



Book Economics of Good and Evil

The Quest for Economic Meaning from Gilgamesh to Wall Street

Tomas Sedlacek
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Recommendation

This exploration of the philosophical history of economic analysis illuminates and enlivens the field. Mathematics has reduced economics to formulaic amorality instead of robust debate over what distinguishes the right economic ideas from the wrong ones. Mythical and religious beliefs and the limits of scientific discovery bred many preconceptions that molded the modern economy. Professor Tomas Sedlacek contends persuasively that economists usually do not measure the impact of emotion as a driving force in decision making. He shows why society would benefit from a better understanding of the nonquantitative concepts that historically have characterized economic thought: good and evil. *BooksInShort* recommends this rich, meaty (but not so easy) read to those who know economic concepts and want to balance their mathematical base with a historical review of economics' roots in philosophy, religion, theology and other fields.

Take-Aways

- Economics' mathematical analysis de-emphasizes the ethical content of its output.
- Philosophers and poets – not mathematicians – made the biggest contributions to economic thought prior to the 1700s.
- Unlike earlier civilizations, the Old Testament Hebrews did not deify nature or rulers who set economic policy.
- They pioneered viewing history as a linear set of events recording social progress, and their story conveys the tradition of protecting society's most vulnerable people.
- Plato believed rational abstractions of reality above empirical observations.
- Christianity employs words like "sin" with related economic connotations.
- Adam Smith's "invisible hand" drove markets and motivated provision of public welfare.
- Light regulation of commerce stems from religious acknowledgement that evil is an intransigent counterpart of goodness.
- Economics should reconnect with less-quantitative areas such as sociology.
- Mathematics is a human language that exists outside the natural world. Economics is the most mathematical of the social sciences, but it is not a natural science.

Summary

The Ethics of Economics

Economists' analytical disconnection from reality is one reason they consistently fail to predict the future, let alone explain past events. For instance, disagreements still continue over what caused the 1930s Great Depression. The 2008-2009 global financial crisis also shows economists' inability to foresee massive perils and find ways to avoid them or soften their impact. Returning to reality would require economics to go back to its philosophical roots and de-emphasize its mathematical branches.

Today, numerical elegance demands simplified models of reality. For example, economists often use only a few variables to elucidate mathematically intensive work. For analytic purposes, they assume that when just one or two variables change, the set's other variables don't change. This belief – called *ceteris paribus* or “all else being equal” – ignores “the living world.” Universal utilitarianism, which says people act only for self-benefit, is another debatable modern analytical assumption. As a frame, it negates the impact of selfless behavior.

“Even the most sophisticated mathematical model is, de facto, a story, a parable, our effort to (rationally) grasp the world around us.”

Mathematics buries the meaning of economics – that is, its ethical content, its good and evil – in a landslide of numbers. Economists use math to produce analyses that seem objective because they are numerical, yet they embody such subjective assumptions as universal utilitarianism and *ceteris paribus*. Historically, reducing complex economic queries to numbers was uncommon. Until 300 years ago, philosophers and poets – and not mathematicians – were the greatest contributors to economic thought. The field has emerged as the most mathematical of the social sciences, but economics' long history is more qualitative than quantitative. Mathematics obscures the extent to which modern economic theories draw from “myths, religion, theology, philosophy and science.”

Gilgamesh and the Burden of Humanity

The oldest known literary work, *The Epic of Gilgamesh*, was written in Mesopotamia 4,000 years ago. It begins and ends with a tale of economic development concerning a great wall the citizens of Uruk are building, directed by Gilgamesh, their part-human, part-god ruler. He takes extraordinary, inhumane action to push the builders. Evil symbolically resides in nature outside the wall, while goodness lives in urban society. Enkidu, part human and part animal, arrives to oppose Gilgamesh, but their growing friendship turns them both more human and humane. After befriending Enkidu, Gilgamesh halts the wall project, Uruk's main productive activity. Enkidu dies and Gilgamesh restarts the wall, resuming his futile pursuit of immortality. His legacy is the idea “that humanity comes at the expense of efficiency” or humanity is “only a drag on work.”

Economic Legacies of the Torah

Increasing social progress and improving standards of living require scientific inquiry and discovery. But thousands of years ago, nature's unpredictable forces inspired mythical or religious explanations, not scientific rational ones. For example, in the Jewish Torah (the first five books of the Old Testament), the presence of weather that helps crops grow signifies God's favor. This link between moral behavior and material reward still matters. The 2008 global fiscal crisis suggests that the economy may work better with ethical rules and enforcement than without them.

“Economics tries, as if in a panic, to avoid terms such as ‘good’ and ‘evil.’ It cannot.”

The 2008-2009 government-led rescue of the US banking industry also recalls the Torah's instructions about debt forgiveness: Once every 49 years, lenders had to forgive debtors to protect the least fortunate people from fiscal burdens that could affect families for generations. For that reason, once every seven years, Hebrews who had been enslaved because of debt were freed. The Hebrew tradition of observing the Sabbath, ceasing work one day of every seven, helped define today's workweek and weekend. It urges people to give time to nonmaterial pursuits. The Hebrews also pioneered viewing history as a sequence of events and social progress. Torah time is linear, unlike *Gilgamesh*, which starts and ends with the wall's construction, implying “history heads nowhere.” The Hebrews shaped practical progress by refusing to deify their rulers or nature or to portray abstractions like God or heaven visually in their art.

Turning Toward a Platonic World

Ancient Greek philosophers still influence economic analysis. Pythagoras said mathematics could reduce nature to numbers and that numbers have power. This belief still affects mathematically driven economic analysis. Athenian economist Xenophon wrote that government could increase tax revenue more easily with expanded trade than with extended war, a market-based preference that still prevails. He advocated dividing labor into specialized tasks, now common practice. Plato, perhaps more than any other ancient Greek philosopher, influenced modern economic analysis. He said reason and rationality ruled over empirical observation in the search for truth. If an observation failed to match his mental preconception of the outside world, Plato rejected it as an oddity outside of rationality. He derided physical objects as “shadows” of the real world, which he defined as the knowledge held in every individual's ideas. Aristotle's approach to finding truth differed in that it was based more on empirical discovery than abstractions.

The Coexistence of Good and Evil in Economics

Christianity also shaped economics. Of Jesus Christ's 30 New Testament parables, 19 have a context based on economic or social matters. One of Christianity's central terms is “redemption,” stemming from the verb “to redeem” – that is, “to purchase a slave...to set him or her free.” Christians also focus on “sin,” which translates to the Greek word for “debt.” This shows that some important elements of Christianity “would not make sense without economic terminology.”

“Anyone who has read the Old Testament must have noted how frequently the text lays out special orders to protect the socially weakest people.”

Good and evil both exist in the New Testament. To some extent, Christianity teaches tolerance of their coexistence. Jesus advises people not to pull weeds out of a wheat field because they might also pull the wheat's roots, a metaphorical message about the evil's intransigence despite good works. Theologian Thomas Aquinas saw goodness and the potential for evil in every form of creation, believing that evil exists only because goodness does. In *Summa Theologica*, he said it's wrong to destroy “the common good...in order that individual evil be avoided.” Such Christian recognition of the omnipresence of good and evil are religious guideposts and ethical pillars in the intellectual foundation of laissez-faire government and lightly regulated commerce. Relaxed governance works for handling something good, but something evil requires more regulation.

The Ethics of Excessive Consumption

Greed, a desire for something unnecessary, is an old human flaw. In Eden, Eve – and then Adam – eat forbidden fruit they don't need for survival. They commit the original sin, or, in economic language, the first satisfaction of excessive want. Their penalty is having to work to satisfy their wants as well as their needs, which God had

fulfilled until then. A Greek myth tells a similar tale of the first woman, Pandora. Though forbidden, she opened a box releasing hitherto unseen good and evil into the world. Worry about the human tendency to want too much has persisted for centuries. In the 1600s, Thomas Malthus’s *Principles of Population* predicted very insufficient food and resources, because humans have limitless wants but Earth has limited resources.

“Hebrew culture laid the foundation for the scientific examination of the world.”

In contrast, long before Malthus wrote of possible disastrous shortages, others said lightly regulated, “liberal” markets could cure any shortage for the right price. In 1776, in *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith used the term “invisible hand” to describe this price-driven market mechanism. The unofficial father of classic liberal economics, he took two different views in his writings. He defended self-centered pursuits as essential to social progress through labor specialization and industrial diversity in *Wealth of Nations*, but in 1759 in *The Theory of Moral Sentiments*, he warns against excess egoism, saying that only selfless benevolence propels social progress. He cites the invisible hand as an unseen market maker in *Wealth of Nations*, but in *Moral Sentiments*, he says it’s an ephemeral force of wealth redistribution that leads governments to protect the most vulnerable citizens.

“In the past 20 years, real US GDP per capita has risen by 37%. Impressed? Perhaps. But are we appreciative or satisfied? Hardly.”

Smith is best known for his treatise on free-market mechanics, but his analysis of the economy and society allowed for emotional decision making, not purely rational choice. His friend economist David Hume also believed emotion is stronger than the practical desire for utility. Hume felt “rationality itself is not enough” to inspire actions. Yet these nonquantitative theories quickly faded. The late 1700s ended the era of ethically driven economics and launched a more scientific era where mathematics obscures the assumptions behind economic models of reality.

The March to Rationality and Amoral Markets

Philosopher René Descartes, a scientific rationalist in the Platonic tradition, believed reason trumped empirical observation in the search for truth. He strived to eliminate subjectivity from scientific study and to promote greater objectivity through “a unification of points of view.” His goal remains unmet because “science is overflowing with doubts.” Yet his rationalist approach dominates modern economic modeling and analysis. In ancient Egypt and Greece, mathematics’ development was tied to philosophical study and mystical experience. But Descartes played a pivotal role in transforming mathematics to “the personification of reason and rationality.” Now, the more mathematics that goes into solving a problem, the truer the solution seems to be.

“Let us give up efforts to find one school that is ‘right’ or is ‘closer to the truth,’ and rather let us order them according to their usefulness for a particular reality.”

In the early 1900s, Alfred Marshall, a founder of math-based economics, called economics the “engine of enquiry” but said that mathematical problem solving is only a language. He relegated equations and graphs to the appendix of *Principles of Economics* to emphasize the field’s underlying assumptions. Moral choices support economic assumptions, even if analytics can render these choices amoral by expressing them in numbers rather than words. Philosopher Immanuel Kant said only unrewarded actions are moral. The Stoics, strict rule-followers, saw nothing wrong with taking a reward for a laudable act, if reward was not the motive. Christian beliefs reflect the Stoic insistence on morality with “indifference to utility, pleasure and sorrow” as a personal practice.

“We have given lawyers and mathematicians too large a role at the expense of poets and philosophers.”

But other schools of philosophical thought are more inclined to equate morality and economic utility. Bernard Mandeville poetically contended that individual vice is actually a source of social welfare. Mandeville, who once earned money writing fairy tales, gained prominence in economics in 1714 when he published a poem called “The Fable of the Bees: or, Private Vices, Publick Benefits.” It depicts a beehive where bees do whatever they want, including cheating each other and committing fraud and bribery. This flawed but productive society closely resembled England in Mandeville’s day. Life inside the beehive was good, despite the incidence of evil. But when evil disappeared, the quality of life in the hive declined, because the elimination of evil also eliminated the work of many bees who tried to prevent it or mitigate its effects. Critics condemned Mandeville for imbuing private vices with so much public value, but his salute to unimpeded commerce has resonated for centuries with opponents of overregulation.

Why Economics Should Become Less Quantitative

Economists who compare their work to that of physicists forget that mathematics is a human language that exists outside the natural world, not in it. Economics is the most mathematical of the social sciences, but it is not a natural science. Mathematical models of the physical world do not affect nature itself. However, the science of economics does affect the economy, so giving mathematics a proper analytical role is essential to achieving better forecasting results. Truth defies mathematical explanations. Mathematician Kurt Gödel is famous for his incompleteness theorem, stating that certain questions are irreducible to mathematical analysis. His theorem purports a lack of mathematical proof for everything that seems true. Mathematics can also masquerade as proof. In 1980, David Hendry amusingly compared the incidence of rain and inflation in England in his book *Econometrics: Alchemy or Science?* and found a correlation.

“How much of economics is mythmaking?”

Economic study should shift to cover the social value of behavior like philanthropy, not just greed and consumption. Giving is an altruistic activity modern economic models don’t capture due to their shaky assumption that each person’s behavior is utilitarian. Economics could gain from stronger intellectual linkages with anthropology, history, philosophy and sociology, and should stop seeing self-love as human nature’s “only driving force.”

About the Author

Tomas Sedlacek, a member of the National Economic Council in Prague, lectures at Charles University.