

# THE HERITAGE LECTURES

No. 575

*The Russell Kirk Memorial Lectures*

Putting the Self Into Self-Interest:  
An Economist Looks at Values

*By Jennifer Roback Morse*



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## PUTTING THE SELF INTO SELF-INTEREST: AN ECONOMIST LOOKS AT VALUES

*By Jennifer Roback Morse*

**T**he economic way of thinking has had a profound impact on modern intellectual life. Economics, with its wide array of explanatory successes, is justifiably regarded as the queen of the social sciences. The economic way of thinking combines empiricist scientific method, utilitarian cost-benefit calculus, and libertarian political philosophy. Few people embrace every aspect of the economic approach in every particular. Yet the number of people who use some of these elements of the economics paradigm, in some combination, must be staggeringly large.

The book upon which this lecture is based argues that using the economic way of thinking as a personal philosophy does not work. The particular approach that I use in the manuscript shows how the economic model of the human person might be expanded to incorporate the fact that people and their preferences can change. The fact that people change might appear to be a statement of the obvious. And, of course, it is. Much of economic analysis has that quality. Once someone points it out, the fact is plain. But the economic worldview as it is presently constituted does not have a very good vantage point from which to observe the process of changing preferences.

Childhood is the first place to look for the problem of changing preferences, and for the reasons that economics as a personal philosophy does not work. People come into the world with personalities, but not with the ability to know or to rank their own preferences over every imaginable set of goods and services. The maturation process focuses in a particular way upon the formation of the child's preferences. My book (in manuscript) shows how this process can be analyzed, using the economics idiom. My lecture today will not attempt to spell out the technical economic model presented in the book; rather, I will try to show why some modifications in the economic way of thinking would be helpful, especially to those who use some form of economic reasoning as a personal philosophy.

I especially appreciate the opportunity to present this work at The Heritage Foundation because the foundation's Salvatori Fellows program played a formative role in it. For several summers, I gave a lecture on public choice economics to the fellows. Most of the participants were professors in humanities departments. They were generally sympathetic with the conclusions reached by the application of economic reasoning to politics. However, they had serious reservations about the economists' vision of the human person. After several summers of confronting the same type of resistance from obviously capable

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She spoke at The Heritage Foundation on October 2, 1996, in the Russell Kirk Memorial Lectures series.

ISSN 0272-1155 © 1997 by The Heritage Foundation.



people, I had to admit that they had a point. In a sense, the Salvatori Fellows were among the people who provoked me into rethinking the economics paradigm.

But a more serious provocation arrived in 1991: motherhood. I had two children in six months, which, as I always say, is a record even for a Catholic. Our daughter was placed into my care at conception; our son after two-and-one-half years of life in a Romanian orphanage. The developmental path of the daughter has been smooth, easy, exactly as the book said it would be. The developmental path of the son has been circuitous, painful, and slow, unlike anything we could have ever predicted. We had to provide explicit instructions for our son to learn tasks our daughter picked up effortlessly: making eye contact, making the most elementary sounds, playing peek-a-boo, noticing other people, even smiling. One child easily takes pleasure in life; the other can barely relax, even when he is asleep.

A short time ago, I attended a conference for parents and professionals who have responsibility for Eastern European adoptees. At the conference, one of the mothers remarked, "My son was fed like a hamster." Perhaps that seems like a strange thing to say, but all of us in the audience that day knew exactly what she meant. For many of us have children who were fed by a bottle wired into place in their cribs. Our children were fed, and indeed raised, with minimal human contact.

The people who work with children in orphanages have some very interesting things to tell us about the development of the human person during these critical early years. The first thing to note is the widely observed phenomenon of the "failure to thrive" syndrome. Children who are deprived of human contact during infancy sometimes fail to gain weight, to develop. Some scientists now believe that the presence of a nurturing figure stimulates the growth hormones.<sup>1</sup> Some orphanage infants may even die, even when all the bodily, material needs of the child are met: the child is kept warm and dry; the child is fed, perhaps by having a bottle propped into the crib; the child contracts no identifiable illness. Yet the child fails to thrive and may even die. The widely accepted explanation is that the children die from lack of human contact.<sup>2</sup>

The second thing to observe about these children without families is that they often have difficulty forming attachments to other people. Even children who are adopted later by loving and competent families sometimes never fully attach to them or to anyone. The prevailing thinking is that children who do not develop attachments in the first 18 months of life will have grave difficulty in forming attachments later. And if the parents of such children do not intervene by the time the child reaches 12 years of age, the prospects for successful future intervention are thought to be gravely diminished, to the point of hopelessness.<sup>3</sup>

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1 This syndrome is known as the Kaspar Hauser syndrome, or psychosocial dwarfism. See Harold I. Kaplan, M.D., and Benjamin J. Sadock, M.D., eds., *Comprehensive Textbook of Psychiatry*, vol. 2, sixth edition, (Baltimore, MD: Williams and Wilkins), especially chapter 40 and sections 43.3 and 47.3.

2 See *Ibid.*, section 43.3, "Reactive Attachment Disorder of Infancy or Early Childhood." The *locus classicus* is the work of John Bowlby, *Attachment and Loss. Vol. 1: Attachment* (New York, NY: Basic Books, 1969). See also Mary Ainsworth, Mary Blehar, Everett Waters, and Sally Wall, *Patterns of Attachment: A Psychological Study of the Strange Situation* (New Jersey: Lawrence Erlbaum Associates, 1978).

3 Foster Cline, *Understanding and Treating the Severely Disturbed Child* (Evergreen, CO: Evergreen Consultants, 1979).

What do I mean by difficulty in forming attachments? What exactly is the problem? The classic case of attachment disorder is a child who does not care what anyone thinks of him or her. The disapproval of significant others is not a sufficient deterrent from bad behavior, because there is no other significant enough to matter to the child. The child does whatever he thinks he can get away with, no matter the cost to other people. He does not monitor his own behavior, so authority figures must constantly be wary of him and watch him. He responds to physical punishments, and to suspension of privileges, but not to disapproval of significant others. He lies if he thinks it is advantageous to lie. He steals if he can get away with it. He may go through the motions of offering affection, but people who live with him sense a kind of phoniness. He shows no regret at having hurt another person, or may offer perfunctory apologies. He may find it fun to torture animals.

As they grow into adolescence, these children may become sophisticated manipulators. Some authors refer to them as "trust bandits," because they are superficially charming, in their initial encounters with people. They can charm people for short periods of time, only to betray the person's trust by using them. They can con people for long enough to use them. In the meantime, their parents, and anyone else who has long-term dealings with them, grow increasingly frustrated, frightened, and angry over their child's dangerous behavior, which may include lying, stealing, violence, and firesetting.<sup>4</sup>

As the parents try to seek help for their child, they may find that the child is able to "work the system." He can charm therapists, social workers, counselors, and later, perhaps even judges and parole officers. This child is unwilling to consider others, or even to inconvenience himself for the sake of others.

Who is this child? Why, it is *homo economicus*: the person who considers only his own good, who is willing to do anything he deems it in his interest to do, who cares for no one. All of his actions are governed by self-interested calculation of costs and benefits. Punishments matter, loss of esteem does not. He does not self-monitor, so he can always find some opportunity to evade the rules. As to his promises, he behaves opportunistically on every possible occasion, breaking promises if he deems it in his interest to do so.

Admittedly, *homo economicus* is a caricature of a real person. Admittedly, too, economists use this caricature only in an "as if" sense. That is, we argue that people act "as if" they were individually self-interested, knowing full well that the assumption is not literally true. Nevertheless, the observation that *homo economicus* resembles an attachment-disordered sociopath arrested me.

This work, *Putting the Self into Self-Interest*, begins this process of expanding the economist's understanding of the human person. I maintain that economic theory has embedded within it an implicit theory about who the human person is, how the person is motivated to act, and ultimately about what the person ought to do. One of the key elements of that theory is that the individual's preferences, tastes, and values are predetermined. I maintain, by contrast, that a person's preferences, tastes, and values are only partially given. A significant portion of the person's preferences are formed, sometimes by himself, often in cooperation with or under the influence of other people.

From the point of view of economics narrowly defined, taking preferences as given presents no particular problem. Economics is not a complete explanation for every act of

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4 The terminology of "trust bandit" is due to Ken Magid and Carole McKelvey, *High Risk: Children without a Conscience* (New York, NY: Bantam Books, 1987).

choice that every individual person might make. Nor does economics present itself as being a complete view of the human person, able to account for the formation of the preferences on which all choices are ultimately based. Economists can do much of their normal work without ever inquiring into the specific content of preferences or into the initial formation of preferences.

The focus of this book's argument is not so much the ordinary work of economists within their normal professional domain, although my analysis has some implications for economic theory. My purpose is not so much to improve the way economists study the determinants of consumer prices or national income; rather, this book is written for people who, in some way, use the economic way of thinking as a philosophy of life or as a tool to order their personal lives.

Professional economists are not the only ones to use some version of economic analysis as a personal philosophy. There are those who envision utilitarianism as a tool for making moral judgments. They imagine themselves as calculating the costs and benefits of any particular action and making a rational decision based upon those calculations. These calculations take on the role that moral rules play for people with a more traditional approach to morality. There are others who find the scientific mindset of economics appealing. Like empirical economists, they believe only in what they can see. They are more comfortable accepting hypotheses tentatively than with making moral or even personal commitments. Then there are others who espouse libertarianism as a political philosophy, and who then apply libertarian principles to their personal lives. Believing that the government ought not tell them what to do, some people conclude that no one can tell them what to do.

I must say that I am personally implicated in this. For I was a committed libertarian,<sup>5</sup> and my political philosophy is still best described by that adjective. However, I have found from experience that the extension of that philosophy into the personal realm does not work. In the work that follows, I ascribe the fallacies that I am trying to correct to economics and the economic way of thinking. That is because economics was my entering point into the utilitarian, scientific, and libertarian frames of mind. But I recognize, and the reader should recognize, that there is not a perfect match between the economic philosophy of life and the members of the economics profession. There are plenty of economists who would never dream of using anything like a utilitarian calculus for personal decisions. And there are plenty of people who are not economists who routinely and self-consciously use utilitarianism and other aspects of economic reasoning to order their personal lives.

The very starkness of this completely unattached person shows us that we who use the economic way of thinking, have been counting, all along, on some feature of human nature other than pure self-interest to hold society together. Even the purely economic realm itself cannot be held together with purely, self-interested, unattached people. What, then, does this characterization of *homo economicus* as a sociopath reveal that we might not have otherwise noticed?

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5 I was on the Platform Committee for the National Libertarian Party in 1979.



## CAN HOMO ECONOMICUS REALLY BE STATIC?

The most obvious observation is that economics views the person and his preferences as static. There is no development of the person from helpless infancy through adulthood (where the economists' model of rationality is most properly applied) to helpless old age. To be sure, some economists have studied children and the family. But it is safe to say that the formation of preferences is far from the central focus of these analyses. The typical analysis views the child from his parents' perspective. One typical assumption is that the child is a consumer durable, a consumption item. That is, most of the economists who have considered childhood have focused upon the parental decision of whether to have children, how many to have, and how much to invest in them. The economic hypothesis is that parents base their decisions upon the expected flow of utility that the children will produce for the parent. This is the sense in which economics views children as a consumer durable, like a refrigerator or a car, that will produce a stream of "child services" (no kidding, that's what they call it).

I do not dispute the descriptive accuracy of much of the economic analysis of the investment in children. I simply insist that there is much more to the analysis of children than these consumption and investment decisions. In particular, how things find their way into the utility function in the first place is an important and necessary part of the analysis. Economists acting purely as economists usually take the utility function as given. As parents, however, and as teachers, as citizens, and as participants in public discussions, we try, sometimes desperately, to alter and to form other people's utility functions. We do this because we believe that it is possible for people to change the ways they think about what they value and the ways they behave as a result of those values.

And, of course, when we think about little children, we certainly can see that it is possible for people to change. In fact, it is absolutely necessary that people change, that they grow up. Although there is always an element of continuity between the person as a child and the grownup he or she becomes, it is safe to say that the person does change. A great deal of this maturation process focuses precisely upon the preferences in the very specific way that economists use the term. In particular, economists say that the person's preferences determine how he will respond to a change in prices or costs of the activities that he faces. A person responds to prices differently as an adult than he did as a child. Indeed, the very things that a person even considers as costs or benefits will change with maturity. Parents hope to convey to their children which injuries matter, and which should be ignored; which sets of rewards are worth pursuing and which are ultimately unsatisfying; which sets of peers should be emulated, and which should be shunned.

The mere fact of infancy demonstrates that people can and must change. The fact that severely neglected infants are at risk for becoming sociopaths suggests that something critical is taking place in those early months. And reflecting upon the possibility that the most stereotypical *homo economicus* might be a sociopath highlights three fallacies into which we might slip. We can slide into these fallacies if we take the assumption of fixed preferences too literally, too far, or too casually. I call these three fallacies the fallacy of atomistic individualism, the fallacy of value subjectivism, and the fallacy of radical determinism. Let us consider these three in turn.

### *The Fallacy of Atomistic Individualism*

From the observation of the infant, it is easy to see that atomistic individualism cannot be true. For it is a plain matter of fact that an infant left completely alone will die. The human race cannot survive if every person truly acted as if he were unconnected to any other person. Someone, somewhere, somehow must take care of the babies. And because our

species has such a long period of immaturity and dependence, and because our dependence is so profound, taking care of the babies is an extraordinarily time-consuming process. Therefore, someone must take care of whomever is taking care of the babies.

Every human society must solve the problem of taking care of the babies. Indeed, we might say that how a society resolves this question is the foundation of the entire social order. For instance, some traditional, pre-modern societies organized themselves in a matrilineal fashion. Women took care of their own children, with the assistance of their mothers and their brothers. Fathers played a relatively unimportant role in societies with weak attachments between parents. Women were more attached to their siblings, because these blood relationships were more considered more permanent than conjugal relationships. In these societies, mothers took care of the babies, and the mothers, in turn, were taken care of by their blood relatives, especially their mothers and brothers.<sup>6</sup>

Many societies assign to mothers the care of children, and to fathers the care of the mother while she cares for children. This assignment can become complicated in societies that permit multiple marriages during the lifetime of one of the partners. The biological father's attention and resources are divided among the children of several wives, whether polygamy is explicitly permitted or whether serial marriages are permitted. In these situations, societies must develop additional constraints on the behavior of the men, to ensure that all the children are at least minimally cared for. Often, these societies end up with hierarchies among the wives, with the man's "favorite" and her children receiving larger shares of the man's resources.<sup>7</sup>

The uniquely Christian contribution to this problem was to insist upon the indissolubility of the marriage bond. In Christian cultures, the responsibility for the care of children is assigned to the mother, and the care of the mother is assigned to the biological father. Because the marriage is permanent, the assignment of these roles is unique. Each child has exactly one mother and one father. Each father is committed to exactly one mother, and each mother is committed to exactly one father. Remarriage is permitted only after the death of the spouse, and the new spouse assumes the responsibilities of his or her predecessor.<sup>8</sup>

In many modern Western democracies, women have the responsibility for the care of children. But the responsibility for the care of the mother is often concealed behind impersonal institutional arrangements. Sometimes, of course, the father takes care of the mother. But sometimes the mother is cared for by the state, through the institutions of welfare payments and the like. Sometimes mother earns a living, and some third party, such as daycare centers or schools, takes care of the children. So, daycare workers take care of the babies and mother, in cooperation with her employer and through the magic of the modern monetized economy, takes care of the daycare workers. There really are still three parties present, even in the case of a single mother who appears to be both taking care of the babies and taking care of herself, completely unassisted. The third party for the single

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6 The Five Nations of the Iroquois were organized in this matrilineal fashion. See Anthony F. C. Wallace, *The Death and Rebirth of the Seneca* (New York, NY: Random House, 1972).

7 For a discussion of the resources allocated among past and current wives, and the economic hierarchy so created, see Leonore Weitzman, *The Divorce Revolution*.

8 The prohibition on divorce is explicit in the synoptic Gospels (Matthew 19:3-9; Mark 10:1-12) and in the Pauline letters, especially I Corinthians 7.



mother and her child is, all too often, an institution that has no particular commitment to her, and that has no personal relationship to her.

In short, every society must face the fact of infant helplessness. Indeed, we might say even more strongly, society forms around the helpless baby. For every baby needs at least two persons to support her. And this trinity of persons, however it is organized, is the foundation of the whole social order.

It is, of course, true that every society must solve the economic problem of managing scarcity and the political problem of managing collective action. People somehow must earn a living; people somehow must join together with other people to make decisions and take actions of common concern. But the problem of taking care of the babies is prior to these other problems, both logically prior and chronologically prior. Earning a living is a moot point if no one survives infancy. And making group decisions requires a group in the first place. The family is that first group.

### ***Rediscovering Love***

The interdependence of persons is such a basic and unavoidable fact that it makes sense to assign it some analytical importance rather than treating it as an afterthought. Economists can and sometimes do work on problems that feature interdependencies in people's preferences. But the fact requires far more emphasis and attention than it has thus far received.

More than this, however, the economists' distortion of the concept of love constricts our vision of human relationships. Most economists, it is fair to say, ignore the issue most of the time. The handful of economists who have tried to give an account of love essentially has inverted the logic of love. Here is what I mean.

Economists most often attempt to capture the phenomenon of love by putting the other person into our utility function. We get utility from him, either from seeing him consume certain things that we want him to have, or from his overall happiness. We are, by analogy, treating the other person as if he were an object, similar to ice cream or baseball games. The hypothesis is that we give something to the other person because we receive utility from doing so; we value the other person because he does something for us.

But ordinary people think of love as valuing the other person for himself and not for what he can do for us, even for our utility. This points to the problem. Love consists of more than a simple transfer of resources. Economists who reflect on their experiences as spouses, as parents, and as children can recognize this fact as readily as anyone else. Most people identify a parent who values his child for what the child does for him as a bad parent. Indeed, we recognize a parent who does nothing but give material things as a bad parent—a lover who only gives presents is not really loving. Genuine love involves some kind of giving of the self. This is one reason that giving time to another person is usually considered more loving than giving objects: there is something of the person in his time that is not typically present in the gift of an object.

When we say in ordinary conversation that we give ourselves, or give of ourselves, to the person we love, we mean more than transferring resources; we mean more than taking our objects of consumption and giving them to the other person to consume. We mean allowing ourselves to be changed by the experience of being with and valuing another person. As economists, we have difficulty modeling the giving of the self because we do not know what the self is. We think a person is a utility function, and a static utility function at that. With this definition of the self, it is hard to understand what it would mean for a person to give the self to another person.

Modeling altruism as a transfer of resources, even the resource of time, never completely can do justice to the reality of love. For the transfer model is operating in the realm of scarcity, just as all conventional economic analysis does. In the realm of scarcity, the thought of giving the self to another person is alarming. We have the image of our entire self-being consumed by another person, or simply being lost. But the person who gives as an act of love is enriched by it. The person who gives of himself is not consumed, but enlarged. And describing this enrichment as an increase in utility does not capture fully the reality of love.

So I think there is something more that can be said, and that needs to be said. In the experience of loving, we allow ourselves to be changed. It is in this changing of the self, that the real value of loving appears. But this cannot be captured in a model of the static self. Love itself cannot be fully appreciated in a world that is completely driven by scarcity. Love proceeds from an abundance, and can be understood only in that context.

There is one more thing that should be said here. Economists most often model human interactions as exchanges and contracts. But not every human relationship with reciprocity is an exchange. And not every relationship of mutual benefit is a contract. More to the point, not every human relationship with reciprocity and mutuality ought to be modeled as if it were a contract. For relationships with reciprocity and mutuality can be, and indeed, often are, much more intimate, much more intense than the contractual metaphor might suggest. And these relationships are intense precisely because they contain the elements of giving and receiving the whole person, and being changed in the process. We blind ourselves to all of this if we insist on extending the contract metaphor into the realm of the family, and of friendship.<sup>9</sup>

Indeed, I would argue even further: We use the language of contract because it is the most highly developed language we have for understanding voluntary human interaction. But by using the tools we have, rather than creating the tools we need, we run the risk of distorting relationships that are not truly contracts. We can see this most clearly in the realm of children, in which we now are faced with the spectacle of children suing their parents. If children begin in large numbers to sue their parents, we will transform the kinship relationships into contractual relationships because both parents and children will adjust their behavior to the new situation.

### *The Fallacy of Value Subjectivism*

The second thing we learn from the observation of *homo economicus* as sociopath is that value subjectivism is almost certainly not true. Economic value is whatever consumers say it is. The price of a house is whatever the buyer and the seller agree upon. But it cannot be universally true that value more generally is whatever people say it is. The preferences of our little attachment-disordered orphan illustrate this to the satisfaction of most people, even the most hardened value subjectivists.

That is, most everyone can see that there is something wrong with the preferences of the child who lies, cheats, and steals on every possible occasion on which it might “pay.” Economists plainly can see that an economy populated entirely with people with such preferences would be an extremely costly economy in which to do business. Economists recognize that these preferences are not socially efficient. The law of contract will not be enough to protect people from “efficient” breach of contract. The world could hardly do the

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<sup>9</sup> Margaret Brinig, “The Nature of the Contract Between Parent and Child,” paper commissioned for the Liberty Fund symposium, “The Family, the Person and the State,” Arlington, Virginia, July 1995.

amount and kind of business it does if literally everybody played opportunistically on every occasion.<sup>10</sup>

Most economists, too, sense that there is something at least suspect, and possibly even objectionable, about some of the other preferences of the attachment-disordered child. The economist, as economist, might have trouble explaining why it is wrong to torture animals, or what exactly is wrong with offering a perfunctory apology rather than a sincere one. In spite of this lapse in the capacity for articulating an explanation, most economists are as revolted as everyone else by this characterization of the unattached sociopath.

### ***Rediscovering Rationality***

To behave rationally means to behave in accordance with reason. Economists have used the word rational to refer exclusively to internal consistency. In the economists' sense, people behave rationally when they achieve their objectives at minimal cost. But, the choice of objective is thought to be outside the realm of the rational choice model, or even outside the realm of reasoned discourse.

Those who use the economic way of thinking sometimes avoid judging preferences because economists model themselves upon the physical sciences, especially physics. The study of inanimate objects is thought to be free of values, free from any need to make value judgments. Since the objects of study are themselves inanimate and incapable of having or pursuing values, the physical sciences and scientists are thought to be doing value-neutral science.

Of course, it is true that particles do not hold or pursue values. It is not true, however, that people who use the results of physics hold or pursue no values. In one sense, building a bridge is an engineering and scientific problem. But the engineer cannot even begin to build the bridge without knowing the purpose of the bridge and the criteria according to which it is to be judged. He could build the strongest bridge, the lightest-weight bridge, the widest bridge, the least expensive bridge. He could build the bridge most suitable for car traffic or for pedestrian traffic or for horse and buggy traffic. The criteria chosen will determine the "best" bridge. But the choice of criteria cannot come from inside engineering or physics per se. These quintessentially physical sciences cannot be self-contained, particularly when they are about to be applied.

In the same way, economics is a tool for achieving goals at least cost. But economic science cannot and ought not attempt to be completely self-contained. It does not logically follow that all preferences are equally valid because economics has no basis for judging among them. Although economic analysis, by itself, cannot offer an account of the choice of goals, it can draw from some source outside itself an account of rational goals.

An engineer must rely on his customer to tell him the objectives of the bridge he has been engaged to build. But he can excuse himself politely if he is asked to build the least expensive bridge for carrying horse and buggy traffic in the middle of Manhattan. His status as an engineering professional is not threatened if he invokes enough common sense to see that the bridge in fact will end up carrying car and truck traffic. No matter how sincerely his client might plead with him for a covered wooden bridge, no matter how

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10 It is a commonplace observation among contract law scholars that contracts cannot be written that fully specify each and every possible contingency. An accessible discussion of the economics of contract law can be found in Robert Cooter and Thomas Ulen, *Law and Economics* (Glenview, IL: Scott Foresman, 1988).



effectively he applies his engineering skills, the project is misconceived from the outset. He is not required to participate in it.

In the same way, an economist raising children can and must draw from outside economics to see that not all preferences are created equal. Her economics training tells her quite truly that incentives matter, and she can observe that incentives are very important to children. She will observe that well-established and well-defended property rights are very helpful in managing conflicts among children. But she is not required to honor her children's preferences for television programs, or for dietary choices, or for staying up until midnight.

If the economist has no common sense of her own to consult, she can and probably will begin to consult other people's. When people first enter into parenthood, they often are astonished at how much they have to learn. We all spend an enormous amount of time talking to other parents, including to our own parents. In fact, many a mother has never listened so attentively to her own parents as she does after a little baby has been placed into her arms.

And so the definition of rationality quite reasonably can be expected to offer some guidance about the substance of preferences. The consumer's problem, as it is currently understood, is to conform his behavior to a given set of preferences. Rational behavior becomes exclusively an exercise in resource allocation because the ends of the person are taken as the givens, as the fixed points. There is no room in the analysis for a radical reordering of preferences. We know, of course, that people sometimes do restructure their preferences. But economists do not currently have a vantage point from which to view this process.

As a matter of fact, however, a significant aspect of growing up and of behaving reasonably is to discover the set of preferences that truly make us happy. And, even if we knew automatically or instinctively what goods or activities would make us happy, we would not necessarily know how to obtain those goods, or how to accomplish those activities.

### *The Fallacy of Radical Determinism*

When we consider helpless little babies from a detached or scientific vantage point, we might be tempted by the fallacy of radical determinism. Surely, we think, that by proper manipulation of the child's environment, we adults can mold this little person into whom-ever we want him to be. The child is helpless, knows nothing, has no experience, has no power. Surely this little being can and will be shaped by the influences that come, either intentionally or unwittingly, into his environment.

We are quickly disabused of this form of determinism by the slightest experience with actual babies, rather than with hypothetical ones.<sup>11</sup> We discover that each little person is born with a personality and temperament, with talents and dispositions, that are truly beyond the control of anyone to alter. And, lest we think that the child is completely determined not by the environment, but by genetics, we find that even a small child can be

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11 Perhaps Jean-Jacques Rousseau is guilty of the most dramatic gap between "real babies" and "hypothetical babies" in intellectual history. Rousseau is the person singularly most responsible for the view of the infant as a "noble savage" whose proper development requires only freedom from unnecessary restraint. Rousseau fathered five children, all of whom he placed in a foundling hospital shortly after birth. One wonders how the intellectual history of the West would have unfolded if Rousseau actually had raised even a single one of those children himself.

unbelievably capricious and unpredictable. A child whom we know well is fully capable of going into a swing of moodiness, during which his behavior will be inexplicable. We sometimes look at our children and wonder whether some evil fairy stole our sweet little baby and replaced her with this monster. We do our best to provide a consistent set of rules, a predictable routine, and a safe environment. We know we have done all that is possible to provide stability, rationality, and predictability in the child's environment. Yet we can see the child behave capriciously, unpredictably.

We also know that there is a physical component to our child's makeup and behavior. The child's behavior is sometimes completely driven by the body, by hunger, fatigue, or over-stimulation. Genetic predispositions can exercise an independent influence on a child's behavior. Indeed, we sometimes excuse a child's misbehavior by implicating the body. "He's just tired." "She has had too much sugar." "He is over stimulated." "That's just the way she is." But in our heart of hearts, we know these are excuses, designed to comfort us in our illusion of being in control of the child. We know fully well that the child did what he did for no reason other than that he wanted to.

We think we ought to be able to predict the child's behavior. If we can predict, we ought to be able to control it. But alas, it is not so. Children can be so unpredictable that it often requires a great leap of faith to convince ourselves that *we* are living in a rational universe.

This little allegory of the occasionally uncontrollable child encapsulates the problems inherent in determinism. Determinism is plausible because we do live in a world of cause and effect. We can speak intelligibly about the causes of a person's behavior, of explaining the person's behavior, and of changing the person's behavior by changing the causes. However, determinism can never be completely true in the human realm because the human person has a will. The human person, even a very little human person, has the capacity to be a cause, rather than to merely respond to causes. Because we do respond to causes, determinism as an explanatory strategy can make a great deal of sense. However, because we also can be independent causes, our explanatory power can never be complete. Persons can make choices, not simply apparent choices, but real ones. Choice means that a person could have done other than they did, that more than one outcome is possible.

This brings us to the basic difficulty of determinism, whether economic determinism or any other variety. In its attempts to explain human behavior, deterministic theories sometimes expect to account for *all* human behavior. If we assign ourselves the responsibility to explain everything, we easily can come to the point of explaining away behavior that does not fit immediately into our explanatory paradigm.

And every variant of determinism must systematically explain away one particular reality of the human experience: the fact of human volition. Parents attempt to explain away the behavior of the willful child, by offering sleep deprivation and poor diet as prior causes. Likewise, some social sciences attempt to explain away inexplicable behavior that people have chosen by postulating some set of prior causes.

But this deterministic view of the human person cannot reckon with the reality of human freedom, the possibility of genuine choice, nor the reality of the personal will. The claim that we can change an economic outcome by altering the constraints depends on the preferences of the person being static. With given preferences, we economists can predict how changes in constraints will change outcomes. In effect, we treat the person as a stimulus-response machine. When ordinary people think of "choice" they usually mean more than responding to incentives. They usually mean that a person has made some decision about what to value, about what to consider a cost or benefit, about what really gives them

satisfaction. And choice of this kind, is exactly what is absent from the economists' model using static preferences.

There is a poignant irony to this intellectual situation because economists are among the most articulate and passionate defenders of human freedom. But the economists' model is for the most part, as much a stimulus-response model as any Skinner box behavioral psychological model could be. The human activity that economists value so greatly, the genuine choice, the exercise of freedom, must have taken place prior to the actual economic problem of confronting preferences with prices. It is hard to see the point of freedom in an intellectual universe in which all the important decisions have already been made.

### ***Who Cares?***

As I said at the outset, I cannot attempt to spell out the details of the expanded model I propose in my book. I shall close simply by answering the important, bottom-line question: Who cares? Suppose everything I say about changing and choosing preferences is true: What difference does it make and to whom does it make any difference at all? The reasons for expanding the economics approach begin with the narrow concerns of economics as it traditionally has understood itself and branch out to more general concerns for the economists working in disciplines other than economics. Finally, the most general reasons for concern apply broadly to everyone who considers the questions of what to value, and how to order one's life based on those values

Why should economists working within the traditional confines of the discipline care about changing preferences? The answer is that they lose nothing by acknowledging the obvious fact of change, at least of the type of change associated with maturation. The traditional work of economists does not require perfectly stable preferences, only that the preferences be more stable than the constraints. Nothing in price theory, in fact, hinges on the claim that infants have fully developed preference orderings. Nothing in empirical economics hinges on the claim that we can predict completely and fully the behavior of particular individuals. Economists face no real cost in conceding the obvious point that, within some limits, people change.

At the same time, traditional economists can gain at least two specific benefits from considering changing preferences. First, an analysis of changing preferences opens the door to an analysis of the character traits that are necessary for the smooth functioning of the market order. We now know very little about these traits, how they are formed and how they are sustained. It would be useful to have a place in the analysis for at least a discussion of this point. Finally, considering change in preferences allows us to consider the possibility that the economic order itself might have an impact upon the process of preference formation. At this point, economics cannot contribute very much to resolving questions that take this form. We currently do not have a method for even formulating these hypotheses in a useful way. Often, we hardly can understand the question, much less formulate a testable hypothesis or even a sensible response. But it may very well be that economic policies themselves contribute to the erosion or development of the character traits necessary for the operation of the economy. If this is true, it would be a useful thing to know.

All of these points become much more important as economics branches out into other disciplines. Within the last generation, economists have begun working in the subject matter of disciplines such as sociology, political science, history, psychology, philosophy, and law. Economists have contributed to analysis of the family, politics, and the legal system. We have not been particularly alert to the fact that preferences can change and the possibility that they might change in response to public policy.



Our imperialist adventures into other disciplines have been helpful and necessary to those other disciplines. We often undertook correctives that were absolutely necessary in disciplines with unrealistic views of the human person and the human condition. But when we cross over into these other disciplines, we get into trouble from *our* unrealistic assumptions that self-interest is the primary human motivation and that every human preference is fixed.

Public choice, the economic analysis of politics, provided a necessary corrective to the romantic view of politics. If, however, we model all political decision makers as if they were at all times narrowly self-interested, we run the risk of rationalizing and justifying that very behavior. The economics of the family provided many useful and necessary insights into the functioning of families. If, however, we model all family members as self-interested maximizers, or a strategic players in a game, we may convince people that they are suckers for trusting their relatives. The economic theory of "efficient breach of contract" potentially can erode the respect for contracts upon which the whole contractual system must finally be based. The abuses of the current bureaucratized system of adoption placements really cannot be corrected by applying the market mechanism and selling babies.

The general point is that, as the limitations of the economists' view of human nature become more acute, the further afield we go from our traditional boundaries. We need a model of the human person that can accommodate at least, if not actually focus upon, the fact of human maturation and change. We need to be aware that the connections among real human beings are far deeper, far more profound, than can be accounted for by a model of utility maximization that treats other persons as commodities.

Finally, why should non-economists care at all about the economists' view of human nature? What difference does it make to ordinary people whether economists use a stripped-down version of human nature or whether they have a more realistic vision of the human person? The reader might say, "I do not have this stylized image of the human person. I can see through the economists and their models and metaphors. What does this analysis have to do with me? Why should I read this book?"

I respond as follows: Even if economists have not influenced you and your thinking directly, they have influenced your world. Perhaps you do not think like an economist and were never even tempted to do so. But it is undoubtedly the case that the economists' paradigm, with its implicit materialism and utilitarianism, has influenced the world in which we all live.

Economists have had this influence largely because they have a set of powerful explanatory tools. Economists are among the more sober-minded and realistic people within the academy today. Economists know that costs matter and that constraints are real and cannot be wished away. If economics goes off the rails with an unrealistic view of the world, they are more likely to be trusted, than say, the average deconstructionist English professor. Therefore, it is important that economists monitor the excesses that take place within their own profession. This is especially true because these excesses are the natural consequences of taking the economic approach too literally, too casually, or too far.

But beyond that, economists have contributed, inadvertently I think, to some of the intellectual trends that are most destructive to ordinary people. Each one of the three fallacies that I laid at the feet of deficient economics has its counterpart in the broader society. The fallacy of atomistic individualism threatens to separate parents from children and spouses from each other. The value subjectivism that many economists embrace has a powerful counterpart in the widespread moral nihilism of our time. A great many people are convinced that values are strictly matters of personal preference and that there is no place

for reasoned discourse about ethical matters. The fallacy of radical determinism threatens to obliterate any concept of genuine personal responsibility for actions. Economic determinism, taken singly or taken in combination with other varieties of determinism, poses a threat to a meaningful concept of human freedom.

The economics profession normally takes preferences as given, and the formation of preferences as outside our area of professional expertise. But what we have done for analytical convenience and the inter-disciplinary division of labor others are beginning to treat as accomplished facts. Throughout our society, people are unwilling to inquire into the content of preferences or into the methods of inculcating preferences. Indeed, even those who are charged with the rearing of children are often fleeing the field in fear.

It is in the rearing of children that these fallacies have the potential to cause the most damage to ordinary people. The combination of these fallacies supports a view of the child as a noble savage, whose only moral need from adults is permission to unfold naturally. There is an element of individualism in this view because it asserts that the development of the self takes precedence over the embedding of the person within his family. There is a large component of value subjectivism in this view, as well, for the adults view themselves as simply facilitating the expression of the child's values and preferences and are to refrain from "imposing" their own values on children. Finally, a kind of determinism is implied within this child-rearing philosophy, for the preferences of the child are already predetermined and not to be interfered with.

The net result of all this is that a large fraction of the adults in our society have abdicated their responsibility to the education of the young. Furthermore, they are self-righteous about it. Most normal people are, and ought to be, concerned with these developments.

## CONCLUSION

Of course, economists and their models are not uniquely to blame for this. Perhaps they are not even the major intellectual culprits. The majority of any harm they have done has been inadvertent. Nevertheless, economists have contributed to the situation. My purpose in this work is to show that it is unnecessary for economists to contribute to the moral nihilism of our time. Our most basic work can continue without embracing these fallacies in their extreme form. We need not be argued into the corner on some of these positions. On the contrary, economists can make a substantial contribution to correcting the situation.

Economists are among the few remaining academics who would be willing to defend their discipline as true, or indeed, to defend the proposition that genuine knowledge is possible. Suppose a person were to walk through the hallways of American universities, knocking on doors and posing the following question: Do you believe the subject matter that you teach is universally true? Do you believe that the theories your discipline proposes are properly applicable across the board to subject matter of that discipline? Once the person has left the halls of the natural sciences departments, he would not find very many academics who would defend their own disciplines as true.

But economists would say, yes, economics is universally true. The law of downward sloping demand is true in the United States, and it is true in Communist China. It is true today, and it was true during the time of the Roman Empire. The laws of economics are universally true because they are based on truths about the human condition and human nature that are universally true. People do act in what they perceive as their own self-interest. People are self-regarding. People do respond to incentives in a systematic and predictable way.

Because of this great strength of economics, I believe that it is of particular value to argue against these all-too-common fallacies by using the economics paradigm as much as possible. The purpose of the book on which this lecture has been based is to focus the reader's attention upon these three fallacies and to show that resolutions to them can be constructed using the idiom of economics. My hope is to erect a wall around economics to protect those who use it from taking methodological individualism to illogical ends, from translating economic subjectivism into value subjectivism more generally, and from turning a deterministic explanatory strategy into a comprehensive determinism. No one who has read this book will be able to claim that economic theory necessarily offers support for these positions. No one will claim that one must embrace these positions in order to do economics or to become an economist. If one is to offer a defense for atomistic individualism, value subjectivism, or radical determinism, the arguments will have to come from outside economics.