

Cents and Sensibility: What Economics Can Learn from the Humanities

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Okay, I'll admit it. I don't read literature. Part of this is because of time constraints (I am a graduate student), but some of this is because I have not put a whole lot of effort into reading and learning from poems, novels, short stories, and the rest. According to Gary Saul Morson and Morton Schapiro this is a mistake.

A professor of Slavic languages and literatures at Northwestern University, Gary Saul Morson has long been perplexed by the differences in the ways of thinking between social scientists (economists in particular) and humanists. Contrasting rational choice theory with Dostoevsky's *Notes from the Underground*, Morson wonders: What can explain the contradiction of the impressive analytical abilities of many economists with the blatant naiveté of the psychological reality facing humans living within a society?

Morton Schapiro, a professor of Economics and the current President of Northwestern University, highlights the limits of economic analysis by reflecting on his experiences working in Egypt to "get prices right" in the 1980s. Under pressure from many economists and international agencies, the government of Egypt had agreed to reduce price subsidies that held the price of bread (among other things) well below its "market-clearing price". Sitting with a "thrilled" group of economists, Schapiro was haunted by reports indicating that this policy led to riots, malnutrition, and death. Were these policies nevertheless justified? How does one properly weigh the cost of life and death?

Cents and Sensibility consists of eight chapters. The bulk of the book resides in three case studies, which aim to demonstrate the idea the authors advocate. The first chapter, "Spotting the Spoof: The Value of Telling Stories Out of (and in) School" introduces this idea: That there needs to be more dialogue between the disciplines of economics and the humanities. What Morson and Schapiro mean when they say "dialogue" is real, professional, and respectful discussion about the best of both sides. This is contrasted with what is often passed off as "interdisciplinary" today, where one discipline takes over or imperializes another discipline.

In the second chapter, the authors introduce two opposing views, those of 'hedgehogs' and those of 'foxes' (Berlin 2013). Hedgehogs prefer to distill the world's complexity down to a simple and universal theory. Foxes prefer the opposite and are skeptical of simple theories about complex systems. In, "A Slow Walk to Judgment: Hedgehogs and Foxes, Wisdom and Prediction", Morson and Schapiro call economists to actively overcome their tendency to be 'hedgehogs' and rather become

more like ‘foxes’. “The empirical evidence”, the authors claim, “suggests that foxes do a better job in predictive accuracy” (pp. 63).

Chapters three, four, and five serve as case studies. In, “The Power and Limits of the Economic Approach: Case Study 1—How to Improve American Higher Education”, Morson and Shapiro demonstrate both deep knowledge of the American Higher Education system and their skepticism of its’ practices. One application is on the all too common practice of colleges and universities of making admissions decisions based on financial aid information. Many economists will identify this as price discrimination and one way colleges and universities achieve efficient outcomes. Here the authors raise the question: “efficiency for what?” Perhaps leveraging aid dollars to get students to enroll with the smallest price discount is the best strategy. But on the other hand, shouldn’t ‘merit’ aid go to the ‘best’ students and ‘need based’ aid go to the ‘neediest’? These are questions that economists are not well equipped to answer. Harry Turman, who once pled for a “one-handed economist”, might agree.

Next, the authors take aim at, perhaps, the ultimate ‘hedgehog’ in Garry Becker. The chapter, “Love is in the Air... or at Least in the Error Term: Case Study 2—What Economics Can and Cannot Teach Us about the Family” critiques the idea that neoclassical microeconomic analysis can adequately explain choices such as who to marry and how many kids to have (Becker 1991). In *Economic Approach*, Becker claims, “... all human behavior can be viewed as involving participants who maximize their utility from a stable set of preferences and accumulate an optimal amount of information and other inputs in a variety of markets” (Becker 1976). Rather than fully discredit Becker’s work on the economics of the family, crime, et al., Morson and Schapiro present a more nuanced approach. They argue for a softening of Becker’s insights. A ‘soft Becker’ perspective would acknowledge that in every sphere of human behavior the economic approach may or may not add lessons of value. This, the authors propose, is how a ‘fox’ interprets the insight of a ‘hedgehog’.

In the final case study, “The Ultimate Question: Case Study 3—Why Do Some Countries Develop Faster Than Others? Economics, Culture, and Institutions”, the authors focus on development economics. Instead of interrogating the work of a development economist, however, this chapter puts Jared Diamond under the microscope (Diamond 1999). This is to demonstrate to economists what it feels like when one academic discipline imperializes another. In the same way Becker claims all behavior is explained by economic factors, Diamond argues that the whole of the difference in modern day living standards is driven by geography. Morson and Schapiro offer alternatives in Acemoglu, Johnson, and Robinson (2001), Easterlin (1996), and Mokyr (2009) and their work on the importance of political, social, and economic institutions. The irony is that perhaps the most important question economists have ever asked, requires a dialogue with disciplines far outside the wheelhouse of an economist. The author’s conclude:

Why is Korea not Ghana? No one knows for sure. But should we ever find the answer—or answers—we suspect it will involve some factors that are far removed from traditional economic analyses, entering into the realms of political science and history, sociology, and law. It will almost certainly involve institutions, and customs, and faith (pp. 199).

The final three chapters of the book aim to tie the central idea of the book together by justifying the humanities as a necessary epistemology. In Chapter six, “The Best of the Humanities”, the authors address the question: why not just read Sparknotes? The answer is that great literature, in contrast to good literature, offers more than just one central message. Literary classics require the reader to experience the world of the character from within. We see the world from the character’s perspective. Morson and Shapiro argue that this is precisely Adam Smith’s goal in writing *Theory of Moral Sentiments*. In Chapter seven, “De-hedgehogizing Adam Smith: The Economics that Might Be”, the authors draw a connection between Smith’s ideas of sympathy, or feeling what others are feeling, and the literary style of Jane Austin in works like *Emma* and *Pride and Prejudice*. In order to understand these novels, the reader must experience the complexity of what characters see and feel. The reader must “...derive sorrow from the sorrow of others ...” and “... render their happiness necessary...” (Smith 1970).

The final chapter, “Humanomics: A Dialogue of Disciplines”, illustrates their vision for a flourishing dialogue between the humanities and economics. Both have so much to learn from the other. Humanists often need to be reminded that, in the face of limited resources, efficient resource use is both an economic and a moral issue. If poverty, defined as the lack of resources, is bad then the inefficient use of resources is equally bad. Economists often need lessons about the complexity of moral issues and reminders that these complexities often cannot be reduced to a theory expressed in formal mathematics.

Christian Economics: A Dialogue

I enjoyed this book for a number of reasons. None of which are because the book is flawless. The authors take a rather half-hearted and misplaced jab at behavioral economics, for example. On the positive side, the core idea of this book has implications for what we do when we do ‘Christian economics’ (Richardson, 1994; Tiemstra, 1994). This book suggests that doing Christian economics should be about committing and engaging in meaningful dialogue with Theologians, Biblical Scholars, and the actual Bible about the work that we do.

This, perhaps, aligns with Kurt Schafer’s recommendation in the recent *Faith & Economics* Symposium on Readings for Christians in Economics: “I’d also suggest that people read the Bible more carefully, systematically, professionally, and in a way somewhat segregated from

devotional reading. We all tend toward eisegesis, so you'll want some assistance, something to jar you out of the circularity of finding in Scripture the things you expected to find" (Schafer 2017).

Moreover, a serious and professional dialogue with the humanities in general, and theological and Biblical scholars in particular, has epistemological implications for Christian economists. Economists, myself included, seemingly always jump at opportunities to explain why warm-hearted stories about the economic systems of the world—the impacts of a short-term mission trip or fair-trade coffee for example—are at best incomplete and at worst just plain wrong. Who is to say whether this story is an outlier on the distribution or an actual representation of some central tendency? “Did you subtract a valid approximation of the counterfactual?” or “Can I see your identification strategy?” are questions we may all ask. Although it is true many faith-based initiatives with social, economic, and spiritual outcomes could benefit from more rigorous impact evaluation (Bloem 2017), we must not forget that the Bible is full of poetry, short stories, and songs that are intended to reveal truth.

At the end of the day, Christian economists stand at the gap between two disciplines with a common aim: to understand and reveal truth in and to the world. If we could help facilitate a dialogue, much like the type of dialogue advocated for by Morson and Schapiro in *Cents and Sensibility*, I think we would make great progress toward achieving our common goals.

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