

*What Economics Can Learn
from the Humanities*

Cents
and
Sensibility

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MORTON SCHAPIRO

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from the Humanities*

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and
Morton Schapiro

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Acknowledgments

In the early 1980s, economist Gordon Winston proudly presented his newly published book on the treatment of time in economics to the legendary economist Joan Robinson. Professor Robinson was notorious for her cantankerous nature, and Gordon waited anxiously for several weeks until Joan suddenly walked into his office, tossed the book on his desk, and declared “Winston, this is the kind of book that is a lot more fun to write than to read.”

Stories are a mainstay of the humanities, but not of economics. After teaching and writing together, we have become convinced that infusing humanistic approaches and sensibilities into economics would make its models more realistic, its predictions more accurate, and its policies more effective and more just.

We have many to thank for their assistance in that quest. David Figlio, Jean Franczyk, Barry Glassner, Chris Hiland, Dan Linzer, Alec Litowitz, Katie Martin, Mike McPherson, Jeremy Mingo, Adrian Randolph, Judi Remington, Thomas Pavel, Paula Peterson, Alissa Schapiro, and Mimi Schapiro provided very helpful comments on earlier drafts. Katie Porter offered her usual wisdom and Joel Mokyr provided insightful suggestions, large and small. We both had the opportunity to learn from the late, great humanist Stephen Toulmin. Geneva Danko was invaluable in organizing countless versions of the

manuscript in her always unflappable and extraordinarily efficient manner. Finally, comments from Peter Dougherty and anonymous reviewers for Princeton University Press made this book immeasurably better.

Writing this was an absolute blast, and we hope that our readers can tell how much fun we had doing it. We hope, as well, that unlike Professor Robinson, you will share our enthusiasm.

Cents and Sensibility

Chapter 1

Spotting the Spoof

The Value of Telling Stories Out of (and in) School

This book creates a dialogue between two fields that rarely have anything to say to each other: economics and the humanities. We mean to show how that dialogue could be conducted and why it has a great deal to contribute.

The best dialogues take place when each interlocutor speaks from her best self, without pretending to be something she is not. In their recent book *Phishing for Phools: The Economics of Manipulation and Deception*, Nobel Prize–winning economists George Akerlof and Robert Shiller expand the standard definition of “phishing.”¹ In their usage, it goes beyond committing fraud on the Internet to indicate something older and more general: “getting people to do things that are in the interest of the phisherman” rather than their own.² In much the same spirit, we would like to expand the meaning of another recent computer term, “spoofing,” which normally means impersonating someone else’s email name and address to deceive the recipient—a friend or family member of the person whose name is stolen—into doing something no one would do at the behest of a stranger. Spoofing in our usage also means something more

1. George A. Akerlof and Robert J. Shiller, *Phishing for Phools: The Economics of Manipulation and Deception* (Princeton University Press, 2015).

2. Akerlof and Shiller, p. xi.

general: pretending to represent one discipline or school when actually acting according to the norms of another. Like phishing, spoofing is meant to deceive, and so it is always useful to spot the spoof.

Students who take an English course under the impression they will be taught literature, and wind up being given lessons in politics that a political scientist would scoff at or in sociology that would mystify a sociologist, are being spoofed. Other forms of the humanities—or dehumanities, as we prefer to call them—spoof various scientific disciplines, from computer science to evolutionary biology and neurology. The longer the spoof deceives, the more disillusioned the student will be with what she takes to be the “humanities.”

By the same token, when economists pretend to solve problems in ethics, culture, and social values in purely economic terms, they are spoofing other disciplines, although in this case the people most readily deceived are the economists themselves. We will examine various ways in which this happens and how, understandably enough, it earns economists a bad name among those who spot the spoof.

But many do not spot it. Gary Becker won a Nobel Prize largely for extending economics to the furthest reaches of human behavior, and the best-selling *Freakonomics* series popularizes this approach.³ What seems to many an economist to be a sincere effort to reach out to other disciplines strikes many practitioners of those fields as nothing short of imperialism, since economists expropriate topics rather than treat existing literatures and methods with the respect they deserve. Too often the economic approach to interdisciplinary

3. Steven D. Levitt and Stephen J. Dubner, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything* (HarperCollins, 2005); *SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance* (HarperCollins, 2009); *Think Like a Freak: The Authors of Freakonomics Offer to Retrain Your Brain* (HarperCollins, 2014); and *When to Rob a Bank . . . and 131 More Warped Suggestions and Well-Intended Rants* (HarperCollins, 2015).

work is that other fields have the questions and economics has the answers.

As with the dehumanities, these efforts are not valueless. There is, after all, an economic aspect to many activities, including those we don't usually think of in economic terms. People make choices about many things, and the rational choice model presumed by economists can help us understand how they do so, at least when they behave rationally—and even the worst curmudgeon acknowledges that people are sometimes rational! We have never seen anyone deliberately get into a longer line at a bank.

Even regarding ethics, economic models can help in one way, by indicating what is the most efficient allocation of resources. To be sure, one can question the usual economic definition of efficiency—in terms of maximizing the “economic surplus”—and one can question the establishment of goals in purely economic terms, but regardless of which goals one chooses, it pays to choose an efficient way, one that expends the least resources, to reach them.⁴ Wasting resources is never a good thing to do, because the resources wasted could have been put to some ethical purpose. The problem is that efficiency does not exhaust ethical questions, and the economic aspect of many problems is not the most important one. By pretending to solve ethical questions, economists wind up spoofing philosophers, theologians, and other ethicists. Economic rationality is indeed part of human nature, but by no means all of it.

For the rest of human nature, we need the humanities (and the humanistic social sciences). In our view, numerous aspects of life are best understood in terms of a dialogue between economics and the humanities—not the spoofs, but real economics and real humanities.

4. For an insightful critique of the purely economic approach to efficiency, see Jonathan B. Wight, *Ethics in Economics: An Introduction to Moral Frameworks* (Stanford University Press, 2015).

Twin Crises

Economics and the humanities are both in trouble, though not for the same reason.

Economists wield a lot of power and take a lot of criticism. Sometimes it even seems as if they have two functions: to formulate policies and to take the blame when things go wrong. Should a stimulus fail to stimulate, or very high interest rates prove powerless to dampen inflation, economists are often quick to explain away the facts while newspapers are even readier to skewer them. When a real estate bubble bursts, journalists eagerly point to the economic theory that bubbles are not supposed to exist at all. For many in the public, the face of economics has turned out to be MIT economist Jonathan Gruber telling his colleagues that the health care law was deliberately written “in a tortured way” so that, given “the stupidity of the American voter,” its core provisions would be invisible. For others, it is Paul Krugman responding to his failed predictions regarding the timing of the US recovery from the last recession, the future of the eurozone, and the onset of deflation by declaring that he has seldom, if ever, been wrong.

Economists can always tweak their models to account for what has already happened. Their critics, in turn, have the easy job of not taking any risks at all, just looking for inevitable mistakes. As Alexander Pope wrote three centuries ago, it is always easy to poke holes in someone else’s paper.

And you my Critics! in the chequered shade,
Admire new light through holes yourselves have made.⁵

Can nothing be done? Over the past few decades, economists and social psychologists have announced the supposedly startling discovery that, contrary to economic theory, people do not always behave rationally! They are not mechanisms for optimizing, their choices are not always consistent, and they

5. Alexander Pope, *The Dunciad* (Book IV, ll. pp. 125–126) in *Alexander Pope: Selected Poetry and Prose*, ed. William K. Wimsatt (Holt, Rinehart, 1965), p. 430.

often do not act according to their best interests. Inside economics, the result has been heated controversy, but from an outside perspective, it has been wonder. Surely no one in his right mind ever thought people are rational to begin with? Why, the whole heritage of Western literature has described people as irrational, and the social sciences point to many factors other than reason that shape behavior. Why would philosophers since Socrates have been urging people to act rationally, if they always did so anyway? And why would intellectual historians have spent so much time describing how the very idea of rationality in the modern Western sense arose in the first place? And then there is everyday life, where surely no one was ever moved to reflect on the absence of folly!

With this discovery in mind, traditional rational choice theory has generated, like yin answering yang, an irrational choice theory. Behavioral economics, as this flourishing movement is called, has in its own turn generated new policies and new critics. It purports to come closer to adding the human dimension to economic models, but as we will show, although it has made some advances, it does nothing of the kind. The human beings it imagines behave just as mechanically, only less efficiently (judged by the same criteria as traditional economists use). They are still abstract monads shaped by no particular culture. You still don't need stories to understand them. In short, they bear as much resemblance to real people as stick figures do to the heroines of George Eliot or Leo Tolstoy.

Adding the human dimension to economics in this and similar ways is like deciding that we need air as well as food and so prescribing a diet of airy food. (Dairy Queen, anyone?) Might there be a better way to integrate humanistic insights? But here we come to another problem: the state of the humanities.

The Dehumanities

Go to almost any issue of the *Chronicle of Higher Education*, consult recent issues of national publications from the *Wall*

Street Journal to the *New York Times*, read reports from Harvard University and the American Academy of Arts and Sciences, and you will discover that the humanities are in crisis. No one seems to value them anymore. Enrollments in humanities courses plummet, and majors in humanistic disciplines diminish. If it were not for the recent phenomenon of double majoring—fulfilling requirements in two disciplines as a sort of employment insurance—figures for humanistic disciplines would doubtless look still worse.

Like a delicatessen owner who sells rancid meat and then blames his business failure on the vulgarization of customer taste, humanities professors account for their plight by faulting their students. “All they care about is money.” “Twitter has reduced their attention span to that of a pithed frog.” Critics of literature professors respond that for at least a quarter century, they have themselves argued that there is no such thing as great literature but only things *called* great literature because hegemonic forces of oppression have mystified us into believing in objective greatness. If this idea was once bravura, it is now just boring. The most commonly taught anthology among literature professors, *The Norton Anthology of Theory and Criticism*, paraphrases a key tenet of the dominant movement called “cultural studies”: “Literary texts, like other artworks, are neither more nor less important than any other cultural artifact or practice. Keeping the emphasis on how cultural meanings are produced, circulated, and consumed, the investigator will focus on art or literature insofar as such works connect with broader social factors, not because they possess some intrinsic interest or special aesthetic values.”⁶ We

6. *The Norton Anthology of Theory and Criticism*, 2nd edition, ed. Vincent B. Leitch et al. (Norton, 2011), p. 2478. For a recent, spirited critique of this volume and similar thinking, see James Seaton, *Literary Criticism from Plato to Postmodernism: A Humanistic Alternative* (Cambridge University Press, 2016). See also Mark Edmundson, *Self and Soul: A Defense of Ideals* (Harvard University Press, 2015) and Edmundson, *Why Read?* (Bloomsbury, 2004).

shall have more to say about this passage later, but it is worth noting that cultural studies did not invent, but adapted, an already established orthodoxy denying any sort of intrinsic literary value.⁷ If Shakespeare and Milton are no more important than any other “cultural artifact or practice,” and if they are to be studied only “insofar as” they connect with other social factors and not because of “some intrinsic interest or special aesthetic values,” then why invest the considerable effort to read them at all? Reading *Paradise Lost* is not like strolling through a field! Could it be that students don’t take literature courses because they are responding rationally to what their teachers have been telling them?

The language about “how cultural meanings are produced, circulated, and consumed” gropes for the prestige of something hard, unsentimental, materialistic—in short, for economics, as a literature professor might imagine it. It appears that humanists’ key strategy for saving their disciplines has been to dehumanize them. And so we have a host of new movements, announced with the breathless enthusiasm appropriate for discovering the double helix. Sociobiological criticism has shown us how emotions and behaviors described in literary works arose to serve an evolutionary purpose. What’s more, you can now recognize why you love Dante (or Danielle Steele) by turning to neuroaesthetics. And at the Modern Language Conference of 2009 it was discovered that “the next big thing” was the digital humanities. Before anyone else thinks of it, we hereby coin the term, and claim to have founded the discipline of, “the nano-humanities.” We don’t yet know what this

7. See Barbara Herrnstein Smith, *Contingencies of Value: Alternative Perspectives for Critical Theory* (Harvard University Press, 1988). Smith argues: “All value is radically contingent, being neither a fixed attribute, an inherent quality, or an objective property of things but, rather, an effect of multiple, continuously changing, and continuously interacting variables or, to put this another way, the product of the dynamics of a system, specifically an *economic* system” (p. 30). It is crucial, she argues, to avoid reinforcing “dubious concepts of noncontingency: that is, concepts such as ‘intrinsic,’ ‘objective,’ ‘absolute,’ ‘universal,’ and ‘transcendent’” (p. 31).

cutting-edge criticism will do, but we are sure that it will *not* involve real engagement with major literary works or a deep appreciation of what makes them great.

Each of these dehumanities offers something of value. Undoubtedly, the digital humanists have contributed to making good texts available and easy to comment on. It is interesting to learn how the human capacity to make and appreciate art evolved, and it would be curious to know “what happens in the brain when we laugh at Mark Twain.”⁸ For that matter, the economics of novel publishing could be informative, and so could the chemistry of papermaking, the physics of book-binding, and the physiology of reading poems aloud. But each of these contributions would matter only if we already had an appreciation of great art and literature, which you can’t get by de-aestheticizing, de-literizing, or dehumanizing them.

Humanomics

All attempts to overcome the dualism of cognition and life, of thought and singular concrete reality *from inside theoretical cognition* are absolutely hopeless . . . like trying to lift oneself up by one’s own hair. —MIKHAIL BAKHTIN⁹

Rather than attempt to save the humanities by dehumanizing them, why not see what great literature genuinely has to offer

8. For an important collection of articles from this school, see *The Literary Animal: Evolution and the Nature of Narrative* (Northwestern University Press, 2005). Despite some important contributions by sociobiological critics, a key problem remains: whatever evolutionary process made literature possible applies generally, but great literature is important precisely when it is *not* general but different in a way that makes it great. It is hard to see how evolution or neurology could reveal what makes Shakespeare’s seventy-third sonnet a truly great poem, not just a poem that he evidently evolved to be able to write in a way that provokes some pattern of neurons firing in some people.

9. M. M. Bakhtin, “K filosofii postupka,” in *Filosofia i sotsiologiya nauki i tekhniki: Ezhegodnik 1984–85* (Moscow: Nauka, 1986), p. 86; trans. Gary Saul Morson, “Prosaic Bakhtin: Landmarks, Anti-Intelligentsialism, and the Russian Countertradition,” in Amy Mandelker, *Bakhtin in Contexts: Across the Disciplines* (Northwestern University Press, 1995), p. 63 (italics in the original).

other disciplines? We have written this book to illustrate one way this can be done.

We believe that economics can benefit by considering key ways of thinking, cultivated by reading great cultural artifacts. To anticipate our conclusions, let us say that economics could benefit from understanding people better. We have three distinct ways the humanities could help in economic thinking.

First, people are not organisms that are made and then dipped in some culture, like Achilles in the river Styx. They are cultural from the outset. A person before culture is not a person at all. This idea of a person before culture resembles a Zen koan, like the sound of one hand clapping. To be sure, economists are not the only thinkers who typically treat culture as an add-on rather than as essential—some political philosophy does the same.¹⁰ But whether we are speaking of mainstream economics or (as we shall see) behavioral economics, the temptation of claims aspiring to universality, and of models reducible to equations, makes the idea of acultural humanness especially appealing.¹¹

Second, to understand people one must tell stories about them. There is no way to grasp most of what individuals and groups do by deductive logic. Understanding Robespierre or the French Revolution is not at all like proving the Pythagorean theorem or calculating the orbit of Mars. Human lives do not just unfold in a purely predictable fashion the way Mars orbits the sun. Contingency, idiosyncrasy, and choices—all of which

10. Social contract theories by their very nature involve this kind of thinking, which is present in Hobbes, Rousseau, and, in our time, Rawls. We return to Rawls later in the book.

11. Over the past few decades, a number of scholars have instead turned to culture's importance in economic issues, especially with regard to economic development. We discuss some of our favorites later. But to our knowledge, none of these thinkers has recommended the study of literature, or the humanities generally, to economists. In chapter 7, we argue that including the insights of great novels would help complete Adam Smith's project as he understood it.

allow for alternatives—play an indispensable role. That is why, as the great novelists recognized, personhood and sociality demand biography and history. Novels are a distinct way of knowing; and the very shape of the stories they tell—what sorts of events are represented as plausible, effective, or important—conveys vital, if elusive, information.¹²

Third, economics inevitably involves ethical questions, not reducible to economics itself or, for that matter, to any other social science. Economists often smuggle ethical concerns into their models with concepts like “fair market price” in which unacknowledged ethical questions are treated as unavoidable givens. As we shall see, there are many ways to make these covert issues overt and argue about them explicitly. And as several recent thinkers have pointed out, these questions can be addressed in terms of different ethical theories.

As we conceive them, these questions often invite a distinct perspective best learned from the great realist novels. The works of Tolstoy, Dostoevsky, Turgenev, Chekhov, George Eliot, Jane Austen, Charlotte Brontë, Edith Wharton, Henry James, and other great psychological realists share a sense that ethical questions are often too complex and too important to be safely handed over to any theory, existing or to come. It requires real, but ultimately unformalizable, sensitivity and the ability to express what is sensitively perceived. As we explain in chapter six, this distinctly *literary*

12. See Bakhtin’s famous study, “Forms of Time and of the Chromotope in the Novel” in M. M. Bakhtin, *The Dialogic Imagination: Four Essays*, ed. Michael Holquist, trans. Caryl Emerson and Michael Holquist (University of Texas Press, 1981), pp. 84–258. He develops the idea that each narrative genre conveys, by the sort of plot it favors, a sense of how events happen, the role that social conditions play in shaping individual action and vice versa, and the nature of human initiative, in his uncompleted study of Goethe and others, translated as “*The Bildungsroman and Its Significance in the History of Realism (toward a Historical Typology of the Novel)*” in M. M. Bakhtin, *Speech Genres and Other Late Essays*, ed. Caryl Emerson and Michael Holquist, trans. Vern McGee (University of Texas Press, 1986), pp. 10–59.

and *novelistic* approach to ethics may itself be regarded as a sort of theory, of course, and if one does so one can find theorists, like the Russian philosopher Mikhail Bakhtin, who have endeavored to articulate it.¹³ But it is not a theory in the sense of a comprehensive system somehow extracted from the great novels that one can learn apart from reading them. That is because the very experience of reading these works is part of what one has to have in order to think ethically in the novelistic way.

As novels understand ethical decisions, they require good judgment, which, by definition, cannot be reduced to any theory or set of rules.¹⁴ Sometimes familiarity with multiple theories—ethical pluralism, as Jonathan Wight has persuasively argued—helps.¹⁵ Such pluralism above all inculcates a sense of modesty about the ability of theoretical reasoning to address the most important questions. As Stephen Toulmin, whose favorite book was Tolstoy's *Anna Karenina*, has argued, good moral judgment is a matter not of theoretical reasoning (what Aristotle calls *episteme*) but of practical reasoning (*phronesis*), which comes from sensitive reflection on a great deal of experience and close attention to the unforeseeable and unrepeatable particularities of many individual cases.¹⁶ As

13. The prominence of so many women writers in this list of authors favoring sensitivity to particulars over theory in ethics was widely remarked upon at the time. It also led some male writers—like Tolstoy—to make his ethically wisest characters women whom men overlook because their thought is insufficiently theoretical and too grounded in particulars.

14. On judgment, see Philip E. Tetlock, *Expert Political Judgment: How Good Is It? How Can We Know?* (Princeton University Press, 2005). We discuss Tetlock's fascinating book in detail in the next chapter.

15. Wight, *Ethics in Economics*, pp. 17–19 and 210–230.

16. See Albert R. Jonsen and Stephen Toulmin, *The Abuse of Casuistry: A History of Moral Reasoning* (University of California Press, 1988); and Stephen Toulmin, *Cosmopolis: The Hidden Agenda of Modernity* (Free Press, 1990). On two occasions, Toulmin and Morson cotaught a course on *Anna Karenina*. Toulmin traces the importance of *Anna Karenina* and other works of Tolstoy for his teacher, Ludwig Wittgenstein, in Allan Janik and Stephen Toulmin, *Wittgenstein's Vienna* (Simon and Schuster, 1973), pp. 161–166.

we shall see in chapters 6 and 7, Toulmin regards his call for this sort of thinking as a summons to revive the tradition of casuistry, that is, case-based reasoning, shorn of the abuses to which casuistry was often put. And as both Toulmin and G. A. Starr have argued, the realist novel developed from casuistry by offering particularly rich cases for ethical reflection.¹⁷

What's more, reading great literature is unlike any other university-taught discipline, in that it involves constant practice in empathy. Theories of ethics may or may not recommend empathy, but learning those theories does not require *practice* in empathy, as reading great novels necessarily does. If one has not identified with Anna Karenina, one has not really read *Anna Karenina*.

When you read a great novel and identify with its characters, you spend hundreds of hours engaging with them—feeling from within what it is like to be someone else. You see the world from the perspective of someone of a different social class, gender, religion, culture, sexuality, moral understanding, or countless other factors that differentiate people and human experience. And as characters interact, and you identify with each in turn, you see how each perspective may look to those with another. You even learn to understand misunderstanding.¹⁸ Tracing the heroine's thoughts as she thinks them, you get inside her head, which you cannot do with people in real life. If she makes a foolish decision, you wince. You live her life vicariously, and in doing so you not only feel what she feels but also reflect on those feelings, consider the morality of the

17. See G. A. Starr, *Defoe and Casuistry* (Princeton University Press, 1971). Defoe is often considered the founder of the English realist novel; as Jonsen and Toulmin note, "Defoe's stories, notably *Robinson Crusoe*, *Moll Flanders*, and *Roxana*, are filled with 'cases of conscience,' fleshed out in the characters and plots of eighteenth-century English life. For a while the conception of a novel as a case, or series of cases, dominated English literature" (Jonsen and Toulmin, p. 164).

18. This was Chekhov's great theme—see, as a brilliant example, his story *Enemies*—but it is present in realist novels generally.

actions to which they lead, and, with practice, acquire the wisdom to appreciate real people in all their complexity.¹⁹

Theoretism and Literature

Here then are three areas where the humanities could supplement economics: with stories, a better understanding of the role of culture, and a healthy respect for ethics in all its complexity.

By using stories, we don't mean that they should be employed simply to illustrate the results of behavioral models, but instead that they be used to inform the creation of the models themselves. We discuss the importance of stories, and when they are a required form of explanation, when we consider narrative and narrativeness later in this chapter.

Economics has a hard time dealing with culture because it cannot be mathematized. And it tends to replace ethical questions involving noneconomic ways of thinking by substituting other questions easier to handle in economic terms.

The neglect of culture has inspired Richard Bronk's critique *The Romantic Economist*.²⁰ Bronk's idea of supplementing economics as presently practiced with insights from Romanticism, a movement so heavily invested in nations and particular cultures, brings with it a sense that "national institutions and history matter to economic performance, and that there is no

19. In her book *Particularities: Readings in George Eliot* (Ohio University Press, 1982), Barbara Hardy observes: "The novelist invents characters in order to produce what the Victorian realistic novel is expected to produce: characters who are made to seem complex and changeable, to interact with each other, to be determined by environment, to possess bodies, minds, passions, and to speak an appropriate language.... She is like a natural scientist who judges and loves her specimens, and finds her cases hard to classify and impossible to stereotype. George Eliot's classifications and generalizations are dynamic and tentative, and her cases are used to investigate a number of problems simultaneously" (pp. 12–13).

20. Richard Bronk, *The Romantic Economist: Imagination in Economics* (Cambridge University Press, 2009). Bronk offers a critique of rational choice economics and a suggestion for how to remedy it. Chapter 6, Economics and the Nation State, begins: "Most Romantics were sceptical of any attempt to reduce human thought and social behaviour to a set of universal laws" (p. 149).

such thing as a universal template for economic competitiveness or economic growth” because “history matters.”²¹ Our difference from Bronk, with whom we are also quite sympathetic, derives from his stress on Romantic poetry and ours on realist novels, which, of course, express different senses of experience. But both literary schools stress *particularity*, along with the need for multiple perspectives and the irreducibility of human experience to any single theory.

The third area—ethics—has attracted the attention of a number of interesting recent thinkers. We are particularly impressed with ideas long promoted by Deirdre McCloskey, who argues for an ethics based on the virtues, a way of thinking newly important among philosophers. We also appreciate Wight’s defense of a pluralist perspective, including consideration of virtue-based, duty- or rule-based, and consequentialist approaches. Our own approach is closest to Wight’s, as one might suspect from the fact that both he and we develop ideas of Isaiah Berlin.²²

Nevertheless, there is a difference, or perhaps an extension, based on an interpretation of Berlin. Berlin’s idea of “foxy” pluralism was originally developed in his book *The Hedgehog and the Fox: An Essay on Tolstoy’s View of History*—that is, in a commentary on what is arguably the world’s greatest novel, *War and Peace*, by the world’s greatest novelist, Leo Tolstoy.²³ The focus on a novel is important. Throughout this study, when we speak of “the humanities,” we think, first of all, of great literature, understood as a repository of wisdom. Philosophers and social scientists sometimes imagine literature as sugar-

21. Bronk, pp. xii and 2.

22. Berlin’s pluralism and appreciation of romanticism, with its sense that no single scale of values is possible, also inform Bronk’s *The Romantic Economist* as well as Tetlock’s *Expert Political Judgment*.

23. Isaiah Berlin, *The Hedgehog and the Fox: An Essay on Tolstoy’s View of History*, 2nd edition, ed. Henry Hardy (Princeton University Press, 2013). This famous essay was originally copyrighted in 1951 and is now most easily available in Isaiah Berlin, *Russian Thinkers*, ed. Henry Hardy and Aileen Kelly (Penguin, 1978). We discuss Berlin’s distinction throughout this book.

coated philosophy, as if Proust were just Bergson made into a story, with the real ideas to be discovered in the philosophers. No great writer has ever thought that way. Quite the contrary, the best that philosophers can do when paraphrasing great literature is to create some inadequate representation, not entirely useless but much cruder and less nuanced than the original. In a letter about *Anna Karenina* written to the critic Nikolai Strakhov, Tolstoy explained, as any great writer might:

If I wanted to say [directly] in words all that I had in mind to express by my novel, I should have to write the same novel which I wrote all over again . . . In everything, in almost everything that I have written, I was guided by the need to bring together ideas linked among themselves. . . . But every idea expressed by itself in words loses its meaning, becomes terribly debased when it is taken alone, out of the linking in which it is found. This linking is based not on an idea, I think, but on something else, and to express the essence of that linking in any way directly by words is impossible, but it is possible indirectly, with words describing images, actions, situations.²⁴

Or as Bakhtin argues, the critic and philosopher seek to “transcribe” some of the inexhaustible wisdom of the great work, a task ultimately impossible to accomplish but nevertheless supremely useful so far as it goes. The good critic or philosopher who enters into dialogue with a work can articulate some of its potential meanings.

Bakhtin saw great literature, and especially great realist novels, as shaped by the sense that people and moral questions are too complex to be captured by any theory. Rather, they require a deep appreciation of all those particularities that no theory could ever capture but that can make all the

24. Leo Tolstoy, letter to N. N. Strakhov, around April 23, 1876, in the Norton Critical Edition of Tolstoy, *Anna Karenina*, 2nd edition, ed. George Gibian (Norton, 1995), p. 750.

difference—whether in understanding a specific person or in coming to a wise decision about a difficult ethical situation.

Bakhtin referred to the opposite assumption, that literature exists to provide vague stories for critics and philosophers to elevate with a rigorous theoretical formulation, as “theoretism.” To be sure, some literary works can be adequately paraphrased, but that is precisely what makes them third rate. There is little difficulty in paraphrasing Ayn Rand or the sort of heavy-handed didactic works favored by many journalists and politicians. Some high school English teachers (or college ones who want to use literature to convey a simple lesson known from theoretical works) often assign such books. They are easy to teach precisely because they have a simple “message.” But if that is all they have, who needs them? Why not just teach the message? It is usually a lot briefer than *War and Peace* and a lot easier to read than *Remembrance of Things Past*.

Like Tolstoy, Berlin, and Bakhtin, we approach literature as a source of wisdom that cannot be obtained, or obtained so well, elsewhere. There is an obvious proof that the great novelists understand people better than any social scientist who has ever lived. If social scientists understood people as well as Tolstoy or George Eliot, they would have been able to describe people as believable as Anna Karenina or Dorothea Brooke. But not even Freud’s case studies come close. Surely the writers must know something! For reasons we will see, the same may be said about how the great novelists present ethical questions: with a richness and depth that make other treatments look schematic and simplistic.

When we speak of bringing economics and literature together, therefore, we emphatically do not have in mind the way it is done when economists use literature to illustrate economic lessons. Not that this approach is without value, but in no sense does it take seriously the notion that stories could actually *improve* economic analyses rather than merely clarify what traditional economics teaches. Consider the well-known anthol-

ogy edited by Michael Watts, *The Literary Book of Economics*.²⁵ Watts treats “literary authors,” as he calls them, as people who “write so well” that they can conveniently illustrate truths economists already know (Watts, pp. xxi–xxiii). They can be useful “both because they are well written and memorable and because they introduce variety into the economics classroom, compared to the typical steady diet of textbook prose, graphs, tables of numbers, and math” (Watts, p. xxii). And so, Robert Frost’s “The Road Not Taken” illustrates “choice and opportunity cost,” while his “Mending Wall” teaches—God help us!—about “property rights and incentives.” Shakespeare’s *Merchant of Venice* can provide a memorable illustration of “government regulation and the legal and social framework for markets.” Anyone who knows these works in their complexity will wince. What’s next, a course on international affairs making similar use of the Sermon on the Mount (“if a hostile power take one of thy provinces, yield to him also another”)?

Nowhere does Watts entertain the possibility that great writers may teach economists something valuable that they do not already know.

Dialogue, Not Fusion

What have I to gain if another were to fuse with me? He would see and know only what I already see and know, he would only repeat in himself the inescapable closed circle of my own life. Let him rather remain outside me. —MIKHAIL BAKHTIN²⁶

Economists could benefit from drawing on all three of these humanistic capabilities: an appreciation of people as inherently cultural, of stories as essential forms of explanation, and of ethics in all its irreducible complexity. To do so,

25. Michael Watts, ed., *The Literary Book of Economics: Including Readings from Literature and Drama on Economic Concepts, Issues, and Themes* (ISI Books, 2003).

26. M. M. Bakhtin, *Estetika slovesnogo tvorechesva*, ed. S. G. Bocharov (Moscow: Iskusstvo, 1979), p. 78.

economics does not need to abandon all its great achievements, any more than the humanities should dehumanize themselves. Economists don't need to spoof anyone. They should not hanker after some sort of fused discipline analogous to "behavioral economics." Instead, they need what we call a "humanomics," which allows each discipline to keep its own distinctive qualities.

Rather than fuse economics and the humanities, humanomics creates a *dialogue* between them. What we are after is not a set of theoretical propositions but an ongoing conversation.

To preclude any misunderstanding: the dialogue we have in mind is not between the two of us. After numerous conversations, and teaching a class together several times, we have arrived, more or less, at substantial agreement. Rather, we have in mind a dialogue between the two *disciplines* understood as distinct approaches to knowledge.

A Return to the "Real" Adam Smith

In creating a dialogue between economics and the humanities, we think of ourselves as going back to the most important source of economic thought, Adam Smith. Smith's wisest commentators have remembered that he was also a moralist. That double identity makes all the difference. The way in which economics textbooks typically represent *The Wealth of Nations* bears little resemblance to its overall spirit. Far from thinking that it is desirable or possible to describe economic activity by formulas or other ahistorical ideas, Smith devotes a substantial portion of the book to purely narrative explanations.

Rather than imagine human behavior can be modeled in terms of rational choices, Smith refers time and again to rationality as exceptional. More often people are guided by mere folly. Speaking of the pernicious influence of "the constitution of the Roman church," for instance, Smith observes that it was "in no danger from the assault of human reason.... Had this

constitution been attacked by no other enemies but the feeble efforts of human reason, it must have endured forever.”²⁷ In this case, as in so many others, purely contingent historical factors, which must be narrated to be understood, accomplished what no principle of reason ever could.

Above all, Smith is far from reducing ethical questions to those modeled by today’s economists. As those who have promoted the importance of asking ethical questions have stressed, Smith was the author not only of *The Wealth of Nations* but also of *The Theory of Moral Sentiments*.²⁸ Indeed, moral argument occurs frequently in *The Wealth of Nations* itself. Not only does Smith reject the idea that all human action is guided by perceived self-interest—an idea that in his time was represented by Hobbes—he argues quite the opposite, that a concern for others, as well as for ourselves, lies at the core of human nature. *The Theory of Moral Sentiments* famously begins: “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner.”²⁹ And Smith is clear that our inclination to pity and compassion cannot be reduced to an indirect kind of self-love or self-interest, as a rational choice theorist might suppose.

Smith evidently regarded the sort of thinking that laid the foundation for modern economic theory as necessary but not sufficient, either to understand how people do behave or

27. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 2, ed. R. H. Campbell and A. S. Skinner (Liberty, 1981), p. 803. Originally published in 1776.

28. See Wight, pp. 5–8, 134, and 153–157.

29. Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Liberty, 1982), p. 9. Originally published in 1759.

to recommend how they should. One needs economics and more. We heartily agree, and hope to show just how two kinds of thinking can work together.

We discuss Smith at considerable length later, but here it is worth observing that in chapter 7 we will argue that the realist novel in effect extends and deepens Smith's ideas, with regard to both ethics and psychology, as outlined in *The Theory of Moral Sentiments*. The psychological realist novel is, in effect, a distinct approach to moral sentiments, and it, like Smith's treatise, places special value on sympathy. If philosophers have not regarded realist novelists like Jane Austen and George Eliot in this light, perhaps it is because they tend to turn to philosophy proper and are not used to reading novels as philosophy of a special sort.

The Value of Telling Stories Out of (and in) School

Humanists love to read and to write stories; economists do not. In the humanities, stories inspire, they explain, they teach us empathy. In economics, they distract from the impartiality expressed in mathematical models and interfere with the disinterested analysis of data. They are disparaged as mere anecdotes.³⁰

Of course, there is some rationale behind this difference in disciplinary approach. Economists are trained to trust not what people say, but to observe what they do. Someone might purport to love opera above all but, despite an increase in income or a change in relative prices making opera less expensive than rival consumption goods, never choose to attend a

30. There are some economists, however, who believe that stories might help us understand human behavior. Robert Shiller, "How Stories Drive the Stock Market," *New York Times*, January 22, 2016, extolls the virtues of narrative psychology in arguing that popular narratives drive motivation. In his words, "Most economists generally do not refer to such popular stories or assess their emotional appeal." Yet, "such popular stories are serious matters. They can lead to revolutions, or to market collapses."

performance. Does that person truly gain satisfaction from opera, or are his preferences best revealed through his behavior? An economist would say that this person's actions bring his statements into question. A humanist, on the other hand, might say that while this person perhaps does not love opera in the sense that he wants to attend one, he loves to think he loves opera. He gets pleasure not from attending a performance but from thinking, or talking, about attending. And indeed there are many activities we fantasize about but would not really choose to do. Or what's a library for?

If a person sincerely professes one belief but acts as if he believes something else, what does he really believe? For a humanist, this is an interesting philosophical question, and he might turn to the stories in great literature for insight. For an economist, the answer would be to rely on what people actually do.

To an economist who succeeds in teasing out a person's preference structure—understanding whether the satisfaction gained from consuming one good is greater than that of another—explaining behavior in terms of changes in underlying likes and dislikes is usually highly problematic. To argue, for instance, that the baby boom and then the baby bust resulted from an increase and then a decrease in the public's inherent taste for children, rather than a change in relative prices against a background of stable preferences, places a social scientist on slippery ground. As Gary Becker put it, that would be equivalent to saying that a rise in mortality, followed by a fall, could be attributed to an increase in the inherent desire for death followed by a decline. For an economist, birth rates rise and fall due to changes in income and prices rather than changes in tastes. When income rises, for example, people want more children (or, as you will see later, more satisfaction derived from children), even if their inherent desire for children stayed the same.

But might stories inform an economist's models, allowing her to better anticipate the results of policies? Could stories, and associated theoretical and methodological approaches, help us better understand our data, without biasing our results? Could they help us see issues or understand moral implications we might otherwise overlook? We believe they can, and argue that incorporating not just narratives but a variety of techniques and methods from the humanities and other disciplines will make the "Jewel of the Social Sciences"³¹ more relevant in addressing the world in which we live and better able to predict the future that awaits us.

We began to think about this topic in the context of an undergraduate course we have cotaught for several years: *Alternatives: Modeling Choice across the Disciplines*.³² After examining material from a wide variety of subjects—economics, literature, philosophy, history, psychology, sociology, theology, evolutionary theory, and urban planning—it has become very clear to us that economics has much to learn from its sister fields. While we do not question the significance of economics as a discipline, neither do we question the payoff from a dialogue with other approaches.

Of course, we are not the first to critique the often narrow and imperialistic nature of "economic science" (that term speaks for itself), but we hope our readers—economists and others—will be inspired to think more broadly about the field. Are we sure this is needed? Some might point to the advances made over the years aimed at creating a more nuanced, and perhaps more humble, version of traditional economics. In fact, in the chapters that follow we celebrate numerous contributions in that direction. But take a look at any of the top economics jour-

31. A label, while rarely used, that is favored (by economists) over a much more popular one, the "Dismal Science."

32. This course inspired us to coedit *The Fabulous Future? America and the World in 2040* (Northwestern University Press, 2015).

nals. Even when the topics explored seem interdisciplinary, how often are other fields actually taken seriously? There might be occasional references in bibliographies to the literature in psychology, sociology, political science, anthropology, philosophy, and even the humanities, but they are typically notable by their absence. The norm is economists writing for other economists, using the usual tools of economics. If the article focuses on theory and mathematical modeling, that isn't all that unexpected. But many articles conclude with a policy section, and that raises the stakes. Is a narrow economic view really going to get it right? The world is complex, and so are its actors. Effective policies demand more than a limited approach can produce. We give examples of this in the chapters to follow and discuss next how we came to this belief.

Two Stories

In line with our emphasis on the human, we would like to tell our own stories about how we came to appreciate the importance of dialogue between two very different kinds of thinking. We think it would be helpful to explain how we were driven to write about incorporating the humanities into economics, making its analyses both more realistic and more useful. We will then set out our goals for the chapters that follow.

Morton Schapiro

By the time I left graduate school in 1979, I had completely bought in to the view that “getting the prices right” was almost always the best economic policy. While my focus was on micro- rather than macroeconomics, I had little doubt that governments generally undermined the optimal functioning of the free-market system. But my experiences in the developing world in the 1980s gave me pause, leading me to question the appropriateness of some market solutions. The first instance was in Cairo in 1981. A few years earlier the

valuable the money earned in the distant future). A thirty-year-old investment banker with an MBA can expect much greater future earnings than a fifty-year-old waiter who never attended college. For this reason, settlement offers made as part of the September 11th Compensation Fund—a loss-of-life case that not surprisingly attracted widespread popular scrutiny—varied widely based on age, education, and job category. While there was some public outcry about the range of offers, there was nothing there that would surprise an economist. Still, there is the more difficult question of the consumption value of life. What is the value of a year of healthy living, independent of any money earned in the workplace? When there is a market for certain health improvements (for example, one might ask what people pay to improve their eyesight or their mobility), at least we have some notion of how to price this out. But it is far from perfect and often moves economists well outside their comfort zones, leaving them with a traditional economic loss calculation based simply on the present discounted value of the forgone earnings stream.

That reality hit the public eye a decade later in the context of the infamous World Bank/Lawrence Summers memo.³⁵ Summers, at the time the chief economist for the World Bank, signed a memo arguing that there were a number of reasons why the Bank should encourage greater migration of dirty industries to the developing world. One of those reasons reminded me of that conversation in Cairo: relocating toxic waste to areas with already high morbidity and mortality and with low wages implies a minimal economic cost. A second rea-

35. For several accounts and commentary, see “The Memo,” December 12, 1991, as published by the Whirled Bank Group, 2001; “Toxic Memo,” *Harvard Magazine*, May–June 2001; David N. Pellow, *Resisting Global Toxics: Transnational Movements for Environmental Justice* (MIT Press, 2007); and Daniel M. Hausman and Michael S. McPherson, *Economic Analysis, Moral Analysis, and Public Policy* (Cambridge University Press, 2006). See Hausman and McPherson, pp. 12–23 and 265–273, for a particularly thoughtful analysis of the ethical implications of the economic approach employed in the memo.

son was the assumption that there is a high income elasticity for a clean environment, that is, the richer the nation, the greater its appreciation of clean air and water and improved levels of health. Summers later apologized for signing the memo (quoting former New York City mayor La Guardia, “When I make a mistake, it’s a beaut”), even though a subsequent article in the *New Yorker* argued that a young economist had in fact written the memo and that Summers only signed it to provoke debate.

And debate it provoked! The Secretary of the Environment in Brazil, for instance, wrote the following: “Your reasoning is perfectly logical but totally insane. . . . Your thoughts [provide] a concrete example of the unbelievable alienation, reductionist thinking, social ruthlessness and the arrogant ignorance of many conventional ‘economists’ concerning the nature of the world we live in.”³⁶

In my mind that says it all. At its extreme, while it might make perfect sense for an economist to recommend that the cost of reducing years of life is less in a place where the economic value of that life is limited, is that all that is relevant? What about the moral issues at stake? Going outside the limits of traditional economic theory is pretty scary for most economists. Give us the world of Pareto optimality (where we search for actions that improve someone’s condition without hurting anyone else) and we are very happy to suggest some policy. But the real world usually involves the kind of trade-offs that economists like to avoid. Someone gains; someone else loses. In a classroom it is easy to shunt aside the question of interpersonal utility comparisons, avoiding altogether the question of whether the decline in someone’s utility is justified by the gain by others. But not in Cairo in the late 1970s/early 1980s, or when discarding toxic waste in the 1990s, or today for that matter.

One more story. After spending some time lecturing about development issues in and out of Africa during the rest of the

36. As quoted in sources in preceding footnote.

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