

Meaningful Economics

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Brief Description

Economics has a problem. It cannot distinguish the causes of human action from the consequences of human action. It models representations of optimal agents, not flesh-and-blood human beings in ordinary life. *Meaningful Economics* is about understanding the principles of economics—the exchange of goods and services, the specialization that trade makes possible, and the system of property that undergirds both—in their origins and outcomes rather than exclusively in their consequences. It explains the roots of conduct, and not merely its economic effects, by going to the human capacity for moral sentiments that prompt human beings to act. The book is about what makes meaningfulness the very core of economics. You read that correctly. Meaning and purpose and value have everything to do with traditional talk of economics.

Chapter Outline and Abstracts

Part I. Economics Has a Problem

1. *Human Beings Mean*

We just do. Human beings contemplate the importance or significance of everything, be it a person or a place, an action or a consequence, a possession or an idea, a relationship or our well-being, an experience or our connection to something greater than ourselves. If it can be some kind of thing, we value it, instinctively and inevitably. Valuation takes different forms: economists evaluate costs and benefits, while philosophers evaluate the direction of our motives or will. Yet both are concerned with regular and orderly human conduct. Human life is imbued with meaning, and our conduct guided by purpose—even in the principles of economics.

2. *Economics Needs Moral Sentiments*

Economics has an image problem. Despite many undaunted attempts in the twenty-first century to correct the cartoony sketch of Adam Smith, the story remains pretty much unchanged. The invisible hand of competition directs bad acts and immoral motives to our material advantage. Oh please. There is no original sin, nor is any penance required in the basic principles of wealth creation. But purposes and human values are required.

3. *And to Distinguish Cause and Effect in Meaningful Human Action*

Economics also has an explanatory problem. When Paul Samuelson and Hendrik Houthakker constructed the framework of so-called “revealed preferences,” economists abandoned the Adam Smithian tradition of identifying observable economic causes for observable economic effects. Behavioral economics is no different. Its methodology is measurement without causes.

4. *With Universal Patterns of Human History*

Homo sapiens is no ordinary species. Humans stand alone in nature as beings who purposefully turn natural born enemies into exchanging friends. Understanding humankind’s place in the world is key to understanding why purposeful human conduct is necessary to explain the basic principles of economics, and why, in turn, economics is necessary to explain the wonder and surprise of the human condition.

5. *And With Human Customs and Practices*

The human mind’s capacity for abstract thought makes language, creativity, and morality possible, all of which are necessary for know-how as custom to accumulate from generation to generation. The challenge that moral sentiments pose to the study of economics is that any moral sentiment can be both value-affirming and value-denying. The challenge deepens when we realize that a successful custom can also be the cause of moral sentiments in the future. Proverbially, we seem to have a chicken and an egg problem to dissolve.

Part II. A Framework for Studying the Origins and Outcomes of Human Conduct

6. Human Conduct Is a Challenge to Study

From the political philosopher Michael Oakeshott, we learn the challenges of understanding conduct as intelligent human action. Human beings do not choose satisfactions or outcomes. Human beings choose actions *with specific meanings* that cannot be reduced to outcomes or bare physical facts. We understand each other by predicating actions on five abstract concepts: FEEL, THINK, KNOW, WANT, and DON'T WANT. Linguists say that every language has a word for each of these mental concepts, and, moreover, these words mean precisely the same thing in every language.

7. Because There Are Four Ways to Explain Why We Do What We Do

From the evolutionary biologist and geneticist David Haig, we learn Aristotle's four ways to answer a question of *Why?* – material, formal, efficient, and final – as a way to dissolve a fundamental tension between molecular genetics and evolutionary biology, that is, how material genes and the function of a trait can both serve as explanations in biological evolution. I show how we can analogously apply biological genotypes, phenotypes, and evolution to our study of *ideational* genotypes, phenotypes, and evolution in human customs. Time and history dissolve the two-way causation problem of a moral sentiment and a custom.

8. The Mind Creates Customs

From the philosopher John Searle, we learn how mind and language create distinctly human customs. We use language to describe how things are in the world, as for example when I say, "X is green." And we use language to change things in the world, as when I say, "I promise to do Y," and people now believe that I will do Y. But amazingly, we further use language to do both things at the same time, as when an officiant says, "I pronounce you married." With such an utterance, the officiant simultaneously describes the world as it is and changes the world in the minds of everyone present. Human conduct in the principles of economics rests on the marvelous work that language does in the world.

Part III. Why Do Human Beings . . .

9. Have the Custom of Property?

A custom of intelligent and meaningful human action explains property, and that as a custom, property is a historical process of selecting actions conditional on the context. The task is to explain how a physical world of human bodies with minds that feel, think, know, and want gives rise to a custom of property with meaning and purpose.

10. Truck, Barter, and Exchange One Thing for Another?

Human beings are the only species that routinely exchanges one thing for another thing, and all human communities do this. For reasons I do not understand, economists seem to care little that a uniquely human behavior may be the very foundation of their field of study. As a first step toward re-classicalizing economics, I make the propensity to trade a necessary, but not sufficient, principle of the wealth of nations.

11. Divide Their Labor?

Modern economics, whether in the orthodox tradition of Paul Samuelson or the heterodox tradition of Ludwig von Mises, ultimately looks to explain economic outcomes, that is, the effects of human action. Following Adam Smith's lead, I explain the division of labor with a humanomics account that is moral all the way down.

Part IV. The Mind Is the Answer to Old and New Questions

12. Property Rights Aren't Primary; Ideas Are

Since Armen Alchian and Harold Demsetz, the study of property rights has had a decidedly external stance: the institution imposes itself on the individual from the outside. The problem of property rights, however, also calls for inquiry from the inside out of human agency, because in the study of property, ideas are primary.

13. Mismatched Preferences Can't Explain Gifting; Ideas Can

When it comes to gifts economists are infamous Scrooges. Only two economists, Tyler Cowen and Alex Tabarrok, could exchange cash with each other and then call them gifts and deem it efficient. The chapter picks up where Anthony Gill and Michael Thomas leave off in their recent article "The Dynamic Efficiency of Gifting" by making ideas primary to gifting.

14. Preferences Do Not Explain Norms; Ideas Do

Causation in economics and philosophy generally flows from a norm to the individual decision to act or not to act. The incentives, the preferences, the empirical and normative expectations, or the normative principles are the cause for why someone follows a norm. Norms do indeed make us accountable to others. But what such accounts ignore is the reverse direction, norm-leading, from the individual to the community. Why do we care to be accountable to others? Why do we care that we ourselves conform to a norm, or that most people believe we ought to conform to a norm? Ideas, again, are primary.