology, critics must be diametrically Luddite and anti-technology; if policy debates focus on humans in industrialized societies, critics must

diametrically venerate the wilderness, indigenous and non-human species; if those in control praise profits and private property, those who want change must advocate a complete disavowal of both (e.g., Norberg-Hodge 2002; Bookchin 2005; Watson 2005). Or so it is thought. Salvation is therefore sought in some radically different sort of system—for example, worker-run, communitarian, non-monetized and/or local. Corporate leaders are demonized, current-day economic systems are given up for lost.

But are these beliefs factually supported? Consider, for example, that a key element in Habermas's theory is a belief that money is a neutral, a-social medium. But this belief does not hold up under closer examination. Habermas claims that because money is backed up by “gold or means of enforcement” (1981, 270), it therefore does not require social, communicative agreements or legitimation (272). In fact, however, there hasn't been an international gold standard since the early 1930s, and money has long been a quintessential social construction: It has value precisely and only because (or when) people believe it has value. Those close to the actual management of national or regional monetary systems are, in fact, deeply concerned with issues of beliefs, expectations, credibility, reputation, legitimacy, and the problems of collective decision-making (King 2004). Money and markets are thoroughly human and social creations.

In addition, as common-sense observation suggests, and research confirms, humans demonstrate pro-social as well as self-interested motivations in economic situations (Folbre and Nelson 2000; Fehr and Falk 2002), and diverge widely from the sort of decision-making assumed in models of “economic man” (Kahneman 2003). Actual observation of human behavior, in business and markets as elsewhere, reveals a mix of motivations which can in regard to ethics often be summarized as “neither selfish nor exploited” (Margolis 1982) or “pragmatic” (Dees and Cramton 1991; Gentile 2010). These terms describe most people's inclination to act in pro-social ways as long as they are confident that others will act pro-socially as well, but to retreat into self-defense if they perceive others as selfish and ready to exploit their goodwill.

Businesses and markets are, in fact, social organizations within which people have to cooperate, have to get along, and to which people bring their whole complex bundle of values and aspirations—for good or ill (de Goede 2005; Nelson 2006; Healy and Fourcade 2007; Zelizer 2011). Serious scholars are increasingly noticing that a regard for ethics is absolutely required for sustained economic functioning (even though the teaching of economics may simultaneously serve to undercut it) (e.g., Stout 2011). In a world in which information is always too limited, and the future is always fundamentally unpredictable, short-term greed and opportunism crash the system rather than sustain it. Modern capitalist economies have probably only functioned as well as they have, so far, because many people in their daily lives have not bought into the “greed is good” mentality. The evidence tells us that to the extent real-world economies neglect issues of honor and integrity, the result is not a well-functioning machine, but rather a human-suffering-creating disaster (Smith 2010). While much maligned by people on the both the political right and left who believe that it is the essential nature of firms to maximize profits, many commentators—including many who have more direct experience than economists with the working of business organizations—emphatically reject this

mechanical and ethics-free image of the firm. The long tradition of "corporate social responsibility," along with stakeholder approaches (Freeman 1984) and approaches that investigate the roles of values and vision (Collins and Porras 1994; Paine 2002), offer richer perspectives.

The claim here is not that people or corporations can be counted on to always be good, moral, altruistic, or public-spirited. Such claims would be just as one-sided as assuming that they are always self-interested, greedy, and opportunistic.<sup>1</sup> The argument here is that people do not lose their status as social and ethical beings—with all the complexity and mixed motivation that implies—simply because they have entered the commercial realm. Likewise, business firms are not asocial machines operating in a vacuum, but are fully social entities with complex internal workings and which operate in deep interdependence with the ethical mores of the culture in which they participate.

Those who believe economists' ideas about commerce not requiring, or not permitting, ethical concern probably assume that such assertions originated in careful investigation of real-world markets and organizations. Nothing could be further from the truth. Rather, they grew out of a methodology-driven aspiration of economics to be more like physical scientists.

## **"The Assumptions are Required for Scientific Rigor"**

Perhaps it might be admitted that some of the premises of the opening statements of this essay are true—that is, that individuals, firms, and the world really are more complex than core economic theories allow. But then it may be argued—ethical ramifications notwithstanding—that the assumptions of self-interest, profit maximization, and mechanical control are required in order for the “science” of economics to be “objective” and “rigorous” (e.g., Persky 1995; Caplin 2008). These assumptions allow economic life to be studied using methods from fields such as geometry (involving theorem and proof) and especially classical Newtonian physics (involving maximization or minimization of mathematical functions using calculus and other tools). Even if the world is not a machine, "science" may seem to demand that we concentrate only on its machine-like aspects.

A key moment in the development of this belief occurred with John Stuart Mill's 1836 essay “On the Definition of Political Economy.” In this essay, Mill attempted to carefully distinguish economics from the physical sciences and technology, from ethics, and from a more general study of social behavior. Those realms of human life were consigned by Mill to other disciplines, so that Political Economy could 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” (1836, 38)—that is, as rational, self-interested "economic man." Mill believed that this separation of a very thin slice of

---

<sup>1</sup> Note that the claim here is not that profits and ethics always coincide (e.g., Eisler 2008), nor that capitalism creates its own requisite social norms (McCloskey 2006). Such arguments go beyond the arguments of the current paper, to err on the side of a too *close* relationship of economics and ethics.



human behavior for analysis was required by the nature of *science*—and the model for science, in his mind, was geometry. Mill, to his credit, argued that in any application 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, but rather his idea that Political Economy must become an axiomatic-deductive and mathematical 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 formalize Mill's idea of the "desire for the greatest amount" of wealth in terms of the (Newtonian-physics-like) maximization of mathematical profit and utility functions. Alfred Marshall's systematization of the neoclassical approach, and economist Lionel Robbins (1935) precedent-setting definition of economics as the science of choice-making in the face of unlimited wants and scarce resources, further consolidated the mechanical view. The idea that analyzing the economic "machine" using mathematical tools yielded analysis that is "scientific," "objective," and "rigorous" continued to gain ground during much of the 20<sup>th</sup> century.

Yet the idea that abstract mathematical tools somehow on their own grant "objectivity" and "rigor" is an extremely odd one. Logic and mathematics assure that a model is internally consistent, which is a quite different thing from assuring that it says anything useful or relevant about the real world. The notion that objectivity is somehow guaranteed by a position of abstraction and detachment has been challenged by numerous philosophers of science (e.g., Keller 1985; Longino 1990; Sen 1992; Kitcher 2011). The opposite of science is not "softer" social sciences, or even art, literature, or spiritual practice—all of which are simply complementary modes of seeking understanding and expression of areas of human experience where more mathematical sciences cannot reach.

The opposite of science is dogma—the situation in which minds close around a particular set of beliefs and refuse to show curiosity about new evidence or alternative viewpoints. Yet the physics-imitating mode of hegemonic economic practice is precisely such a dogma, with its true believers remaining tightly wedded to particular metaphysical assertions about human psychology and organizational behavior long after other research has shown the assertions to be largely false and/or unhelpful. There are better alternatives. A more sensible notion of scientific rigor defines reliable knowledge as that which passes the test of evaluation by larger, more diverse communities that bring to bear a variety of perspectives (e.g., Keller 1985; Longino 1990; Sen 1992; Kitcher 2011). An economics profession that acknowledges the deeply social, interdependent, and uncertain aspects of economic life would, then, also be one that is more truly scientific.

## **"Economic Theory is Broader than That"**

But then again, it might be argued that the premises about human and organizational behavior being ethically richer are correct, but that the characterization of economic theory given in this essay is false—that economic theory really is more broad, open, subtle, and engaged than pictured in the arguments just discussed.

To some extent this is a correct critique: The characterization above refers only to the core Neoclassical theories about utility-maximizing consumers and profit-maximizing firms that characterize the mainstream of economics in most Western (and increasingly Eastern) industrialized countries. The broader development of economic thought includes not only Neoclassical approaches but also heterodox approaches such as Institutional, Marxist, Austrian, Post-Keynesian, social, and feminist economics. It also includes explorations at the edges of the mainstream, such as new institutional and behavioral economics. There certainly exist elective courses and graduate and professional seminars that do not conform to the narrow view.

But the reality is that the simplistic view of economics dominates at all levels of economics education, as attested to by the cookie-cutter content of the most popular K-12 teaching materials, standardized tests, university introductory and intermediate microeconomic and macroeconomic theory textbooks, and graduate "core" theory courses (Nelson and Sheffrin 1991; Fullbrook 2003; Maier and Nelson 2008; Green 2012). Despite protests by students (Fullbrook 2003; Romero 2011) and efforts to broaden economics education (Groenewegen 2007; Goodwin, Nelson et al. 2008; Goodwin, Nelson et al. 2008; Nelson and Goodwin 2009; Reardon 2009), this hegemony continues.

The narrow view also dominates in economic policymaking, as attested to by the academic credentials and expressed views of most high office-holders. As discussed above, simplistic views of the economy have also come to dominate thinking about commerce in fields such as sociology and philosophy, when the discussion turns to the "system" arena of economics; and in popular thought, as demonstrated by many discussions of economics in the media.

In this sense, what is or is not believed by individual, sophisticated economists is not particularly important. To the extent that anyone who calls himself or herself an economist still *allows* the radically simplistic and ethically harmful aspects of economic theory to be disseminated, without strenuous challenge, we participate in the damage.

## **"So What if Economics Is Narrow? Something Else Will Fill the Gaps"**

Academic economists, it might be thought, are only responsible for *this* understanding of the economy. The fact that *this* understanding may be crowding out other understandings is not, it may be thought, our responsibility. Like Mill, we may believe that our bailiwick is "economic man," while somebody else's bailiwick is "ethics." Perhaps a purely public-interested State will arrange for public well-being. Or

perhaps ethics may be thought of as the realm of philosophical theories of justice. Or the care of families or charitable work will provide a "haven in the heartless world" of competitive capitalism, or commonsense ethical sensibilities will hold sway in the street, even if they do not in the seminar room. Economics can stay as it is, perhaps, while something else takes up the slack.

A few recent examples, however, should lead one to doubt whether any of these "something else" factors envisioned as filling the gap is itself free enough from the poison, or from other flaws, to be an effective counterbalancing force.

### *The State*

Do law and the state rein in the opportunism and greed encouraged by core economic theories? In a striking case of life imitating fiction, consider the 2005 United States court case "Re the Walt Disney Company Derivative Litigation." Former Disney president Michael Ovitz had been granted a severance pay in an amount that the court acknowledged was "breathtaking" (2005, 6). A group of shareholders subsequently sued, alleging that when the CEO and board approved his pay and severance packages, they were self-serving, and thus breached their fiduciary duty to act on behalf of the corporation.

The mechanical model says that "firms maximize profits," and profit maximization, or maximization of shareholder wealth, is widely (and erroneously) believed to be mandated by law and enforced by the courts, and/or enforced by market competition (see discussions in Nelson 2006; Bratton 2011; Nelson 2011). Meanwhile, economist's "principal-agent theory" has justified enormous growth in the compensation packages for corporate executives in the United States, based on the argument that they must be financially "incentivized" to work on behalf of their firms.<sup>2</sup>

The Disney case was, in fact, the classic sort of shareholder derivative suit that many imagine to be effective in *enforcing* profit maximization. The rhetoric of the decision makes it clear that presiding judge William B. Chandler believed that, as a metaphysical issue, increasing shareholder value is, indeed, the proper purpose of a corporation. But did Judge Chandler's ruling confirm that profit-maximization is legally enforceable—that is, that executives who take high compensation at the expense of shareholders should be reprimanded or punished by the courts? Far from it! The judge ruled *against* the shareholder plaintiffs, on the grounds that "[t]he redress for failures that arise from faithful management must come from the *markets*, through the actions of shareholders and the *free flow* of capital" and *not* from the courts (2005, 7, emphasis added). Concluding that the decision-makers' actions, while falling "significantly short of the best practices of idea corporate governance," did not constitute gross negligence, he invoked a longstanding tradition of deferring to the greater knowledge of a business's managers (2005, 3). Enforcement of "best practices," he said, should be left up to the free market.

That is, rather than asserting shareholder primacy as a principle enforceable in the courts, the court in *Disney* leaves the enforcement up to Chicago-style "self-regulating"

<sup>2</sup> Apparently, the feeling that one has a moral obligation to earn one's pay has gone out the window.

markets. Following the Chicago line, this court found that there was no need for "interference" by any state organization—including *the court itself*. This is a rather stunning result: the law-and-economics approach at this point devolves into a situation where legal institutions themselves are largely seen as redundant.

This is one extreme: The state eviscerated by the spread of narrow economic dogmas. Zelizer (2005; 2011) has called this "nothing but" thinking, in which a belief in rational self-interest and impersonal markets pervades all spheres. But the opposite extreme, of holding The State up as the icon of all that is good, true, and public-spirited (vis a vis presumably individualist markets) can be equally dangerous, as it relies on assumptions of state beneficence, state ability, and moral purity of state workers that also fly in the face of fact, history, and the complexity of human motivations. Rather than debates about which is more virtuous (or more evil), markets or states, a more mature ethical discussion would be about how to structure and encourage *both* sorts of institutions to promote *both* healthy levels of opportunities for individuals *and* beneficial levels of community solidarity and sustainability.

### ***Theories of Justice***

What are the ethical responsibilities of sovereign nations? How can we expect nations to behave, in regards to, for example, climate change? Here again, economic thinking is having a perverse effect. A number of scholars of economics, law, and politics have extended an "economic man" approach to thinking about governments, considering states as simply "economic man" writ large.

Eric Posner and David Weisbach's wildly mis-named 2010 book *Climate Change Justice*, for example, is a precisely-argued exposition of such a position. They make national self-interest foundational: "we need to think about how to solve the climate problem in a way that even selfish states would agree to" (2010, 138). Any proposal must, by their lights, satisfy the "the principle of International Paretianism: all states must believe themselves better off by their lights as a result of the climate treaty" (6). Distributional goals are set aside as the topic of some other discussion, to take place elsewhere. The stonewalling of international climate policy by the United States is excused as a case of the U.S. "just trying to exercise its bargaining power," which they regard as simply a "common state behavior" (114). Notions of collective responsibility are dismissed as being contrary to the "standard assumption" of individualism (101). They conclude that "an optimal climate treaty... could well require side payments" not to poor countries, but "to rich countries like the United States" (86).

But to whom are the assumptions of self-interest and individualism "standard"? They are standard—and *peculiar*—to those who think of the world in "economic man" terms. Envision a book along these lines called *Schoolyard Justice*. Picture a school playground in which a big, tough bully has taken control of all of the balls and bats, and refuses to share. What principle should be applied to straighten things out? Well, first, of course, we would have to grant the bully the right to keep all that he has amassed. Perhaps all the

other kids could pool their lunch money, and bribe the bully to lend them a ball. That doesn't leave a whole lot of work for the "justice" part of the book title to do, does it?

However, not even Posner and Weisbach, it turns out, can completely ignore the fact that we need some elements of ethics in our behavior. While their ideal treaty would be in the self-interest of every country, countries would afterwards, they argue, be under a strict ethical obligation to abide by the treaty (170). How convenient, for the countries that have been well-off all along.

Dogmatic economic poison in the form of "nothing but" thinking leads to a belief that nations will inevitably try to shape policy in ways that serve their own interests, where "interests" are largely defined in terms of short-run economic growth. Yet, if every nation sets this as a goal in climate change negotiations, we are—to use a particularly apt colloquialism—cooked. This situation is not at all helped by the fact that mechanical analogies have given economists an illusion of control that is wildly out of place when applied to complex natural systems and a highly uncertain future (Nelson 2011 (on-line); Nelson 2012).

### *The Caring Sphere*

With the rise of industrialization during the Victorian era, a "separate spheres" ideology grew up. Industry and commerce came to be thought of as masculine realms of competition, rationality, and self-interest. The harsh edges of this dog-eat-dog existence were to be tempered, however—at least for the middle-class and rich—by the presence of "the angel in the house." The realm of households, wives, and children was envisioned as non-economic, cooperative, emotional, and caring. The economic realm could go on being harsh *because* families would take up the slack. Or, in other versions, it may be thought that local communities, non-profit organizations, or private charity will step in to take care of the ethical slack left by the mechanical economy.

In Chicago-style economics, one example of this is Gary Becker's (1981) "altruist": The self-interested actor in the market magically turns into the generous head-of-household as he steps through the door of the home. Another line of economics has adopted the "nothing but" assumption that people are just as rational and self-interested at home as elsewhere, resulting in models of household bargaining. A third line of argument divides motivations along occupational (and gender) lines: While it is assumed that (mostly male) business executives and most other workers are self-interested and need to be incentivized with money to do their jobs, workers who provide personal care—such as nurses and child-care workers (mostly female)—are assumed to be motivated by love alone. In fact, some of this literature suggests that the way one gets the best workers in these latter fields is to pay them badly, because that is how one makes sure only people with genuine caring motivations take the jobs (see discussions in Folbre and Nelson 2006; Nelson 2011). What seems to be forgotten in these discussions is that nurses and child-care workers need to eat. An intellectual bifurcation of the world into radically distinct non-caring and caring sectors is—among other ill-effects—contributing to a

massive shortage of resources in, and exploitation of, unpaid and low-paid caring labor (Folbre 1994; Benería 2003).

How long can this exploitation go on? A basis assumption behind the "separate spheres" model is that caring services are assumed to—much like the services of the natural environment—arise effortlessly and endlessly, without any need for attention by those in power in economic and political life. But if all the incentives of money and respect are pointing towards the (presumed) "uncaring" sphere as the road to personal and family comfort, the patience of caring workers is sorely tried. "I love my job, but I'm about to leave it" is, in fact, a sentiment often found among low-paid caring workers (Modigliani 1993)—and especially the most competent ones, who have other opportunities. If we lose the moral imagination that allows us to see people as possibly caring in and through their labor market roles, and as needing and meriting substantial financial resources in and because of caring work, we endanger the support system for our very lives.

### ***Commonsense Ethical Sensibilities***

Contemporary cognitive psychology and neuroscience have suggested that human behavior arises from "dual processes" in the brain: one process that acts quickly based on bodily emotional signals, and another process that is slower and more deliberative. In relation to ethics, research suggests that moral judgment is—initially at least, and often entirely—more a matter of the former, or affective moral response, than of the latter, or moral reasoning (Greene, Sommerville et al. 2001; Haidt 2001; Greene and Haidt 2002). Moral reasoning, rather than being part of the process of coming to a judgment, is more often—as a practical and empirical matter—involved in possible *post hoc* justifications of a judgment already arrived at intuitively. 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. Emotion is a motivator: 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 (Warren 2000; Haidt 2001, 112).

Yet the emotional aspects of moral judgments are not "anything goes"—that is, merely whims experienced, subjectively and randomly, by individuals. Rather, they tend to be formed out of the experience and knowledge of larger cultures (Haidt 2001; Gigerenzer 2007). Researchers have identified three clusters of moral intuitions that seem to function cross-culturally. Individualistic principles, such as the principle of individual freedom that implicitly underlies conventional economics (e.g., in the form of support for individual choice, Pareto Efficiency, and "free markets") is but one cluster. The second cluster revolves around community, loyalty, in-groups, hierarchy, and wise leadership. The third emphasizes divinity and purity (Haidt 2006, 188; Gigerenzer 2007, 187). Unlike individual goals that can be traded off, issues related to community and purity are usually perceived of as in some way non-negotiable and absolute—or, as put by Gigerenzer, "not up for sale" (2007, 206).

What is the effect, then, of conventional economic reasoning, which reinforces the idea that economic life is only about rational individual choice, impersonal money, and self-interested calculation? It both undermines the emotional base for much actual moral action, and focuses attention away from norms related to community or sacredness. Research now suggests that putting people in an analytical rather than feeling frame of mind—for example, having people do calculations in advance of being asked to make a choice—can lead to a fading of ethical concerns and ethical emotions such as guilt (Zhong 2011). People seem to act more generously when they are *not* given time to engage in ratiocination (Rand, Greene et al. 2012). Framing a decision as being merely "business" or "legal" or otherwise (presumably) "technical," it seems, now tends to draw our attention away from its moral aspects (Bazerman and Tenbrunsel 2011). To the extent, then, that people associate economics with calculation and impersonality, the bodily responses we generally rely on to alert ourselves to ethical concerns may become even more suppressed. Also, to the extent that people seem to behave more self-interestedly as they believe others are doing the same (Margolis 1982), economists' images of ubiquitous self-interest can become a self-fulfilling prophecy (Frank, Gilovich et al. 1993).

But defining economics around models of individual rational choice is only one option. A far better one, with a longer history, is to think of economics as being about how societies organize themselves to support human life and its flourishing (Nelson 1993)—or about how they fail to do so. Such a "provisioning" definition of economics encompasses both markets and families, both money and care. The neurological and psychological research reveals that when we say that economics is about "rational choice in the face of scarcity," we stack the deck in favor of individualism and selfishness. Contrast this to saying that economics is about "who gets to eat and who does not." The latter packs a visceral punch and directs us towards investigating social relations.

## **Conclusion**

Economists' self-assured pronouncements about basic economic "laws" and "mechanisms" have had a tremendous effect on the thinking of many non-economists, including businesspeople, judges, sociologists, philosophers, and the public at large. In regard to ethics, this effect has been very negative, encouraging the belief that business and commercial life are intrinsically moral (due to the "invisible hand"), immoral (due to an elevation of greed and profit), or a-moral (due to a presumed a-social, mechanical nature). But the very image of the economy as mechanical was simply an invention of economists. The economy is, in reality, deeply social and dynamic, and is as moral or immoral as we make it through our own individual, business, and public actions.

This essay is not an *ad hominem* ethical indictment of individual economists. The aspirations behind some of the most bizarre and harmful turns taken by the economics discipline may actually have been laudable at some place and time, and from some angle. For example, aspirations towards objectivity and individualism can indeed be good counteractives to sloppy assertions and overbearing communitarianism. It is not that

economists as a group have sought to do harm (though some may be opportunistic), but the fact that the values pursued are *unbalanced* (Nelson 1996) that has led to deep injuries to our moral imaginations. Economists share a general responsibility as a profession: To the extent we do not explicitly reject and combat the one-sided assumptions of neoclassical orthodoxy, and work to replace them with more ethical (and realistic) alternatives, we perpetuate the drinking of poisoned water.

To non-economists, this essay is intended to encourage a certain skepticism about economics as it has been taught, and also skepticism about the messages of many who call solely on government action or utopian transformation for ethical relief. It is meant to encourage moving beyond simplistic ideas of into realizing that economic life is what we make it. Engagement with ethical issues could improve our economic lives, right here and right now.

*Julie A. Nelson is a Senior Research Fellow at the Global Development and Environment Institute, Tufts University, and a Professor of Economics at the University of Massachusetts, Boston. She received her Ph.D. in Economics from the University of Wisconsin. Inquiries can be directed to [Julie.Nelson@tufts.edu](mailto:Julie.Nelson@tufts.edu).*



## References

- (2005). In Re The Walt Disney Company Derivative Litigation. 907 A.2d 693, Delaware.
- Bazerman, Max H. and Ann E. Tenbrunsel (2011). *Blind Spots: Why We Fail to Do What's Right and What to Do About It*. Princeton, Princeton University Press.
- Becker, Gary S. (1981). *A Treatise on the Family*. Cambridge, Mass., Harvard University Press.
- Benería, Lourdes (2003). *Gender, Development, and Globalization: Economics as if People Mattered*. London, Routledge.
- Bookchin, Murray (2005). What is Social Ecology? *Environmental Philosophy: From Animal Rights to Radical Ecology*. M. E. Zimmerman, J. B. Callicot, K. J. Warren, I. J. Klaver and J. Clark. Upper Saddle River, Pearson Prentice Hall: 462-478.
- Bratton, William W. (2011). "At the Conjunction of Love and Money: Comment on Julie A. Nelson, Does Profit-Seeking Rule Out Love? Evidence (or Not) from Economics and Law." *Washington University Journal of Law and Policy* 35: 109-115.
- Caplin, Andrew (2008). Economic theory and psychological data: Bridging the divide. *The Foundations of Positive and Normative Economics: A Handbook*. A. Caplin and A. Schotter. Oxford, Oxford University Press: 336-372.
- Collins, James C. and Jerry I. Porras (1994). *Built to Last*. New York, Harper Business.
- Dasgupta, Partha (2005). "What do Economists Analyze and Why: Values or Facts?" *Economics and Philosophy* 21: 221-278.
- Dasgupta, Partha (2007). *Economics: A very short introduction*. Oxford, Oxford University Press.
- de Goede, Marieke (2005). "Resocializing and Repoliticising Financial Markets: Contours of Social Studies of Finance." *Economic Sociology: European Electronic Newsletter* 6(3).
- Dees, J. Gregory and Peter C. Cramton (1991). "Shrewd Bargaining on the Moral Frontier: Toward a Theory of Morality in Practice." *Business Ethics Quarterly* 1(2): 135-167.
- Drèze, Jean and Amartya Sen (1989). *Hunger and Public Action*. Oxford, Clarendon.
- Eisler, Riane (2008). *The Real Wealth of Nations: Creating a Caring Economics*. San Francisco, Berrett-Koehler Publishers.
- Fehr, Ernst and Armin Falk (2002). "Psychological foundations of incentives." *European Economic Review* 46: 687-724.
- Folbre, Nancy (1994). *Who Pays for the Kids? Gender and the Structures of Constraint*. London, Routledge.
- Folbre, Nancy and Julie A Nelson (2000). "For Love or Money - Or Both?" *Journal of Economic Perspectives* 14(4): 123-140.
- Folbre, Nancy and Julie A. Nelson (2006). "Why a Well-Paid Nurse is a Better Nurse." *Nursing Economics* 24(3): 127-130.
- Frank, Robert H., Thomas Gilovich, et al. (1993). "Does Studying Economics Inhibit Cooperation?" *Journal of Economic Perspectives* 7(2): 159-171.
- Freeman, R. Edward (1984). *Strategic Management: A Stakeholder Approach*. Boston, Pittman.

- Friedman, Milton (1982). *Capitalism and Freedom*. Chicago, University of Chicago Press.
- Fullbrook, Edward, Ed. (2003). *The Crisis in Economics: The post - autistic economics movement: the first 600 days* Economics As Social Theory Series. New York, Routledge.
- Gentile, Mary C. (2010). *Giving Voice to Values: How to Speak Your Mind When You Know What's Right*. New Haven, Yale University Press.
- Gigerenzer, Gerd (2007). *Gut Feelings: The Intelligence of the Unconscious*. NY, Penguin Books.
- Goodwin, Neva, Julie A. Nelson, et al. (2008). *Microeconomics in Context*. Armonk, NY, M.E. Sharpe.
- Goodwin, Neva, Julie A. Nelson, et al. (2008). *Macroeconomics in Context*. Armonk NY, M.E. Sharpe.
- Green, Tom L. (2012). "Introductory economics textbooks: what do they teach about sustainability?" *International Journal of Pluralism and Economics Education* 3(2): 189 - 223.
- Greene, Joshua D., R. Brian Sommerville, et al. (2001). "An fMRI Investigation of Emotional Engagement in Moral Judgment." *Science* 293(Sept 14): 2105-2108.
- Greene, Joshua and Jonathan Haidt (2002). "How (and where) does moral judgment work?" *Trends in Cognitive Sciences* 6(12): 517-523.
- Groenewegen, John, Ed. (2007). *Teaching Pluralism in Economics*. Cheltenham, Edward Elgar.
- Habermas, Jürgen (1981). *The Theory of Communicative Action*. Boston, Beacon.
- Haidt, Jonathan (2001). "The Emotional Dog and Its Rational Tail: A Social Intuitionist Approach to Moral Judgment." *Psychological Review* 108(4): 814-834.
- Haidt, Jonathan (2006). *The Happiness Hypothesis: Finding Modern Truth in Ancient Wisdom*. New York, Basic Books.
- Healy, Kieran and Marion Fourcade (2007). "Moral Views of Market Society." *Annual Review of Sociology* 33: 285–311.
- Kahneman, Daniel (2003). "Maps of Bounded Rationality: Psychology for Behavioral Economics." *American Economic Review*: 1449-1475.
- Keller, Evelyn Fox (1985). *Reflections on Gender and Science*. New Haven, Conn., Yale University Press.
- King, Mervyn (2004). "The Institutions of Monetary Policy." *American Economic Review* 94(2): 1-13.
- Kitcher, Philip (2011). *Science in a Democratic Society* Prometheus Books.
- Longino, Helen (1990). *Science as Social Knowledge: Values and Objectivity in Scientific Inquiry*. Princeton, NJ, Princeton University Press.
- Maier, Mark H. and Julie A. Nelson (2008). "Testing Economics: Does the National Economics Assessment Test High Schoolers on Economic Literacy or Economic Ideology?" *Dollars & Sense*(275): 24-28.
- Margolis, Howard (1982). *Selfishness, Altruism, and Rationality: A Theory of Social Choice*. Chicago, University of Chicago Press.
- McCloskey, Deirdre N. (2006). *The Bourgeois Virtues: Ethics for an Age of Commerce*. Chicago, University Of Chicago Press.

- Mill, John Stuart (1836). "On the Definition of Political Economy; and On the Method of Philosophical Investigation in That Science." *London and Westminster Review*: 1-29.
- Modigliani, Kathy (1993). Child Care as an Occupation in a Culture of Indifference *Ph.D. dissertation, Wheelock College.*
- Nelson, J. A. (2011 (on-line)). "Ethics and the economist: What climate change demands of us." *Ecological Economics* (<http://www.sciencedirect.com/science/article/pii/S0921800911003041>).
- Nelson, Julie A (1993). The Study of Choice or the Study of Provisioning? Gender and the Definition of Economics. *Beyond Economic Man*. M. Ferber and J. A. Nelson. Chicago, University of Chicago Press: 23-36.
- Nelson, Julie A. (1996). *Feminism, Objectivity and Economics*. London, Routledge.
- Nelson, Julie A. (2006). *Economics for Humans*. Chicago, University of Chicago Press.
- Nelson, Julie A. (2011). "Does Profit-Seeking Rule Out Love? Evidence (or Not) from Economics and Law." *Washington University Journal of Law and Policy* 35: 69-107.
- Nelson, Julie A. (2011). "For Love or Money: Current Issues in the Economics of Care." *Journal of Gender Studies (Ochanomizu University)* 14(March): 1-19.
- Nelson, Julie A. (2012). Is Dismissing the Precautionary Principle the Manly Thing to Do? Gender and the Economics of Climate Change. *INET Research Note*.
- Nelson, Julie A. and Neva Goodwin (2009). "Teaching Ecological and Feminist Economics in the Principles Course " *Forum for Social Economics* 38(2-3): 173-187.
- Nelson, Julie A. and Steven M. Sheffrin (1991). "Economic Literacy or Economic Ideology?" *Journal of Economic Perspectives* 5(3): 157-165.
- Norberg-Hodge, Helena (2002). Buddhism in the Global Economy. *Mindfulness in the Marketplace: Compassionate Responses to Consumerism*. A. H. Badiner. Berkeley, Parallax Press: 15-27.
- Paine, Lynn Sharp (2002). *Value Shift*. New York, McGraw-Hill.
- Persky, Joseph (1995). "The ethology of *homo economicus*." *Journal of Economic Perspectives* 9(2): 221-231.
- Posner, Eric A. and David Weisbach (2010). *Climate Change Justice*. Princeton, Princeton University Press.
- Rand, David G., Joshua D. Greene, et al. (2012). "Spontaneous giving and calculated greed." *Nature* 489(September 20): 427-430.
- Reardon, Jack, Ed. (2009). *The Handbook for Pluralist Economics Education*. London, Routledge.
- Robbins, Lionel (1935). *An Essay on the Nature and Significance of Economic Science*. London, Macmillan.
- Romero, Jake (2011). The Trouble with Principles: Or, How to Not Lose Friends and Alienate People When Learning Economics. *Naked Capitalism*. Y. Smith.
- Sen, Amartya (1992). Objectivity and Position. *The Lindley Lecture, University of Kansas*.
- Smith, Yves (2010). *Econned: How Unenlightened Self Interest Undermined Democracy and Corrupted Capitalism*. NY, Palgrave MacMillan.

- Stout, Lynn A. (2011). *Cultivating Conscience: How Good Laws Make Good People*. Princeton, Princeton University Press.
- Warren, Karen J. (2000). *Ecofeminist Philosophy: A Western Perspective on What It Is and Why It Matters*. Lanham, Maryland, Rowman & Littlefield
- Watson, David (2005). Against the Megamachine: Empire and the Earth. *Environmental Philosophy: From Animal Rights to Radical Ecology*. M. E. Zimmerman, J. B. Callicot, K. J. Warren, I. J. Klaver and J. Clark. Upper Saddle River, Pearson Prentice Hall: 470-495.
- Zelizer, Viviana A. (2005). *The Purchase of Intimacy*. Princeton, Princeton University Press.
- Zelizer, Viviana A. Rotman (2011). *Economic Lives: How Culture Shapes the Economy*. Princeton, Princeton University Press.
- Zhong, Chen-Bo (2011). "The Ethical Dangers of Deliberative Decision Making." *Administrative Science Quarterly* 56: 1-25.

### **The Global Development And Environment Institute**

GDAE is a research institute at Tufts University dedicated to promoting a better understanding of how societies can pursue their economic goals in an environmentally and socially sustainable manner. GDAE pursues its mission through original research, policy work, publication projects, curriculum development, conferences, and other activities. The “GDAE Working Papers” series presents substantive work-in-progress by GDAE-affiliated researchers.

We welcome your comments, either by email or directly to the author or to GDAE:  
Tufts University, 44 Teele Ave, Medford, MA 02155; Tel: 617-627-3530; Fax: 617-627-2409;  
Email: [gdae@tufts.edu](mailto:gdae@tufts.edu); Website: <http://ase.tufts.edu/gdae>.

### **Recent Papers in this Series:**

- 12-07 [Poisoning the Well, or How Economic Theory Damages Moral Imagination](#) (Julie A. Nelson, October 2012)
- 12-06 [A Financial Crisis Manual: Causes, Consequences, and Lessons of the Financial Crisis](#) (Ben Beachy, December 2012)
- 12-05 [Are Women Really More Risk-Averse than Men?](#) (Julie A. Nelson, September 2012)
- 12-04 [Is Dismissing the Precautionary Principle the Manly Thing to Do? Gender and the Economics of Climate Change](#) (Julie A. Nelson, September 2012)
- 12-03 [Achieving Mexico’s Maize Potential](#) (Antonio Turrent Fernández, Timothy A. Wise, and Elise Garvey, October 2012)
- 12-02 [The Cost to Developing Countries of U.S. Corn Ethanol Expansion](#) (Timothy A. Wise, October 2012)
- 12-01 [The Cost to Mexico of U.S. Corn Ethanol Expansion](#) (Timothy A. Wise, May 2012)
- 11-03 [Would Women Leaders Have Prevented the Global Financial Crisis? Implications for Teaching about Gender, Behavior, and Economics](#) (Julie A. Nelson, September 2012)
- 11-02 [Ethics and the Economist: What Climate Change Demands of Us](#) (J. A. Nelson, May 2011)
- 11-01 [Investment Treaty Arbitration and Developing Countries: A Re-Appraisal](#) (Kevin P. Gallagher and Elen Shrestha, May 2011)
- 10-06 [Does Profit-Seeking Rule Out Love? Evidence \(or Not\) from Economics and Law](#) (Julie A. Nelson, September 2010)
- 10-05 [The Macroeconomics of Development without Throughput Growth](#) (Jonathan Harris, September 2010)
- 10-04 [Buyer Power in U.S. Hog Markets: A Critical Review of the Literature](#) (Timothy A. Wise and Sarah E. Trist, August 2010)
- 10-03 [The Relational Economy: A Buddhist and Feminist Analysis](#) (Julie A. Nelson, May 2010)
- 10-02 [Care Ethics and Markets: A View from Feminist Economics](#) (Julie A. Nelson, May 2010)
- 10-01 [Climate-Resilient Industrial Development Paths: Design Principles and Alternative Models](#) (Lyuba Zarsky, February 2010)
- 09-08 [Agricultural Dumping Under NAFTA: Estimating the Costs of U.S. Agricultural Policies to Mexican Producers](#) (Timothy A. Wise, December 2009)
- 09-07 [Getting Past "Rational Man/Emotional Woman": How Far Have Research Programs in Happiness and Interpersonal Relations Progressed?](#) (Julie A. Nelson, June 2009)
- 09-06 [Between a Rock and a Soft Place: Ecological and Feminist Economics in Policy Debates](#) (Julie A. Nelson, June 2009)

*View the complete list of working papers on our website:*  
[http://www.ase.tufts.edu/gdae/publications/working\\_papers/index.html](http://www.ase.tufts.edu/gdae/publications/working_papers/index.html)