

ECONOMICS

for Humans

SECOND EDITION

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Introduction

A very old definition of economics says that it is about the provisioning of goods and services to meet our material needs. That is, economics is about the way we manage our time and money so we can obtain groceries and shelter and thus “keep body and soul together.”

In many discussions of economics, however, it seems that body and soul grow ever farther apart. A particular belief about commerce and its relation to ethics is implicit in many contemporary discussions, both academic and popular. This is the belief that money, profits, markets, and corporations are parts of an “economic machine.” This machine presumably operates in an automatic fashion, following inexorable and largely amoral “laws.” While the machine organizes provisioning for our bodies, it is imagined to be in itself soulless and inhuman. Ethical issues—especially questions concerning the appropriate respect and care that we, as living, social, and soulful be-

ings, should demonstrate in regard to each other and to other creatures—therefore seem to belong to some other realm. If we believe that the economy is a machine, then spending time explicitly worrying about justice, compassion, and nonharming as we engage in commercial activities would seem to be a waste of time.

Sometimes this belief takes a decidedly promarket and probusiness form. “The capitalist economy can usefully be viewed as a machine whose primary product is economic growth,” wrote William Baumol, a distinguished economist, in his critically acclaimed book, *The Free-Market Innovation Machine*.¹ Probusiness advocates often portray market economies as nonhuman “engines” that nevertheless promote human well-being by meeting our bodily desires with an ever-increasing quantity and variety of material goods and services. Many scholars on the political right, including advocates of what has been called a “neoliberal economics” approach, take this a step further and claim that the inherent virtues of free markets make any explicit concern with the interests of others unnecessary. Adam Smith, the eighteenth-century originator of economics, they often claim, showed that the “invisible hand” of the market will automatically make actions motivated by individual self-interest serve the common good. University of Chicago economist Milton Friedman famously asserted 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.”²

At a popular level, the probusiness view is also reflected in beliefs about the source of wealth. A great personal fortune may be assumed to be largely—if not exclusively—the

natural reward for proving oneself to be especially intelligent and hard-working. Many supporters of Donald Trump, for example, saw his wealth in this light, and because of his wealth inferred that he possessed those virtues. Corporations may likewise be looked at largely or entirely positively as the creators of jobs and prosperity.³ When the economic machine is seen as naturally beneficent and fair, investigating more closely the ethics of markets, business leaders, or corporations seems to be unnecessary.

Sometimes this belief about the amoral economic machine comes with a decidedly antimarket or antibusiness slant. Because of the “logic” and “imperatives” of the world of money, David Korten, a popular critic of corporations writes, capitalism “has laid claim to our soul and is feeding on our flesh.”⁴ Contemporary economic life is systematically driven by greed and rampant materialism, such market critics say, and so is utterly opposed to the attainment of an ethical, meaningful social life. In direct counterpoint to probusiness beliefs, the wealthy are assumed to have gotten their fortunes by oppressing the working class, destroying the environment, and corrupting politics. Donald Trump—who, critics point out, inherited wealth and engaged in shady business deals—is taken to be the exemplar (perhaps only slightly exaggeratedly so) of the whole capitalist class. People with a “critical” or leftist view of society often believe that “business ethics” is an oxymoron—a contradiction in terms like “personal computer” (how personal can a computer be?) or “jumbo shrimp.” They consider discussing ethical issues as they arise within the structure of capitalism to be largely a waste of time. What is needed, some say, is a wholesale replacement of the system. Other market critics imagine that profit-earning businesses might play a role in a

better future, but only if they are either severely reined in by governmental policies or thoroughly reinvented along smaller, more local, and more cooperative lines.

Sometimes holders of this belief in the economic machine are neither decidedly pro- or antibusiness in general, but instead divide the world into two parts. A state commissioner of social services has argued, for example, that his agencies shouldn't raise the rates they pay foster parents because "You don't want a cottage industry of professional foster parents for pay."⁵ Such people believe that certain realms of life must be kept in an ethically protected sphere, away from the motivations of self-interest. They single out activities especially rich in caring and human relationships—such as childcare, health care, and education—for this special treatment. Other realms, they believe, can more or less safely be given over to the pecuniary interests that presumably drive normal economic life. These folks see a solution in the establishment of "separate spheres," with businesses left in charge of the commercial sphere and only nonprofits or government allowed within the protected sphere.

The probusiness and antimarket views may appear to be worlds apart. But they share a common base. Love it or leave it, these views join in claiming, there can be no ethical mucking-around with the fundamental "drives" of a monetized, corporatized, globalized, market-reliant economy.

I realize that not everyone will have the time (or perhaps inclination) to read this book in its entirety—so I'll cut to the chase. Here's the basic argument:

- The idea that economic systems are inanimate machines operating according to amoral laws is a belief, not a fact.

- This belief has harmful effects—for life on the planet, for human society, and for you in particular.
- Understanding that economies are vital, living, human-made, and shaped by our ethical choices can help to improve our decisions—both individually and as a society.

But perhaps your first question is simply: “Why should I listen to you?” After all, noted economists and other social scientists everywhere teach about “economic laws”—and sound thoughtful and rigorous doing so. You may firmly believe that contemporary economics correctly describes the “mechanisms” that “drive” market economic systems. You may firmly believe that values beyond financial self-interest are not pertinent to business, belonging instead to the domains of family, religion, or philanthropy or to some very different type of economic system. The alternative of viewing economies—here and now—as vital and laden with ethical meaning might sound to you . . . well, kind of squishy.

More likely, if you are reading this page, you already believe that something going on in contemporary economics is harmful for life on the planet and human society. You probably already see that current economic systems tend to be harsh, unsustainable, and unjust in many areas. You suspect that the promarket economics you learned in college or have picked up reading or listening to the news can’t possibly be the whole story.

Possibly, you have listened to some of the “alternative” economics voices. Maybe you’ve been convinced by the argument—presented, for example, in the award-winning movie *The Corporation*—that profit-making is pathological.⁶ But you may find it confusing when different critics each identify a dif-

ferent “structure” or “mechanism” as being the one that is most in need of fixing. (Is money the core of the problem? Or globalization? Or technology? Or corporate charters? Or scale? Or ownership rules?) Or you may be turned off when such discussions seem unrelentingly pessimistic or propose only utopian-sounding solutions.

Or you may work for—or lead—a corporation and wonder if you should feel guilty. You may feel your moral responsibilities deeply and want your work life to contribute to the social good. Yet you can’t avoid noticing that your organization sometimes causes harm. You may be an advocate for corporate social responsibility, but you are unsure how to defend your views. Conservatives don’t think corporations need to aim for responsibility, so they put you down as a naive do-gooder. Meanwhile, market critics don’t think corporations could ever be responsible, so they accuse you of selling out. Your “responsibility” position seems middle-of-the-road and wishy-washy, compared to those positions based on presumably rigorous “systemic” analysis.

If you work for a nonbusiness organization, you still don’t escape these questions. The administration of the public university where I work—like many others, both public and private—increasingly draws on corporate-style rhetoric about “efficiency.” It models the compensation packages it awards to top leaders on the practices of businesses of similar size. Status as a nonprofit or public institution doesn’t, it seems, prevent the historically broad, community-serving goals of higher education from being reframed as the “marketing of educational services” to student “consumers.” How can we deal with this?

Or you may work in human services and wonder why your job requires you to make a personal financial sacrifice. You may

be an advocate of better wages for people working in education, health care, or childcare, but have a hard time countering the argument that such workers “shouldn’t be in it for the money.” You want well-thought-out and resilient arguments that you can use to articulate both your discomforts and your hopes, and you need ideas you can apply to practical life in the here-and-now.

So one reason you might want to listen to what I say in this book (at least on some matters) is that I must confess to being a professional economist. I have a Ph.D. in economics. I’ve worked as a government economist, and I’ve held tenured faculty positions in respected economics departments. As part of the drill, I’ve also published in professional journals, including the top ones in the discipline.⁷ And I’ve taught economics at the undergraduate and graduate levels for over two decades. When the occasion demands, I can discuss esoteric topics with my colleagues. In other words, I’ve traveled to Oz—and seen behind the curtain.

As I ventured into economics, however, I brought two other important perspectives with me. One was a spiritual and ethical sensibility and concern with poverty and deprivation. Another is the fact that I’m a woman. Economics and commerce have traditionally been male-dominated realms, while women were traditionally assigned all the tasks of personal care for children and the ill and elderly within families.

If I were to try to live my life according to much of what I have been taught during my academic studies, I would have had to develop a personality split into three parts. My economist self would, like William Baumol, have had to admire the beauty of the economic machine. My ethical self would, like David Korten, have had to rail against the injustices generated

by the economic juggernaut. My female self would, like the state commissioner, have needed to try to carve out a corner for personal concern and attention within the vast factory of impersonal economic life. The fact that I am determined not to live such a split life is what motivates me to write this book.

For the sake of simplicity in writing, I will tend in this book to use the term “ethics” as shorthand for concern with moral decision making regarding our responsibilities towards other people and other creatures, both present and future, and especially towards those who are in need. While there are other important areas of ethics that could be (and will be, to a more limited extent) addressed in this volume—such as fairness or loyalty—it is the notion that we should care for those who need help and avoid causing harm that provides the most striking contrast with the conventional understanding of economics as “driven by” self-interest.⁸ From the Golden Rule to the story of the Good Samaritan, from the image of Kanzeon (the bodhisattva of compassion) to the practice of hospitality to strangers, from the principles of Kantian ethics to those of Rawlsian ethics, a wide variety of religious and philosophical traditions instruct us to pay attention to interests beyond just our own.

We are all deeply involved in corporate and business life, as consumers, as citizens, and often as workers or managers. We all have moral responsibilities. We all need care in our lives when we are young, sick, or elderly, and many of us—both men and women—also give care. I believe that, by carefully examining the history of the use of certain stale metaphors and images in the social sciences, we can come to see that economic gain and ethical values aren’t by nature intrinsically separate or opposed.

First, I will present the issue from the side of those who

prioritize economics and downplay ethics. Chapter 1, “Tending the Body,” traces the history of economics from its early concern with bodily provisioning, through the mechanical imagery introduced by Adam Smith, and on to contemporary popular and academic economic discussions. One purpose of this chapter is to show that the metaphor of the mechanistic, amoral, clockwork economy has particular historical roots, and so to call into question the widespread impression that it is a directly revealed truth. Another purpose is to show that values—both explicit and implicit—play important roles in a Panglossian probusiness worldview. Some of these values can be affirmed, while others, I will argue, should be carefully re-examined.

Then I will turn the tables and look at the issue from the side of those who prioritize ethics and condemn (or seek to isolate) what they think of as “economic values.” In chapter 2, “Tending the Soul,” I trace the history of “critical” views in sociology and philosophy that developed in the early twentieth century. This history reveals that—far from reflecting a radically different perspective—the view of market critics is based on the same eighteenth-century metaphor as the probusiness view. As in the probusiness view, values both explicit and implicit play important roles in defining the approach of anti-market advocates. While some can be affirmed, I will show that others can legitimately be questioned.

Chapter 3, “Bringing Body and Soul Together,” shows that the cause of the failure of the social sciences—and, as a result, much of public discourse—to adequately integrate economics and ethics lies in their failure to question the metaphorical image of the economy as a machine. I explain how historical and psychological factors have given the metaphor unusual—

and mostly unconscious—power. I suggest that vitalized metaphors that unite the provisioning and the ethical dimensions of economic life could be much more useful. Once the mechanical metaphor is set aside in favor of ones that highlight the economy's need for attention and careful tending, we can see that there are legitimate values on which both “promarket” and “proethics” people can agree. In the present era of bifurcated politics, segregated information bubbles, and increasing rage, we need all the agreement we can get.

The next two chapters examine some of the many distorted or simply untrue beliefs about the motivations of individuals that arise from the mechanical notion. Chapter 4, “Love and Money,” examines the issues of motivations and interpersonal relations in jobs such as nursing or childcare. Can someone do caring work and also legitimately be in the job “for the money”? Some people say that the social sciences answer these questions in the negative. I dispute this view, arguing that “love or money” thinking is misleading. Generous evidence suggests that “love and money” is an important and realistic possibility. Chapter 5, “Money and Love,” takes up the issue of individual motivations from the opposite side: Can people who work at “regular jobs” be motivated by anything *other than* money? Is it possible for a company to hire someone as a “human resource” and also treat that person as a human? Economistic dogmas aside, there is abundant evidence that human motivations are complex and that this complexity is not left behind simply because a worker or boss crosses the threshold of the workplace.

In chapter 6, “Business and Ethics,” I take up the factual issues that arise at an organizational level. Don't legal mandates or market pressures *force* firms to maximize profits? Isn't it the *essence* of the corporation to maximize shareholder value? These

are widespread beliefs. An examination of evidence from statutory law, case law, and many cases of actual behavior, however, shows that these beliefs are false. For very many firms, genuinely ethical behavior is not intrinsically at odds with reasonable profit making. The recently rising pressures towards short-termism and opportunistic behavior in some parts of the business world have in fact been nourished by bad economic doctrine and facilitated by particular poor regulatory choices. But bad behavior is not an “essential” feature. Rather, it is the result of choices.

Chapter 7, “Service *and* Its Limits,” takes a closer look at nonprofits, governments, and benefit corporations. Such organizations are often suggested as substitutes for, or as higher-level controllers of, conventional profit-making businesses. Shouldn’t nonprofit, public, or explicitly public-serving businesses be the automatic choice for managing activities with caring and personal dimensions? Isn’t it the job of governments to keep the private sector in line? Some people say that the social sciences answer these questions in the affirmative. Yet, while such institutions have very important roles to play, ethical behavior is not guaranteed by nonprofit or public-sector status, or by the words in a special corporate charter. This means that these organizations require careful monitoring, as well.

The evidence is now incontrovertible that fossil fuel-based economies are destroying the stability of our planet’s climate. Chapter 8, “Economy *and* Environment,” examines the apparent conflict between economic well-being and ecological sustainability. Making progress on this issue requires recovering our ethical foundations for caring about the economy at all and, from there, redrawing our ideas about what constitutes economic success. This chapter argues for a pragmatic ideal-

ism that mobilizes all sectors of economic and public life in the service of global survival.

Lastly, chapter 9, “Keeping Body and Soul Together,” draws conclusions for our actions as citizens, workers, parents, employers, and/or investors. Ironically and perversely, the misconception that caring work is different from—and needs to be protected from—the rest of economic life leads to the sectors of hands-on health care, early education, and social services being starved of vital economic resources. Perversely and ironically, the misconception that corporations cannot be ethical lets them off the hook for social responsibility, creating a permissive attitude for misbehavior. If we are to survive and flourish, as a species as well as individuals, we need to act as whole people, body and soul together.