"Summary of article by John Oliver Wilson: Human Values and Economic Behavior: A Model of Moral Economy" in Frontier Issues in Economic Thought, Volume 3: Human Well-Being and Economic Goals. Island Press: Washington DC, 1997. pp. 22-26

Social Science Library: Frontier Thinking in Sustainable Development and Human Well-being

"Summary of article by John Oliver Wilson: Human Values and Economic Behavior: A Model of Moral Economy"

Positions taken in the debate about the relationship between human values and economic behavior range from a denial that the two are connected, to the assertion that human values must be the very source of the legitimacy of the economic system. Although economics involves many choices about the use and distribution of scarce resources that profoundly impact human life, most economists resort to the equivocal position that economics should be treated as a value-free "science." This response is, however, inadequate, and economists must better integrate concepts of human value and economic behavior. This paper presents a moral model of economic behavior that attempts to do this, expressed in terms of seven basic postulates.

CONVENTIONAL ECONOMIC MODELS

The view that human values and ethical considerations are on a different plane from economic issues of production and distribution is deeply embedded in conventional models of economic behavior, especially the dominant neoclassical model. This model is portrayed as a purely positive model of behavior, independent of any normative considerations. It argues that the source of human motivations is rational, self-interest maximization; no non-self-interested goals -- altruism for example -- need be taken into consideration. The model does not provide any means for assessing social achievement to make comparisons among economic systems. It can not be counted on to indicate a quality distinction between a system of great inequality with many destitute members, and a system of relative equality.

The social-welfare model of economic behavior provides an alternative that does at least incorporate some normative considerations. It allows economists to make judgments when comparing different economic systems by using a social-welfare function, which, in theory, should be determined by a political process, and so should reflect the values of society, especially with respect to the desired distribution of income. However, the social-welfare approach is severely hampered by the difficulty of making interpersonal comparisons of utility. This difficulty has thrown economists back on Pareto optimality as the only criterion available for judging economic systems. This approach also continues to rely on the assumption that maximization of self-interest is the main motivation for economic behavior so situations of extreme inequality may still be judged no worse than situations of general equality.

THE MORAL MODEL: SEVEN POSTULATES

Another model that better integrates human values and economic behavior is the "moral model." It can be expressed in terms of seven basic postulates. The first states that:

> In an economic system, individuals confront a range of alternative socioeconomic actions, and in making a choice among these actions an individual will act upon a particular set of moral values. (237)

There are several approaches to understanding how these moral values affect individual choice, such as a simple dichotimization between an individual's "ethical preferences" and his or her "subjective preferences," or Amartya Sen's more complex system of "meta-rankings" of whole ranges of preferences. In either case, though, the important contrast with neoclassical theory is that the moral model portrays choices are shaped by a preference function based on moral values, not simply on self-interest maximization. One alternative can therefore be said to be *better* than another, not simply *preferred* to it.

The second postulate states that:

> Any set of moral values that satisfies the conditions of legitimacy consists of social values, and these values function to integrate individual self-interests into an economic system. (239)

If each individual is left alone to determine what constitutes moral behavior, then there is no way to study the relation between economic behavior and human values. But identifying a common, legitimate set of social values that links these two realms presents problems. Universal, absolute values can only be revealed through metaphysics or religion, not rational analysis. The most promising alternative approach involves identifying the commonalities among various conceptions of justice and morality, and identifying the conditions that all must satisfy. This reveals that moral values must in all cases serve as: 1) *social values* that shape interpersonal relationships and the social externalities involved; 2) *shared values* that represent what all individuals in an economic system regard worthy of achievement; and 3) *integrative values* that integrate individual self-interest into the larger economic system.

The third postulate states that:

> Associated with the social values of an economic system are appropriate sets of social goods that characterize how a particular economic system chooses to realize its social values. The dominant social goods are individual happiness and economic justice. (241)

In contrast to either utilitarian or subjective, individualist views of happiness, the objective view implied here asserts that the happiness of each individual is connected to that of all others in society. The desired socioeconomic outputs associated with this social good must be chosen by society; they can range from provision for basic economic needs, to meeting communal needs for fair distribution, human development needs for individual freedom, love and belonging, and self-fulfillment needs for enjoyment and a sense of completeness. This definition of valued outputs implies value judgments by society about the nature of acceptable behavior in pursuit of individual happiness.

With regard to economic justice, traditionally only distributional justice has captured the (insufficient) attention of social-welfare economists, who have focused on the trade-offs between economic efficiency and equality. However, the definition of the socioeconomic outputs associated with economic justice as a social good should also include indicators of commutative justice (equivalence of exchange) and of productive justice, i.e., the ability of all individuals to participate in the economic system to fulfill their basic needs. The particular outputs desired in association with each of these concepts of justice must also be socially determined, based in part on their effects on individual happiness, since these two social goods are interdependent.

In fact, the fourth postulate states that:

> The social goods of an economic system are interdependent. Given such interdependency, an economic system must determine how one social value and its associated goods will be traded off against other social values and associated goods. (246)

Neoclassical models generally assume absolute independence of all economic behavior, but in reality there are various types, and varying degrees, of interdependence. Socioeconomic externalities caused by production and consumption involve the lowest degree of interdependence, and are in fact dealt with -- as anomalies -- in the neoclassical model. The interdependence of social goods, as well as communal interdependence -- the idea that happiness and justice for individuals cannot be defined or understood apart from the rest of society -- represent progressively higher degrees of interdependence. While these two forms of interdependence also pervade economic systems, the extent to which they are actually recognized, and the approaches taken to resolving the trade-off issues that arise, will depend on a society's dominant ideology.

The fifth postulate therefore states that:

> How an economic system integrates its values into rules of economic behavior, distributes the rewards from participation in the economy, and solves the trade-off problem between interdependent social values and associated socioeconomic outputs is determined by the primary ideology that prevails in the economic society. The two dominant ideologies are individualism and totality. (249)

The ideology of individualism is based on three major concepts: 1) individual autonomy; 2) individual dignity, or the belief that all individuals are equal and exist as ends in themselves, and that the purpose of society is to advance individual welfare; and 3) the right and duty of individuals to pursue self-development. Likewise, the ideology of totality, which sees the universe as an organism composed of interdependent parts, is based on the concepts of: 1) absolute emptiness, or the belief that individuals do not have a true reality independent of others; 2) mutual identity, or the belief that parts can only be defined in relation to the whole of which they are a part; and 3) universal intercausality, which denies linear flows of cause and effect, arguing that all entities are both causes and effects of the totality. These ideologies are far more influential in shaping economic systems than political ideologies such as capitalism or socialism.

Finally, the sixth and seventh postulates state the dominant characteristics of economic behavior in economic systems based on the ideologies of individualism and totality respectively. Those based on individualism will institutionalize:

> . . . the *autonomous* individual as the primary unit within the economic system; *optimization* behavior regarding the role of the individual within the economic system; and *conflict generation-resolution* as the essential nature of interaction between individuals and institutions within the economic system. (252) [emphasis added]

Systems based on the ideology of totality will instead institutionalize *interdependent* individuals, *satisficing* behavior,[1] and *consensus formation*. Of course, no economic system is a pure model of either ideology. The range of possible economic systems reflects each of these ideologies to varying degrees, but in all cases the choice of system determines the nature of prevailing economic behavior and of moral choice.

Notes

1. Conduct aimed at achieving satisfactory aspiration levels of the objectives of decision making and which may not therefore involve maximizing profits.