Review of Social Economy ›
Volume 80, 2022 - Issue 3

Open access

2,970 Views | 4 CrossRef citations to date | 10 Altmetric

Listen

Articles

Economics for (and by) humans

Julie A. Nelson

Pages 269-282 | Received 07 Apr 2020, Accepted 01 Jul 2020, Published online: 23 Jul 2020

Cite this article https://doi.org/10.1080/00346764.2020.1792966 Check for updates

ABSTRACT

Formulae display: MathJax

This essa begins by
explorin bals,
definitio doxy. It then
argues t ocial nature
of our cr nd risk
preferen y also
argue odox
econ tributed to
increase nange. A
better u me from
opens u sizes the
importa

Settings

We Care About Your Privacy

We and our 880 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage .Your choices will have effect within our Website. For more details, refer to our Privacy Policy. Here

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept

Reject All

Show Purpose

1. Introduction

The Review of Social Economy is an official journal of the Association for Social Economics (ASE). Yet not every reader of this journal – nor every member of the ASE – is likely to know what that means. This essay discusses the nature of, and challenges for, social economics from the particular vantage point of one whose advanced training was in mainstream economics. The essay begins by briefly discussing some key features of social economics, and how it differs from mainstream economics.[1] Yet, since 'preaching to the choir' is not very interesting, it goes on to investigate what more we who identify with social economics, from whatever discipline, should be doing. We could be doing more in relation to both current intellectual developments and – more importantly – urgent real-world problems. Two illustrative cases, about the social nature of knowledge and about the dangers of ignoring ethics, complete the essay.

2. The association for social economics

Key insights into the ASE can be found in some of its historical documents. Having begun as the Catholic Economic Association in 1941, the organization renamed itself in 1970. In

ASE Aims and Obje

tionship

ty, ethical

A more r

n in the Asso

n behavior

uences.

These st

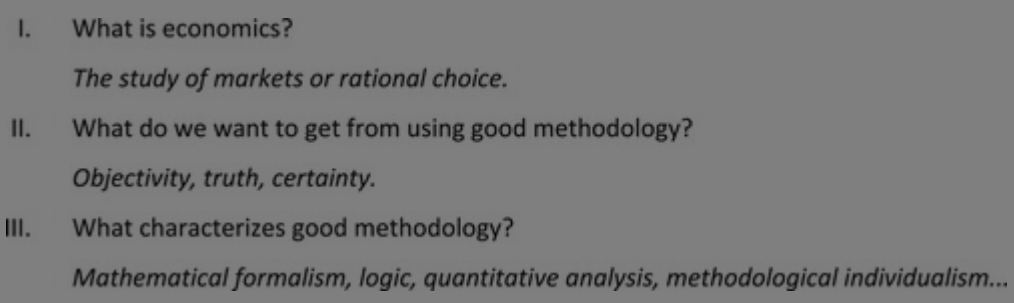
the website to this d

Article contents | Related research

3. Mainstream economics

Such principles, however, are not a part of a conventional economics education. Based on my many years of, essentially, participant-observation ethnography of the economics profession, the foundations of the dominant Neoclassical orthodoxy can be characterized in terms of the three questions and answers outlined in Figure 1.

Figure 1. Foundations of mainstream economics.



Display full size

The discipline has been based on a mechanical metaphor: The underlying, unquestioned assumption is that economies function according to (Newtonian-)physics-like ‘laws’ and ‘mechanisms.’ The sort of ‘rational choice’ envisioned is not only logical, but also accomplished by autonomous individuals whose goal is the promotion of their own interests, which necessarily compete with the interests of others. Economists have assumed that our mathematical methodology makes our work ‘objective’ and ‘positive’ – that is,

While ec f, or possible characte ey historical develop al Economy.’ In this es al sciences, norm ould be entru n, which he called ‘P o desires to possess f means for obtainin s discipline would ne deductive reasonin conomist

Article contents | Related research

parts of human nature, and that in any application Political Economy would need to be complemented by the insights of other sciences and by practical experience. Yet, unfortunately, the narrow image of the optimizing, rational, autonomous, materialistic, and self-interested ‘economic man’ came to dominate economics. Economics has also been characterized more by an attitude of superiority than by a willingness to learn from other fields (Fourcade et al., 2015). Later, in the late nineteenth century, the Neoclassicals formulated homo economicus’s decision-making in terms of calculus problems of utility- and profit-maximization, and the Neoclassical orthodoxy was born.

Another important aspect of the formation of mainstream economics has been its profoundly gendered nature. This issue of gender is not just about the sex of its practitioners, although historically these were (and still, to a lesser extent, are) predominantly male. More profoundly, human minds are deeply influenced by what might be called ‘cognitive gender’ – a tendency to categorize most things around us in gendered terms. Take for example, cats versus dogs, or pink versus blue. In dominant European-American culture, cats and pink are thought of as ‘feminine’ and dogs and blue have a ‘masculine’ connotation, even though there is certainly nothing intrinsic in these animals or colors that dictate these particular mental associations. Feminist economists have pointed out how the definition, models, and methods of mainstream economics have been built on a wholehearted adoption of areas of life and characteristics culturally associated with masculinity, and an equally wholehearted rejectio n, 1992, 2010). T ustrated in Table 1.

Table

Downlo

The il asculinity, and misl nd economic life from nowledge.

This inte bout how one doe way from the mai ventional

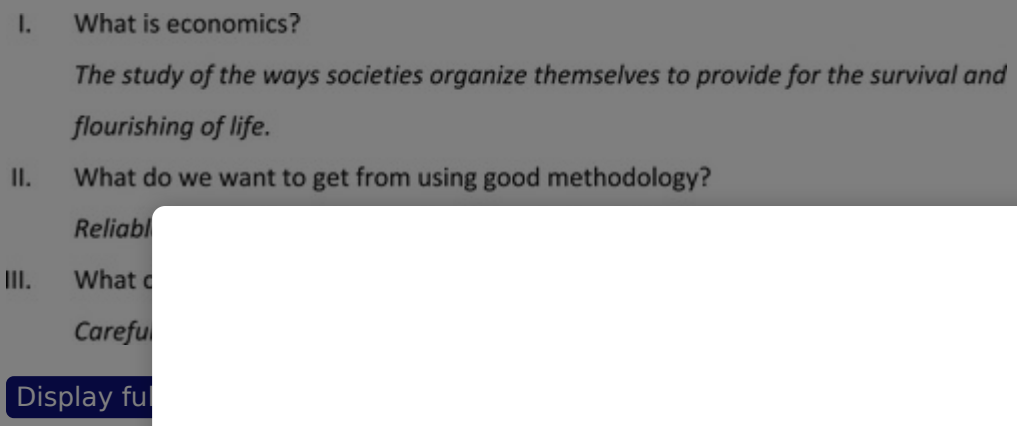
Article contents | Related research

from one side to the other, rejecting the ‘masculine’ side, and adopting only the ‘feminine’ one. Yet another trap would be to confuse these cultural gender associations with actual people, and conclude that male economists should do one kind of economics, while female (or trans or queer) economists should do another kind. Such approaches are all like trying to play a game of cards with half the deck missing.

4. A better approach

What would be a better approach? How about ‘To foster research and publication centered on the reciprocal relationship between economic science and broader questions of human dignity, ethical values, and social philosophy’ and to ‘regard human behavior to be the result of complex social interactions with ethical consequences’? How about adopting the values and insights of the ASE? Then better answers can be proposed to the three questions stated earlier, as shown in Figure 2.

Figure 2. Better answers.



Display ful

The idea ck to the ‘econom only on choice of norms and ts. One might al species. Our stud eing of living cr

The issu to social economi hat, as a

Article contents
Related research

economics is done by humans – by fallible, socially influenced, physically embodied, flawed human beings. The lure of the idea that the mathematical exploration of 'mechanisms' gives us 'objectivity' remains strong among economists. Yet as human beings, we have no neutral 'view from nowhere.' Perfect objectivity, when dealing with complex real-world issues, is an unobtainable goal, since we unavoidably live within what we study. But we can aspire to what we actually need, which is reliable knowledge – knowledge that, while never definitive, will yet stand up to critique and form a reasonable basis for action (Nelson, 1996). But reliable knowledge can only be gained if we 'play with a full deck.'

The precision and elegance of abstract, mathematical models can sometimes be impressive and even useful. Imprecision and messiness are not things to aim for. But if precision is our only goal, the richness and realism that come from more engaged, broad, and detailed investigation will be neglected. The resulting analysis will be thin and unrealistic. Humans are social beings. Knowledge-making is a profoundly social activity, and critique from an expanded community is required for reliability (Nelson, 1996).

To make these points more concrete, we will look first at an example of these points about reliability and social knowledge, and then at a case that illustrates why the ethical dimensions of social economics are particularly badly needed.

5. Kno

We can't ut how we do it in g automat at can get in the w otably often inclu lear and simple, a

Consider strong tendenc beliefs, while we rmation bias,' fro n, 1998).

Article contents Related research

We also tend to like things to be simple, easy, and clear (Bennett, 2010). One example of this is the 'p-value fallacy,' which is the misinterpretation of and/or overreliance on this common measure of statistical significance (Nuzzo, 2014; Sellke et al., 2001). Even researchers who should know better often interpret the p-value as representing the probability that the null hypothesis is true, given the data. (In fact, it represents the probability of getting the data were the null hypothesis true – which is a very different thing!) Over time, the exact value of .05 has come to take on a totally misleading, nearly magical, level of prominence in many research circles, as though a value of .04999 were terribly different from .05001. If that were not bad enough, statistical significance is also often confused with substantive significance. The former only tells you something about the probable relation of a sample to a population, while the latter concerns the actual importance of the effect on something we care about.

This confirmation bias and confusion about p-values both feed into the problem of publication bias. Some research gets published; other research ends up in the proverbial file drawer. The reasons for this division are not neutral. A study that confirms what people already believe is more likely to get published than one with unexpected results, since researchers and reviewers alike will be more likely to suspect that the latter suffers from poor data or mistakes in technique. Studies with statistically significant results are more likely to get published than those that fail to show statistically significant relationships among the variables. When research is based on a small sa h is based on a larg ting that any relations

What all ical theories and eco olo work, their res e end of a proof t at the begi or an unbiase ated, and/or thought confirma ups are to be overcom

Take, for eferences.'

Article contents Related research

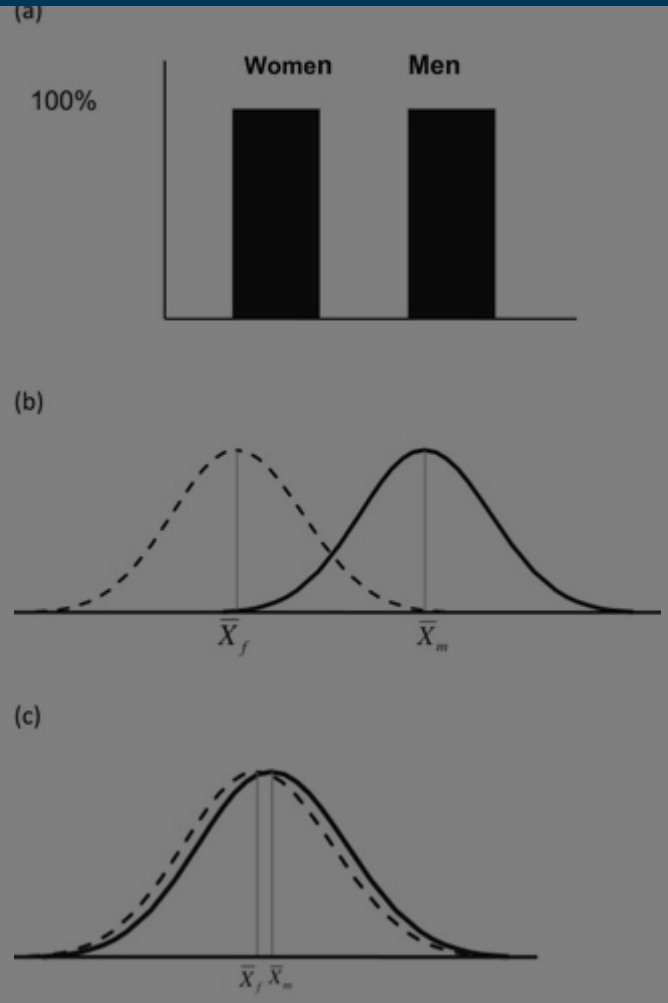
averse than men,' and so on. Investigation of this literature, however, shows that confirmation bias, simplistic thinking, and publication bias are rife. The following results come from a meta-analysis of many years of research into preferences regarding gender and risk (Nelson, 2018b).

Confirmation bias showed up in that studies tended to over-hype results that showed men on average taking more risks than women, and – consistent with common gender stereotypes – to neglect cases where women took more risks on average, or in which no statistically significant difference was found. For example, one study proclaimed 'a victory for gender difference' and 'robust gender differences' even though statistically significant differences were found in only one of the four countries studied (Beckmann & Menkhoff, 2008, p. 367, discussed in, Nelson, 2014). Reflecting a common 'Men are from Mars, Women are from Venus' preconception concerning gender, divergences in average scores on behavioral measures are often said to confirm the existence of 'fundamental' differences between the sexes (e.g. Croson & Gneezy, 2009, p. 467, more about this below).

Simplistic thinking showed up in an overall neglect of the substantive size of gender differences. Even very tiny statistically significant differences were often discussed as if of great importance, or even as indicative of categorical or 'essential' differences between the sexes. Figure 3 illustrates this point. Panel (a) illustrates a categorical differenc utions. Panel (b , mean = X¯m) an there is relativel are not categori ed line bell curve) a).

Figure 3 Small diffe es the distribut verage (or mean) w

Article contents Related research



Display full size

A convenient way of summarizing the importance of the difference between two mean values, relative to the spreads of the distributions is by measuring the number of standard . Men's and women's nel (c) shows a d women – that is, X s apart. In this case eature.

The prob e than men' peopl an essen found resembl ays arise only 'on studies of gender a me than illustrate samples) put the c es at less than hal ard

Article contents
Related research

between means may show up as statistically significant. Yet it is substantively very small, and is quite definitively not categorical. In contrast to the claims being made in the literature, all the evidence points away from there being any ‘fundamental,’ distinguishing difference between men and women in risk preferences.

A technique called a ‘funnel diagram’ allows one to further investigate publication bias, by allowing one to compare the sorts of results that would be expected from statistical theory to the pattern of results actually appearing in journals. This investigation, in regard to studies about gender and risk, revealed a marked tendency of authors and journals to publish only results that were both statistically significant and in the (stereotypically) expected direction (Nelson, 2014).

Thus, the idea that men and women are very different in their attitudes to risk turns out to be a mirage based on confirmation bias, simplistic thinking, and publication bias. In this case, it took expansion of the scholarly community to someone not so convinced by the stereotype, and willing to look critically at p-value testing and publication patterns, to reveal the unreliability of the body of research.

Some researchers are waking up to ways in which our being human (in the above-described ways) have made research less than reliable (Open Science Collaboration, 2015; Ziliak & McCloskey, 2008), and proposals for solutions such as pre-registered studies, meta-analysis, replication, and the publication of non-statistically-significant results (

ial economi

6. Eco

Returnin

s on indiv

st, and a vision o

ream economi

morally right, es

has had quite pe

One of t

easing

Article contents | Related research

decades. To go back a bit in history, recall that John Stuart Mill had created the image of an economic agent ‘solely as a being who desires to possess wealth.’ The Neoclassicals formalized this, in terms of business, in the doctrine that the essence of capitalist firm behavior is the maximization of profit. This doctrine of ‘shareholder primacy’ has since permeated scholarship, business education, and the media. Yet for many decades it was still assumed that corporate executives would, in return for a healthy salary, exert themselves in trying to maximize returns to shareholders. In a crucial turn, Jensen and Meckling (1976) pointed out this was inconsistent: If CEOs are self-interested agents, they must be only interested in their own compensation, not the well-being of the firm. Therefore, these authors argued, CEOs must be ‘incentivized’ with stock options if they are to pay attention to stock prices. Such compensation packages are largely responsible for lifting the ratio of average compensation of a CEO of a large US corporation from 42 times the pay of an average hourly worker in 1980 to 344 times that pay in 2007 (Anderson et al., 2008), a ratio that has only dropped back to the high 200s in the years since. While it may be fictional movie character Gordon Gecko who is known for proclaiming ‘Greed is good,’ economists theorizing about radically self-interested, radically individual agents bear great responsibility for originating and popularizing this myth, and by means of it increasing inequality.

So far, this may be more ‘preaching to the choir.’ But it seems to me that often the responses of people with a more social and humane view, including a number of social economi phy, or philosop ization. That is, we m lly accept the idea es where ethics ha erly challeng tion as the sole goa ge of the econ from an actual s ad, a geometr llow the model o tlined in Table 1. est in the well-bei hentic sociality , or public

Article contents Related research

institutions. Notable scholars including Michael Sandel (Sandel, 2012), Virginia Held (Held, 2002), and Jurgen Habermas (Habermas, 1981) have taken this approach.

This is unnecessary, and even unhelpful. It lets those who would engage in corporate malfeasance off the hook with the excuse that 'the system made me do it.' What if, instead of seeing business through the orthodox economic lens of 'profit maximization,' we were to study the actual history and behavior of firms, and how individuals in fact combine forces to produce goods and services. Then we would realize that the opportunistic ethos in fact destroys companies and economies (Smith, 2010; Stout, 2012). We would realize that cooperation (as well as competition) and other-interested (as well as self-interested) behavior are integral to the social endeavors we call 'firm' and 'economy.' We could recognize that commerce is no less an ethical sphere than any other aspect of human life and society (Nelson, 2018a).

Dualistic thinking also reinforces poverty. Situated on the opposite end of the inequality scale from overly-compensated CEOS are under-compensated workers, many of them in the 'care sector' such as childcare workers, nursing aides, and the like. Because authentic caring is thought to require an emotional dimension of sincere concern, caring labor is often thought of as being in a completely different class from other sorts of market employment, and even as something that needs to be 'protected' from financial concerns. This romanticization causes the actual skills required, and the actual needs of
gnored.
Articles
ers is to pay
them ve
he job! The
contrast
'protection'
of the su
not be more
stark. Or

Another
om efforts to
com
ons 2015
climate
nizing that it
was in th
s don't have
a strong
, but it's
also true
t, while
there ce
e climate
change
ess, we

Article contents | Related research

about weaker groups and future generations. This does not seem quite so impossible when we recognize that Figuereres' claim about human and national 'guiding forces' is far more reflective of the influence of Neoclassical economic orthodoxy than of actual human nature and human history. Psychologists know that we are social beings, often motivated by concerns beyond ourselves and holding complicated but often strong views regarding morality. History shows many instances of nations seeking respect – whether through gaining honor and appreciation, or through a vengeful show of force – at the expense of their national economic self-interest. So listening only to the Neoclassical orthodoxy is harmful, and limits our vision of what is possible. We must go beyond (Nelson, 2019).

If we, in the social economics community, can help people think past the Neoclassical orthodoxy and the unhelpful dualisms and reactivity it has spawned, we will be providing a great service. Instead of corporations versus coops, or CEOs versus careworkers, or economy versus the environment, we could help people see that we are all part of a complex social economy, and can take an 'all hands on deck' attitude towards addressing the world's pressing problems.

7. Conclusion

The eco ets or
rational itative
analysis d certainty.
We will b mics as
studying and
flourishi l inquiry,
openne reliable
know

Acknow

This ess title
delivere cs at the

Article contents | Related research

Disclosure statement

No potential conflict of interest was reported by the author(s).

Additional information

Notes on contributors

Julie A. Nelson

Julie A. Nelson is Professor Emeritus of Economics at the University of Massachusetts Boston and Senior Research Fellow at the Global Development and Environment Institute at Tufts University. Her research interests include social economics, feminist economics, and ecological economics. She is the author of many publications including Economics for Humans (Univ. of Chicago Press, 2nd ed. 2018) and articles in journals ranging from Econometrica and The Journal of Political Economy to Economics and Philosophy and Hypatia: Journal of Feminist Philosophy. She was the 2019 President of the Association for Social Economics.

Notes

1 Some
e shared
with oth
')
institutio
their
histo
s such as
Thorste
itutions,
while so
mphasis on
ethics. A
wever,
beyond

Article contents

Related research

References

1. Abadie, A. (2020). Statistical nonsignificance in empirical economics. American Economic Review: Insights, 2(2), 193–208. https://doi.org/10.1257/aeri.20190252
   Web of Science ® | Google Scholar

2. Anderson, S., Cavanagh, J., Collins, C., Pizzigati, S., & Lapham, M. (2008). Executive excess 2008. Institute for Policy Studies and United for a Fair Economy.
   Google Scholar

3. Association for Social Economics. (2019). Constitution and bylaws. Retrieved December 30, 2019, from https://socialeconomics.org/about/constitution-and-bylaws/
   Google Scholar

4. Beckmann, D., & Menkhoff, L. (2008). Will women be women? Analyzing the gender difference among financial experts. Kyklos, 61(3), 364–384. https://doi.org/10.1111/j.1467-6435.2008.00406.x
   Web of Science ® | Google Scholar

5. Bennett, D. (2010). Easy = true: How 'cognitive fluency' shapes what we believe, how we inv
   Goog

6. Buckle orum for Social

7. Ch e credibility of e https:/

8. Clary, Warnecke, T., White The ASE

Article contents | Related research

Google Scholar

9. Croson, R., & Gneezy, U. (2009). Gender differences in preferences. Journal of Economic Literature, 47(2), 448–474. https://doi.org/10.1257/jel.47.2.448
Web of Science ® | Google Scholar

10. Ferber, M. A., & Nelson, J. A. (Eds.). (1993). Beyond economic man: Feminist theory and economics. University of Chicago Press.
Google Scholar

11. Folbre, N., & Nelson, J. A. (2006). Why a well-paid nurse is a better nurse. Nursing Economics, 24(3), 127–130.
PubMed | Web of Science ® | Google Scholar

12. Fourcade, M., Ollion, E., & Algan, Y. (2015). The superiority of economists. Journal of Economic Perspectives, 29(1), 89–114. https://doi.org/10.1257/jep.29.1.89
Web of Science ® | Google Scholar

13. Habermas, J. (1981). The theory of communicative action. Beacon.
Google Scholar

14. Harve world from global
Goog

15. Held, .
https:

16. Jenser al behavior, agenc 4), 305–360.
https:/

Article contents | Related research

17. Mill, J. S. (1836). On the definition of political economy; and on the method of philosophical investigation in that science. London and Westminster Review, 4(26), 1–29.
Google Scholar

18. Nelson, J. A. (1992). Gender, metaphor, and the definition of economics. Economics and Philosophy, 8(1), 103–125. https://doi.org/10.1017/S026626710000050X
Web of Science ® | Google Scholar

19. Nelson, J. A. (1996). Feminism, objectivity and economics. Routledge.
Google Scholar

20. Nelson, J. A. (2003). Confronting the science/value split: Notes on feminist economics, institutionalism, pragmatism and process thought. Cambridge Journal of Economics, 27, 49–64. https://doi.org/10.1093/cje/27.1.49
Web of Science ® | Google Scholar

21. Nelson, J. A. (2010). Sociology, economics, and gender: Can knowledge of the past contribute to a better future? American Journal of Economics and Sociology, 69(4), 1127–1154. https://doi.org/10.1111/j.1536-7150.2010.00738.x

22. Nelso verwhelm
accura Journal of
Econo
https:/

23. Nelso ago Press.
Goog

24. Nelso why the
answe
Goog

Article contents | Related research

25. Nelson, J. A. (2019). Climate change and economic self-interest. In R. Kanbur & H. Shue (Eds.), Climate justice: Integrating economics and philosophy (pp. 113–122). Oxford University Press.
Google Scholar

26. Nickerson, R. S. (1998). Confirmation bias: A ubiquitous phenomenon in many guises. Review of General Psychology, 2(2), 175–220. https://doi.org/10.1037/1089-2680.2.2.175
Google Scholar

27. Nuzzo, R. (2014). Scientific method: Statistical errors. Nature, 506(7487), 150–152. https://doi.org/10.1038/506150a
PubMed | Web of Science ® | Google Scholar

28. Open Science Collaboration. (2015). Estimating the reproducibility of psychological science. Science, 349(6251), 943–aac4716-8. https://doi.org/10.1126/science.aac4716
Web of Science ® | Google Scholar

29. Sandel, M. J. (2012). What money can't buy: The moral limits of markets. Farrar, Straus
Goog

30. Smith, emocracy and c
Goog

31. St irst Harms Inves
Goog

32. Sellke testing precis https:/

Article contents | Related research

33. Ziliak, S., & McCloskey, D. N. (2008). The cult of statistical significance: How the standard error costs us jobs, justice, and lives. University of Michigan Press.
Google Scholar

Download PDF

Related research

People also read | Recommended articles | Cited by 4

×

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright

Accessibi

Registered
5 Howick Pl

or & Francis Group
orma business