

Heterodox Economics Newsletter

CENTS AND SENSIBILITY – WHAT ECONOMICS CAN LEARN FROM THE HUMANITIES, by Gary Saul Morson and Morton Schapiro, Princeton University Press: 2017, pp. 307; ISBN 978-0-691-17668-0

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The title expresses the main argument of the book under review, which grew out of an interdisciplinary undergraduate course at Northwestern University dealing with the subject matter of “choice”. Its authors are professors of economics (Schapiro) and of Slavic languages and literature (Morson) who think that economics is “too narrow”, which undermines its usefulness for “policy-making”, for “understanding human behaviour”, and for “predicting the future”. (p. 40) The intention is explicitly not to attack economists but to help to expand its “scope and power” (p. 40) via a dialogue—not a fusion—between economics and the humanities. This vision is called “humanomics”, that is, an economics improved through an understanding of story-telling. (p. 16) A simultaneous concern is the “crisis of the humanities”, which is identified in a “loss of faith in itself” and the dramatic decline in student enrolments: e.g. at Stanford today 45% of faculty members in the main undergraduate division come from the humanities but only 15% of students. (p. 201) This book is an attempt to demonstrate why the insights of the humanities are indispensable, to regain its faith in itself, and to improve economics. Interestingly, the authors do not say that they are motivated by an “economics in crisis”, despite this having become a trope since its multiple failures were exposed by the Great Financial Crisis of 2008.

The book consists of eight chapters: the first two lay out the analysis of the problem with economics, the crisis of the humanities, and the proposed solution; the three middle chapters present case studies on higher education, family, and economic development; the final two chapters identify the uniqueness of the humanities and an alternative foundation of economics based on an alternative interpretation of Adam Smith’s economics. Lastly, a summary chapter reiterates the main argument.

What the reader can take home...

What can economists who share the core concerns (narrowness of economics; crisis of the humanities) and the vision (humanomics) learn from this book? The main take-away is that great literature is a great source of wisdom for understanding human beings, which serves to help us make wiser decisions in varying situations. The argument is that great novelists are better at this understanding than social scientists. Understanding human beings involves a profound and rich appreciation of complexities of ethical and cultural dimensions that are neither schematic nor simplistic. (p. 16) Moreover, reading great literature forces us to practice empathy by identifying with different characters. Furthermore, the novelistic approach focuses on particulars (p. 10) and the authors call for practical, case-based reasoning. They trace the latter back to Aristotle’s concept “phronesis”, which, they believe, is needed for good and

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moral judgment and results from sensitive reflections on experience and attention to unforeseeable and unrepeatable particulars of many individual cases. (p. 11) This case-based reasoning is explained in detail in chapter 2, which argues for a greater emphasis on teaching—through “great literature”—to “look and see”, to focus on context, specifics, details, complexities, and an understanding of fundamental uncertainty in human behaviour. This is differentiated from deductivism, absolutism, universalism, and the pretence of certainty. The latter are sometimes—though not consistently—identified with “science” as opposed to “humanities”. However, nothing is fully rejected and several chapters suggest that the authors argue for a balanced combination of both ways of knowing.

Chapter 6 sets out to demonstrate the beneficial effects the humanities could have for training “good economists” with the help of stories and realist novels. The latter are seen as a case-based approach which is distinguished from abstraction that is dubbed “distraction”. The main effect is the understanding of human beings through empathizing with the characters of the novel, that is, “feeling like somebody else” and “sensing the other” as “the work is in the experience the words inspire in the reader.” (p. 215) Empathy is viewed as a precondition for ethical behaviour and thought because these depend on putting oneself in the shoes of the other. This position is supported by a reference to scientific studies that demonstrate that reading great literature makes people more empathetic, socially perceptive, and emotionally intelligent. (224) Empathy is here contrasted with egotism. However, this is done without mentioning that self-interest is the core behavioural assumption made in neoclassical economics. John Stuart Mill is referred to in support of engaging and knowing the critique of one’s beliefs. This chapter criticizes economic imperialism and urges economists to allow others to speak back and to integrate the wisdom of the humanities. (pp. 289-90) It argues for the discovery of big truths (p. 291) by supplementing economics with empathy, judgment, and wisdom from the humanities. (p. 293) In particular, behavioural economics is criticized as insufficient due to its lack of understanding of culture, narrative and ethics. (p. 292)

Does this book add to the status quo of the existing discussion?

The main concerns of the authors are near and dear to many heterodox economists: narrowness of economics and openness to insights from the humanities. Those who are particularly concerned with saving economics from science, in the sense of a mechanism, biologism, or cyborgism, find the basic argument of the book attractive. It is a missed opportunity, however, that the authors do not engage more with the existing literature on modes of intellection in economics, such as story-telling, rhetoric, poetry, metaphors, hermeneutics (the brief mentioning of works by McCloskey and Bronk is unsatisfactory). The entire literature on the role of history, philosophy, and ethics in economics is likewise absent, which is slightly worrying in a book that is concerned with these matters. Does the book nevertheless add something to the discussion?

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The case studies are a good starting point for our review, as they are offered to demonstrate how “humanomics” could look in practice. (chs. 3-5) One of the problems with this part of the book is that the case studies do not contribute that much beyond what heterodox economists have argued for a long time; especially institutional and social economists, but also economic anthropologists. For example, the case study on economic development (ch. 5: *Why do some countries develop faster than others? Economics, Culture, and Institutions*) basically makes the case for a focus on institutions, culture, history, ethics, and the specifics of cases and local context. Although this critique seems to target the development economics that dominated much of Western economics since WWII, that is, the neoliberal Washington Consensus of “free trade”, as well as neoclassical growth models, it is not clear why these are not named more explicitly. It is particularly unfortunate that Gunnar Myrdal is being criticized as an economic expert whose work is allegedly too abstract, lacking in institutional understanding. This does not make much sense as it was Myrdal who worked out the circular cumulative causation model as a method to take several institutional factors into account when analysing the development process, including cultural and social factors. Criticising Myrdal also makes little sense in this context because the authors present a critique of Rostow’s stages of economic development model that is nothing but a concise version of Myrdal’s critique of the same model. (Myrdal 1968)

Alternative narratives for economic development?

However, a much more significant limitation of this case study is that the authors leave entirely unclear whether they believe that story-telling has the power to provide the foundation for an alternative model of economic development that differs from the capitalist narrative of development as growth. Which story-telling and narrative counts? Just the great 19th century realist novels the authors champion? What about narratives and novels from the cultures whose development is at stake? Do they also count or are they not “great” enough? The authors do not provide criteria for what they consider valid narratives, while they seem to have no fundamental problems with the capitalist development model. In fact, they continuously refer to development indicators of GDP growth, development of markets, and legal property rights. The comparison between South Korea and Ghana is especially revealing as GDP-growth is taken as the main indicator for economic development. Sustainability, happiness, and inequality indicators are curiously absent from the discussion. Various negative comments on economic planning and experts solidify the impression of a “free market” capitalist bias adopted by the authors. Explicit references to Amartya Sen’s work further confirm this impression, because of its individualist and liberal approach to development. Overall, this suggests that the authors are not aiming at inquiring into the possibility of alternative development narratives emerging from different cultures and communities. Could it be that they want the humanities to serve simply as a kind of magic flute for a more humane capitalism? Unfortunately, much remains vague here.

It begs the question why they missed the opportunity to explore the possibility of alternative development narratives based on an alternative understanding of human beings. For example,

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Bhutan's economic development narrative is based on an explicitly Buddhist understanding of human beings, proposing a different narrative with a strong planning, sustainability, and happiness focus. Would this count as a case of "humanomics" in the eyes of the authors? And what about the gift-economy that was instituted in Muenster (Germany) by the Anabaptists? Or, the cooperative narrative pioneered by Robert Owen? Or, William Penn's Quaker-economy. Would these count as humanomics? These examples give a taste of the potential of the humanities, which is much more far-reaching as it provides the foundation for alternative development narratives. In my view the authors assign to the humanities a too limited role in the dialogue with economics. In fact, why only focus on 19th century realist novels? What about poetry and a poetic economics? (Berger 2017) The authors state that poetry results from a "different kind of experience" (p. 13) but this does not really justify its exclusion, especially if the project is to understand human beings. The authors avoid the necessary conclusion that more "narrativeness" reveals that neoclassical economics is a particular kind of narrative, which has no privileged status per se. Indeed, it seems to be a missed opportunity to ask how far the humanities can serve to radically re-ground and re-root the question of what the essence of the economy, economics, and economic development are. The book as a whole leaves no doubt that the authors would not agree with the conclusion that neoclassical economics—as solidly rooted in the modernist narrative—has to be overcome in favour of new foundations emerging from the humanities.

Mathematical phronesis?

Let's go back to the book's argument of improving economics through Aristotelian "phronesis", that is, a case-based approach with emphasis on empathy, wisdom, and ethics. Most heterodox economists would agree that it is surely bad practice that economics textbooks ask students to "apply" their supposedly universal principles of neoclassical economics to "real world cases". Working, instead, from the ground up is something that heterodox economists have long called for (cf. "grounded theory": Lee/Cronin 2016; "economics in context": Nelson/Goodwin 2008; "substantive economics": Polanyi 1971). Economics based on phronesis, thus, seems to exist already, although mostly marginalized as "the other" in the underground and at the periphery. It would, however, be worth the effort to elaborate the philosophical basis of such an economics more explicitly. The works of Gadamer on phronesis and Heidegger on hermeneutics would be good starting points. (Bernstein 1983; Mirowski 1987) It is, therefore, unfortunate that the authors perform a U-turn in calling mathematics a "good starting point" for economics (p. 292) without either explaining why this is so or discussing in how far this is compatible with their argument for "humanomics" and "phronesis". In fact, the chapters are even interspersed with arguments and examples of how (neoclassical) economics can inform the humanities. Here the authors inadvertently open the door to the kind of economic imperialism which they actually want to combat. Too much remains unresolved here, which is probably a result of aiming at a dialogue between two incommensurable knowledge cultures. This is also the case with the authors' attempt to distinguish phronesis from abstract theories (ch. 2), while claiming in several chapters that a mix of both is important. The reader is left with the impression of a muddled argument. The

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authors clearly have in mind foundations for wisdom harboured in the humanities. Yet, they stop short of proposing this as an alternative to their neoclassical colleagues and of ditching neoclassical economics. In fact, it seems rather strange that there is more criticism of behavioural economists throughout the book than of neoclassical economists.

What is missing?

What is missing from the book is a discussion of the social-psychological dimension of economics that would highlight the challenges of implementing “humanomics”. The profession of economics has deep vested interests in its approach, which is thoroughly institutionalized and exhibits psychological barriers to change. (Berger 2016) The suppression of heterodox economists speaks volumes about how the economics profession handles challenges to its ontological and methodological core. (Lee 2009) What is also missing is a differentiation between different kinds of “narrative economics”. For example, while Morson and Schapiro want to improve economics with the humanities, Robert Shiller wants to apply economic analysis to understand how narratives are the cause of economic depressions and booms. (Shiller 2017)

What is missing also from the discussion is a mention of those approaches to economics that are actually compatible with the humanities, which are today gathered under the umbrella of heterodox economics. The chapter on alternative foundations for economics provides a critique of behavioural economics for its lack of cultural analysis and calls for a grounding of economics in cultural and institutional inquiry as developed by Adam Smith. The introductory chapter vaguely alludes to a recent turn towards culture in development economics. (p. 9, fn. 11) Heterodox economists would ask why there is no mention of institutional and social economics, and economic anthropology which have developed this approach in detail since Adam Smith. The project of incorporating culture and institutions in economic analysis continued in the works of Karl Marx, the German Historical School, Thorstein Veblen, John M. Keynes, amongst others. Omitting these contributions and their contemporary followers is a severe limitation. Ironically, the chapter outlining the potential contribution of the humanities (ch. 6) proposes the incorporation of the history of ideas as a remedy to the narrowness of economics. (p. 237) I would have loved to see the authors make a start with an appropriate history and evaluation of the fate of those contributions to economics that were actually open to the humanities. This could have informed the readers of this book of the great wealth of existing contributions to this project of grounding economics in the humanities. (cf. Berger 2017) It would have also served to discuss in greater detail which of the various options of rooting economics in the humanities—besides 19th century novels—is desirable. It would have also invited discussing the reasons for losing these traditions and the chances for retrieving them.

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