Economics and the Virtues: Building a New Moral Foundation.
Jennifer A Baker and Mark D. White, eds. 2016. New York: Oxford University Press. ISBN 978-0-19-870139-2. $90.00

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This project, edited by two philosophers, hopes to build a new moral foundation for economics. Economists, philosophers, and public policy specialists are well represented in the twelve chapters that are divided into three sections. Part one lays the historical foundation for considering virtue as essential to a fulfilled life. Five complementary philosophical approaches from Aristotle to Kant lay the groundwork for later efforts in the building process. Part two looks at the way economic reasoning has ignored normative concerns and the degree to which it has rejected some of the threads of virtue that were woven into the early fabric of classical economics. The last part explores the impact that free-market theory and practice has on human efforts to live a virtuous life. All three sections build the case that economics cannot ignore virtue and its moral applications if it is to be a relevant contributor to a viable social order. What sets this book apart from the increasing volume of literature that critiques the mechanistic value-free methods of economics is the depth to which it explores virtue as the foundation of a fulfilled life. When philosophers, economists, and social policy scholars join forces to build a new moral foundation for economics, the result is fascinating, complex, and sometimes controversial. This book is not an easy read because it requires a familiarity with the vocabulary of both philosophy and economics, but the effort is well rewarded.

The first building block of this new foundation is laid by Christian Becker. He suggests that the economic concept of bounded rationality could bring economics closer to Aristotle's view of practical rationality. A consideration of preference formation as a social process and its connection to character development could enrich the empirical work of economists, and avoid the possibility that rational choice economic logic can lead to behavior that is not bounded by moral considerations. If economics couples the communal nature of Aristotle's *polis* with the virtuous qualities that sustain human flourishing, it will be more relevant in facing the challenges of our times.

Tim O'Keefe adds the views of various Epicurean philosophers and their concept of happiness as derived from noneconomic goods, while

Jennifer Baker looks at how Stoics are indifferent when judging market behavior. Markets can have both good and bad outcomes. People play differing roles in markets, and success in markets is determined by the values applied when judging that success. Thus the jury is out on markets as natural allocators of resources until a set of Stoic values is applied to specific cases.

James Otteson describes how, in the early days of the Enlightenment, Adam Smith's moral sentiments provided a virtuous foundation for markets. Sympathy and the impartial spectator inform behavior in ways that promote interpersonal respect, equality, and socially-determined justice. When working well, markets can help to promote justice by processing information more effectively than the alternatives, and they tend to build trust among citizens when resources find their best use through free and fair exchange. According to Otteson, the fact that markets can not eliminate all disappointments and losses that occur in social interaction should not detract from Smith's efforts to promote justice as a key part of an effective market system.

Philosopher Mark White suggests that Kant's deontological approach to ethics incorporates far more than predetermined rules of behavior. Instead, in Kant there is much that can enrich standard economic rational decision making by focusing on character formation and principles of judgment. Drawing on Ronald Dworkin's judicial examples of complex decision making, White suggests that much of economic decision making is qualitative, requiring a model more complex than economics provides. He concludes: "Following this model would entail a radical change in how economics is practiced, and may even prompt economists to reflect on the goals and purposes of economics itself—in other words, on its character. Such considered reflection would surely be virtuous" (p. 111).

Economists should be interested in virtue because it has intrinsic moral worth, say Michael Baurmann and Geoffrey Brennan in the beginning of part two. When markets promote the development of virtues that enhance welfare, and if the institutional structures surrounding markets lend themselves to the expression of these virtues, then a market system is a virtuous system to be promoted. A second reason economists should consider virtue in their work is that agents may value virtue as part of their preference pattern apart from its intrinsic value. The ways that virtues impact a social order and its agents are complex, so there is a role for both virtue theorists and economists to engage their respective methods in a complementary manner. Hopefully this joint effort can lead to a more coherent understanding of the role of virtue as a means to an end and as an end itself in economic life.

Eric Schliesser describes the process that led economics toward the value-free positivistic methodology that has dominated the discipline until late in the 20th century. The assumption that tastes are similar and stable over time contributed to a technocratic view of politics and science with a goal of scientific consensus. Sidgwick is listed as a key figure in the divide between ethics and theoretical economics. Later economists, including J. M. Keynes, Lionel Robbins and some Chicago school economists, moved this technocratic view of economics forward. Milton Friedman's (1953) methodological article claimed that progress in positive economic research would likely eliminate differences in policy predictions, making the separation of economic theory and ethics the mainstream view of economic methodology.

Andrew Yuengert explores the gap between formal value–free economic models and actual practices, using practical wisdom as the missing ingredient in economics. Decision-making is very personal, is contingent on many factors, and is dependent on the nature of one's objectives and values. Yuengert provides several examples illustrating how formal economic modeling frequently falls short of closing the gap and can lead to undesired outcomes. While no perfect method of decision-making exists, economists would do well to exercise humility and "hold lightly to the goals of their plans, allowing those goals to change if the creative adjustments of human beings in society reveal new goals and more efficient institutions" (p. 179).

The last part of the book begins in chapter nine by contrasting the views of Alasdair MacIntyre and Ayn Rand regarding business profit. MacIntyre is pessimistic about virtue development in business because he sees business profit as an external goal that corrupts the sustaining of virtuous practices. Rand sees hope in productive virtue that can be internalized into business practices. Christine Swanton is concerned that, for MacIntyre and Rand, the effort to cultivate virtuous practices in the world of business might be overcome by their ideological critiques of liberalism and socialism. However, Swanton concludes that productive virtue can help business see profit as an internal good that promotes virtue. Productive virtue avoids the downside of "technicist" rationality, a bureaucratic rationality only directed at the means to an end, not the end itself.

David Rose claims that there are externalities in the practice of virtues, which lead to suboptimal provision of virtue. However, the practice of negative virtues, such as a legal prohibition against mislabeling a product, will have more impact on developing a society of trust than will the general promotion of a positive virtue of honesty, on which free riding is bound to occur. Cultivating a virtuous society is complex, involving virtues of all types. Rose wonders if there has not been an overemphasis on the positive virtues that has crowded out the more effective negative virtues, leading to a suboptimal allocation of virtue.

Ginny Choi and Virgil Henry Storr are more optimistic about the impact of the positive virtues. They suggest that trust, reciprocity, and friendship are shown to enhance market systems that then benefit from the practice of these qualities. Numerous studies are referenced to show that markets do not hinder trustworthiness, fairness, and friendship because of their competitive nature or the free rider problem common in positive virtue practices.

Jason Brennan presents data showing that a country's degree of market freedom is positively correlated with generosity to the world, reduced corruption, and increased voter turnout. In addition, the Kuznets Curve is presented as evidence that countries that increase per-capita output after their initial growth reduce environmental damage per unit of output. Brennan concludes that, from what we know now, free markets improve rather than degrade our character.

With fourteen authors participating in the project, it is not always easy to know whether terms like free markets, positive and negative virtues, rational choice methodology, and practical wisdom are being applied in the same way across all chapters. For example, a free market economy could refer to the perfect competition value-free model taught as the ideal standard for efficient resource allocation. On the other hand, it could refer to a real world mixed market economy that lacks perfect information, has some concentrated sectors, and faces many externalities not captured in markets. The perfect competition model of textbooks seems better suited to positive virtue, while negative virtue may be more relevant to everyday economic life. It is not always clear what system characteristics are being addressed.

In a similar manner, economic methodology has its theoretical mathematical side, which claims to predict better than any available alternatives. However, few would argue that it fully describes how real-world economic choices are made. Fortunately, this methodology is evolving beyond a strictly positive scientific method in an effort to include the social context and variations in human motivation. As behavioral economics and game theory advance, along with neuroeconomics and increased interdisciplinary engagement, economists are more open to the kind of philosophical and ethical input that this book offers. Perhaps the foundation has already been dug and this book is laying building blocks upon which a fruitful structure can be built. This important building process can be aided by the wealth of source material at the end of the chapters.

For Christian economists, the building process will include religious components that complement the interdisciplinary effort. The moral foundation for economics proposed in these chapters is entirely virtue-based, without any specific religious claims. However, it is a small step to add biblical ethics to the virtues discussed by the historical and contemporary philosophers. Their view of the flourishing life as derived from the practice of virtues comports well with the moral teachings of Jesus. There is an other-centered quality of the virtuous life that is foreign to most economic models, and Christian economists would do well to highlight this perspective in their work. A related agenda might be to explore how Christian values complement or qualify virtue ethics and their application to the real world. It would be hard to find a book more suited to assist one in these ventures, so I enthusiastically recommend a careful study of this book.

Reference

Friedman, M. (1953). "The Methodology of Positive Economics." *Essays in Positive Economics*. Chicago: University of Chicago Press, 3–43. ■