

The Complicity of Economics¹

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Abstract

Economics has long promoted an image of agents who profit and consume for their own individual benefit without any kind of responsibility for each other, and who rationally evaluate means but not ends. This contribution explores the relationship between the expanding influence of the *homo economicus* image and the rise of Donald Trump.

Introduction

Economics, as a discipline, of course does not bear full responsibility for the crisis of democracy in the U.S. and abroad, the rise of Trumpist populism, and the disaster of the recent U.S. tax changes and regulatory roll-backs. But—because of willful blindness to many aspects of human social life—the mainstream of the profession (sometimes with the help of heterodox groups) has contributed to it in significant ways.

Let me first explain what I mean by “mainstream economics,” in the current U.S. context. I imagine a “representative agent” of this group, to be a neoclassically-trained male. To succeed in the profession, they have—for the most part—adopted the model of *homo economicus*, an image of agents who profit and consume in their own material self-interest, and who rationally determine the efficient means for achieving this end. The main tools of the trade are mathematical models of constrained optimization or equilibrium in markets, large-scale datasets, and econometrics. This economist’s personal political inclinations are likely centrist, or perhaps even a bit (as educated folks who have spent time in urban areas) to the

Democratic side. Having avoided the far ideological fringe, they believe that some amount of regulation is a good thing, too much inequality could be a bad thing, and that tax policy based on supply-side economics probably isn't going to work this time, either. They felt pretty comfortable in a country run by centrist Republicans or Democrats, and—like, I assume, all of us in this room—feel profoundly worried about the present direction of our country. They are, as educated people, uncomfortable with blatant lies and bombast, and feel threatened, as academics, when “evidence-based” and “science-based” are labeled as dirty words.²

I do not doubt the general good intentions, and unease, of the folks for whom this picture fits. Yet—due to our profession's profound lack of self-reflection about its history and assumptions—our profession has, in fact, been complicit in the rise of these tendencies. This has happened in two ways.

Encouraging Some Things, Denigrating Others

The first of these ways I will call the “sins of commission”: the ways in which standard economics teachings have nourished Trumpish views of the economy and society. Trump's personal narcissism can be seen as simply *homo economicus* taken to an extreme. Economics education actually encourages greed, under the banner of natural and appropriate self-interest. In addition, the idea prosperity is attributable to productivity and efficiency has bolstered the idea among Trump supporters that, if Trump is rich, it must be because he is a “smart businessman.” The centrality of the model of welfare-maximizing perfectly competitive markets, and the idea that government is a quasi-optional “add-on” to the real economy, throw the major weight of our discipline's influence to the free-market, pro-corporate, and anti-regulation side. If you attend graduate and faculty economics seminars, of course, you may encounter discussions that challenge each of these points. But look back at the standard undergraduate principles and theory textbooks from which millions of

students receive their economics education: If they come out thinking “greed is good,” that’s not a mistake. It’s a feature.

What I think of as the “sins of omission” are the damages done through neglect. The mainstream discipline has willfully turned a blind eye to very much about how we live together as human beings. *Homo economicus* worries only about means; real people also concerned themselves with ends. Economic man is autonomous and independent; real people are parts of families and societies, with their identities shot through with the history and beliefs of the various groups to which they belong, and with care for the people they love. *Homo economicus* is rational and logical; flesh-and-blood people evolved to survive, not to solve logic problems, and our actions are based as much or more on habit and emotion as on cogitation. We also need a natural environment preserved to be conducive to bodily survival—another area the mainstream has neglected.³ In real economies, power—whether based in inherited wealth, market power, political power, racial or gender privilege, or other factors—strongly steers the distribution of prosperity. In real life, social and governmental and economic spheres are not separate, but rather interpenetrate and co-create each other.

Seen from this perspective, the assumptions of mainstream economics aren’t “wrong” exactly—people are often self-interested, for example, markets are sometimes competitive, and the models may have their (limited) uses in specific situations.. It would be just as partial to focus exclusively on cooperation, or only on entrenched power. But by playing with only half a deck, our discipline willfully ignores a very great deal of what makes up actual economies—that is, the vast reaches of our societies that shape how we provide for our survival and flourishing. As economics doctrines become more and more performative in society, encouraging people to focus ever more narrowly on financial profit and self-serving consumption, they dangerously undermine the very social, governmental, and ecological foundations of provisioning activity.⁴ We haven’t just *forgotten* to teach Econ 101 students that caring, power differences, ethical concerns, the ability to

work together, and the health of our physical world are important, too. We teach them that, for the purpose of understanding economic life—this huge part of our social world! —paying attention to those things is *unnecessary*.

How did mainstream economics get this way? If we were more reflective about our discipline's history and assumptions, we could trace it back to an ambition to make our discipline "scientific," with "scientific" defined in a rather odd and unhelpful way. We've pretended that we can carve off a piece of social life that runs according to "principles" and "laws" that are describable in mathematical terms. Math, we think, is the ultimate arbiter of objectivity, since pi has the same value no matter where you are or what your personal biases may be. We take self-interest, competition and the like to be the self-evident "drivers" of the economic machine. And then, identifying "scientific" with "we can get to objectivity through math," we try to push off all the messy stuff—all the parts related to interconnection, values, meaning, and emotion—onto those other, "softer," disciplines such as sociology and the humanities.⁵ We draw a sharp line between the quantitative factors we can get a "scientific" handle on, and look down on what we consider to be matters of belief or ethics, where subjectivity may cause people's views to diverge.

News flash: Math does not give one objectivity. Math, at best, gives an abstract model internal consistency, which is not at all the same thing as assuring that our work creates reliable knowledge about real-world phenomena. Evidence is good, but not everything we need to know is quantifiable. Also, economic life is not something that can be cleanly carved out from the rest of the (social) world.⁶ Self-interest and competition are no more self-evident, actually, than other-interest and cooperation. It takes a lot of group loyalty and cooperation to get a business to actually run well, for example. On the negative side, excessive solidarity among elites is doing a lot of demonstrable harm to the rest of us.

By putting our faith in one small way of seeing the world, economists have not created science, but dogma. *Good* science is open-minded systematic investigation,

with reliability sought though critique by ever-larger communities. That, not an imagined view-from-nowhere, is the only remedy for personal and cultural bias.⁷ Mainstream economics is, in contrast, dogmatically close-minded, resembling the worst sort of religion and embodying unreason. Most heterodox schools are somewhat more reflective about their histories, though they sometimes also come dangerously close to mimicking the mainstream in adopting a narrow focus and pseudo-scientific methods.

The Crisis of Democracy

Which brings us back to the crisis of democracy. Along with a rise of greed and intolerance, we are witnessing a rise of unreason. Our discipline is spectacularly unhelpful in dealing with this, being part of the problem of unreason itself.

Unreasonably narrowing our subject to fit our preferred methods, we write cool, overly-technical articles, often on arcane topics. When we do look at policies, we tend to act as if our methods have magically insulated us from our own biases.⁸ Irrationally thinking of people as purely rational, we then suppose that people will, logically, vote for what we have shown will be best for them. As a result, we were totally sideswiped by the rise of Trumpishness. In 2016 we found out that what, in fact, “sells” in politics can include empty promises, short catch-phrases, outright lies (repeated often), appeals to hatred, and so on. Trump supporters, we’ve heard from various interviews and commentators, were often swept along by the euphoria of being part of something larger than themselves.⁹ Trump took the self-interest promoted by economists, and combined it with an approach to mass mobilization that took shrewd advantage of our human desires to be vindicated, to win, and to belong.

Is the cure for this kind of blatantly emotional, hot unreason an even more strident emphasis on cool logic and detachment? There are good reasons to think not.

First, emotions and connection are not going away, as motivators of human behavior, just because economists have assiduously ignored them. But there are better and worse ways to work with them. John F. Kennedy called on the human desire to be part of something bigger than oneself, in a positive way, by encouraging citizens to “ask not what your country can do for you, ask what you can do for your country.” (You won’t find that in any Econ 101 textbook.)

Second, a one-sided emphasis on logic, technical knowledge, and detachment may actually encourage, in an action-reaction fashion, the development of forces of illogical, destructive backlash. Karen Armstrong, a noted writer about world religions, has compared two kinds of understanding, *logos* and *mythos*. She describes *logos* as the factual, scientific understanding of how things work, in which “efficiency” is the main “watchword.” *Mythos*, on the other hand, refers to the spiritual and intuitive ways in which we come to understand the meaning and value of our lives. While *mythos* dominated the ancient world, *logos* has come to dominate Western cultures. (Some religions have themselves come under the influence of *logos*-worship, for example by promoting fundamentalist “explanations” of the practical world such as so-called “creation science.”) But Armstrong points out that this focus on *logos*, and corresponding neglect of *mythos*, has created a “void at the heart of modern culture.” Obsessed with cut-and-dried “how” knowledge, we’ve become estranged from the whole “why” dimension, forgetting to develop and honor the—very different from science, but wholly appropriate in their sphere—ways in which humans seek to understand questions of purpose, meaning, values, and where we fit in the universe. The result, she writes, is “numbing despair, a creeping mental paralysis, and a sense of impotence and rage.” That is about as good a description as any I’ve seen of the mental state of Trump’s electoral base as he began to whip them up. This sense of powerlessness and anger, Armstrong writes, bolsters “fearful and destructive unreason” and “destructive mythologies [that] have been narrowly racial, ethnic, denominational and egotistic, and attempt to exalt the self by demonizing the other.” Writing in 2005, she noted, prophetically, that it leads to the rise of one who “seeks not heroism, but only barren celebrity.”¹⁰

Conclusion

In mainstream economics, we can say that *logos* is not only dominant, but absolutely idolized. Via economics education, it is preached to the world. Our neglect of the emotional, connected, value-laden and meaningful aspects of human life is not just an innocent oversight or a matter of efficient specialization. It is a willful blindness that contributes to a vacuum easily filled by unreason and totalitarian tendencies. In this way, above all, economics has been complicit.

By the way, there is also a gender aspect to this. Math, competition, self-interest, and science—all elements revered in our discipline—tend to be culturally associated with masculinity (no matter the gender of the person enacting them), while qualitative work, cooperation, concern for others and spirituality are denigrated as softer and more feminine. Economics has never cleaned up its own house in regard to gender, either in its methodological biases (as pointed out here) nor in its social and employment habits in relation to women (as highlighted by the recently controversy over the Economics Jobs Markets Rumors website).¹¹ Observing both EJMR and Trump's "pussy grabbing" comments, we can add unexamined misogyny to the factors of complicity.

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Notes

¹ Prepared for the session "Democratic Crisis and the Responsibility of Economics, II" sponsored by the Association for Social Economics at the Allied Social Science Association meetings, January 2018, Philadelphia, PA, USA. This talk draws on work I have developed at more length elsewhere, including (Nelson 2017a) and other works listed in the footnotes.

² Sun and Eilperin (2017).

³ Nelson (2013a).

⁴ Stout (2012).

⁵ Nelson (2010).

⁶ Nelson (2006).

⁷ Nelson (1996)

⁸ For an example of the failure of this, see Nelson (2014).

⁹ E.g., Hochschild (2016, 228, 234).

¹⁰ Amstrong (2005, 121, 122, 129, 136, 143, 370).

¹¹ Nelson (2017b).