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Comments on the *Foundations of Economic Personalism* Series

Edward J. O'Boyle
Mayo Research Institute

"Comments" addresses only the introductory part of the first monograph in this series in which the authors set forth their theoretical foundations, and it is organized along three lines: areas of agreement, areas of disagreement, and suggestions for building a new paradigm for economics based on personalism. We agree that the premises of mainstream economics need reconstruction; that in economic affairs persons are more important than things; that there is a real difference between persons and institutions; and that humans are meant to be free. We disagree on several counts, including the needs and wants of the human body and human spirit, which are met through consumption, work, and leisure. Most important among our suggestions is the need to construct a new economics around the changing roles of the economic agent in which the *homo economicus* and individualism of the old economy are replaced by *homo socioeconomicus* and personalism, which are better-suited to the new economy.

Our comments are restricted to the introduction in *Beyond Self-Interest: A Personalist Approach to Human Action*, the first of three monographs in the *Foundations of Economic Personalism* series published in 2002 by Lexington Books. The introduction presents the authors' theoretical foundations upon which their three-monograph series rests. If they have gotten the foundations right, their synthesis of Christian personalism and free-market economic theory perhaps will stand. If not, their synthesis surely will collapse. In what follows, we address areas of clarity and agreement first, followed by areas of ambiguity and disagreement. Four suggestions are taken up at the end of the main body of the article.

Edward J. O'Boyle

Areas of Clarity and Agreement

We are agreed that the premises of what the Center for Economic Personalism's (CEP) monograph series calls "free-market economic theory" (which we refer to simply as mainstream economics) are in need of reconstruction. Of those premises, the one that posits the individual as the central unit of economic analysis is most in need of repair. In his 2001 Nobel lecture, economist Joseph Stiglitz lays down the same argument: There is a need to construct a new paradigm for economic theory and to rethink all of the conclusions that proceed from first premises because mainstream economics construes the individual too narrowly.[1] Stiglitz, however, offers no carefully articulated substitute for the individual and the individualism, which lie in the center of mainstream thinking. *Beyond Self-Interest* offers a cogent replacement; we are agreed that replacing the individual with the person and individualism with personalism is the single most important remedy for what is defective in mainstream economics. *Homo economicus*, in other words, will not do. Southerners would say, "That dog won't hunt."

We are agreed as well that mainstream economists mistakenly think about economic affairs employing, concepts borrowed from physics (such as equilibrium, which is routinely used in microeconomics and macroeconomics) in an effort to elevate economics to the status of a physical science by representing economics as first and foremost focused on things (such as prices, assets, goods, natural resources). *Beyond Self-Interest* has it right. Economics is a social science that, above all else, is about human beings and human behavior.

Human beings, we are agreed, are prior to all other social institutions even to the family. Humans are living, breathing, existential actualities. Institutions such as markets, unions, trade associations, including the family, are a manner of speaking. They come into being, change, and continue to exist only through the efforts of human beings.

We are in agreement that human beings by their very nature are meant to be free. Freedom, as *Beyond Self-Interest* states, is threefold. First, freedom means that human beings by their very nature are free *to* be all that they can be. Second, freedom denotes that humans are to be free *from* coercion. Third, freedom signifies that humans are free *for* the purpose of meeting their obligations. Though *Beyond Self-Interest* does not make these things explicit, justice is what defines the duties of human beings in the conduct of economic affairs, and the second meaning of freedom—free *from* coercion—is captured by liberty.

We agree that only humans can act[2] and that, while they often act rationally in economic affairs in order to maximize utility, there is much more to their behavior than is accounted for in *homo economicus*.[3] For example, at times consumers are utility-satisfying rather than utility-maximizing; gift-giving rather than commodity-acquiring; communal rather than solitary; and producers are revenue-enhancing rather than profit-maximizing, customer-centered rather than self-centered, collusive rather than competitive. Put differently, an economic agent is not in all matters an individual being, is not always inward-directed. There are times when he or she is a social being, is outward-directed. Human behavior in economic affairs often involves a tug of war between an economic agent's individuality that points in one direction and his or her sociality that points in another direction. The tug-of-war between these two dispositions is a constant and significant dynamic in human economic activity.

Areas of Ambiguity and Disagreement

There are several areas in which *Beyond Self-Interest* is either ambiguous or omits things of central importance. We take up each in turn.

Throughout the introduction, *individual* and *person* are used as if the two were synonymous. The effort made to clarify the difference in *Beyond Self-Interest* comes up short.

> … we shall continue to refer rhetorically to the individual, fully cognizant that each time we invoke the term *individual* we mean *person* and all that the term implies.[4]

In mainstream economics, nothing different is implied by *person*. *Individual* and *person* are synonyms. Thus, for a mainstream economist nothing new or different is implied by the term *person*. The synthesis of Christian personalism and free-market economic theory undertaken in *Beyond Self-Interest* cannot stand on this foundational weakness.

Beyond Self-Interest asserts that "… for a social scientist to be successful, he or she must explain, and if possible, predict trends in human behavior."[5] For the most part, *Beyond Self-Interest* continues, mainstream economic models produce "… reasonably accurate and reliable predictions and explanations.…"[6] We argue, instead, that for the economist to be successful he or she must first *describe* economic affairs accurately as a prior condition to understanding those affairs. In the absence of an accurate description and reasonable understanding of economic affairs, predicting those affairs is haphazard.

The disconnect between the *homo economicus* of mainstream economics and the economic agent one observes in routine daily decisions regarding the three principal activities undertaken by economic agents—consumption, work, and leisure—is a major criticism from heterodox economics. The problem is not so much in the predictions of mainstream economists but in their description and understanding of economic affairs.

There are problems with the way *Beyond Self-Interest* defines economics in terms of just three of the five principal economic processes.

> Economics studies human action as it relates to the production, distribution, and consumption of material goods and services.[7]

Omitted from this definition are the processes of exchange and investment. The one relates directly to the role of buying and selling that *Beyond Self-Interest* calls attention to on the following page, though in the context of mainstream economics and without objection. Investment that is critical to entrepreneurship and therefore to how and why change in economic affairs takes place is not addressed.

Human work is at the very heart of the processes of production and distribution, but there is no formal recognition of work in *Beyond Self-Interest*. This is particularly surprising given the series' heavy reliance on the writings of John Paul II, who has been most attentive to work in, for example, *The Acting Person* (see under Wojtyla) and *Laborem Exercens*.

Notice the tautology in the handling of the process of consumption:

> … a consumer who does not need a pair of shoes at the moment will most likely not highly value a new pair. The consumer, in this case, has little need for the shoes.[8]

Mainstream economics asserts that the *demand* for shoes depends on the expected utility that the consumer derives from personally owning the shoes. Need is explicitly rejected by the mainstream. All consumer behavior is reduced to wants.

A need is whatever a specific human requires for minimal well-being and existence. Food is universally required. Not so, for example, with insulin and eyeglasses except for the diabetic and the nearsighted. A want, on the other hand, is whatever a specific human desires, such as an Armani suit or a Lamborghini, though neither one, strictly speaking, is required. Clearly, consumption originates in both human wants and human needs, but mainstream economics

has nothing to do with the latter because need is a normative concept that must be excluded in order to claim that economics is a physical science.

As stated previously, we agree that only humans can act,[9] but acting in *Beyond Self-Interest* is represented in terms of consuming to the exclusion of other human activities in economic affairs, such as working, saving, investing, innovating, insuring, lending, borrowing, hiring, firing, and speculating.

Consumption is not just about goods and services to meet the needs and satisfy the wants of the human body. Human beings consume goods and services to meet the needs and the wants of the human spirit. The human spirit yearns for truth, goodness, and beauty—all three of which require the purchase of goods and services for their realization and thus, are drawn into the economist's study of consumer behavior.

Truth, for example, may be pursued through educational institutions that charge tuition for access to their services. Human beings may look for goodness through theater presentations that address the clash between good and evil and that necessarily involve payment of an admission fee. Yearning for things of beauty, humans purchase the work of artists and buy tickets for access to the ballet and opera. In this regard, we are reminded of the old cliché that "there is no such thing as a free lunch."

Beyond Self-Interest speaks to the immaterial in terms of the human soul[10] and thereby suggests an understanding that consumer behavior is driven by more than the needs and wants of the body, but it is not explicit in this matter.

Beyond Self-Interest says nothing about work as a means to earn the income necessary to purchase the goods and services that meet the needs and satisfy the wants of the human body and the human spirit. Neither does it recognize that humans work for two other reasons: to meet their need to belong by associating with others in a common enterprise, and to meet their need for opportunities to develop and display their unique skills and talents. The need to belong is outward-directed originating in human sociality. The need for creative opportunities is inward-directed, originating in human individuality. Nor does *Beyond Self-Interest* recognize that all human work requires embodiment.

In *Beyond Self-Interest*,[11] the way that mainstream economists construe consumer decision-making in terms of cost-benefit calculations to the exclusion of any ethical concerns is presented as authentically representing the behavior of all consumers. But moral concerns clearly are an integral part of consumer behavior, at least for those with a properly informed conscience, in matters such as buying a good from a seller who, through ignorance, has

undervalued that good, or by selling a counterfeit good to a buyer who thinks that he or she is getting the authentic article.

In other words, buyers and sellers in the marketplace, as well as employers and workers in the workplace, are not oblivious to the demands of justice even though they may not be able to define the principle of commutative justice. Superiors are not totally unmindful of their obligations under distributive justice: They have the laws on discrimination as powerful reminders, and members are not completely uncaring about what they owe the group even though they may not be able to state the principle of contributive justice. These three principles are taught and learned through everyday experiences in the marketplace and the workplace.

Mainstream economists do allow for ethical concerns under the rubric of normative economics. However, they deliberately differentiate normative economics from the positive economics, which is represented as superior because it is value-free and therefore is more nearly a hard science.

While human persons form groups and the two are not the same, it is not true, as *Beyond Self-Interest*[12] asserts, that we encounter only individual people. In economic affairs, unions square off against employers and industry groups, trade associations contend with environmental organizations, consumer cooperatives bargain with suppliers. Most of all, companies compete with each other for natural resources, workers, suppliers, and customers.

In each case, the power and influence of the group is greater than what each member contributes to the whole. Otherwise, there would be no reason to form the group in the first place. Even so, the group has no existence of its own—it cannot exist without the contributions of its members. To answer the question posed in *Beyond Self-Interest*,[13] economists should and do focus on *both* the human person (in microeconomics) and the group (in macroeconomics). Since the human person is essentially one—a fusion of individuality and sociality—economic theory someday should achieve a seamless fusion of macroeconomics and microeconomics.

Leisure is not addressed at all in *Beyond Self-Interest*. We define leisure as the rest that humans require on a daily basis due to embodiment and to the longer breaks over weekends, holidays, and vacations needed to cope with the stress of the routine tasks of daily living. Leisure also refers to the time set aside to meet the needs and to satisfy the wants of the human spirit, both of which, as indicated earlier, necessarily demand the purchase and utilization of goods and services.

Four Suggestions

Personal experience dealing with mainstream economics for more than twenty-five years indicates clearly that any new paradigm for economics must originate from *within* the profession. Asking mainstream economists to listen to theologians and philosophers as to what is wrong with the conventional way of thinking about economic affairs is like expecting a pharmacist to perform brain surgery. The pharmacist, for sure, knows much about the human body and health but lacks the years of training and experience required to undertake the surgery. Many years ago the German Jesuit economist Heinrich Pesch made this case as follows: "Religion cannot produce grain; it cannot do away with physical evil."[14]

There is an economics literature, which has been developing for about one hundred years, relating directly to the concerns raised in *Beyond Self-Interest*. Much of that literature has been published in the *Review of Social Economy*, but none of it is cited in *Beyond Self-Interest* or in the other two monographs in the CEP series. Appendix A contains the citations to that literature. For the busy reader, five are highly recommended: "The Solidarist Economics of Goetz A. Briefs," *Review of Social Economy* (December 1983); Danner's *The Economic Person: Acting and Analyzing*; Dempsey's *The Functional Economy: The Bases of Economic Organization*; Mulcahy's *The Economics of Heinrich Pesch*; and Waters' "A Review of the Troops: Social Economics in the Twentieth Century," *Review of Social Economy* (Fall 1993). Danner's *The Economic Person* is a must-read. All of these authors have earned doctorates in economics.

We need a new economics, a new description and understanding of contemporary economic affairs, because economic affairs are conducted differently today than in the past. Most important are the changing roles of economic agents such as consumer and merchant, worker and producer, entrepreneur and financial agent in the new economy. Further, the new roles that they are acquiring significantly change their awareness of other economic agents, notably the ones with whom they interact and, as a consequence, also change their self-awareness. The need for a new economics is best demonstrated in the deficiencies of the *four premises* of the old economics: *the individual, the law of nature, certainty, and instrumental value*.[15] In the following we address all four in turn. Unavoidably, there is some repetition of what we have stated previously in order to make our meaning as clear as possible.

The most important premise of the old economics is that the central unit of economic analysis is the *individual*. For the new economics, the central unit of analysis is the *person*. What the old economics means by the *individual* is set forth in the philosophy of individualism. What the new economics means by the *person* is expounded in the more modern philosophy of personalism.

By "individual" the old economics means a human being in whom human individuality, inward directedness, autonomy, and awareness of self and self-interest are emphasized. The individual is represented as intelligent, thoroughly rational, utility-calculating and maximizing, and free to choose in all economic decision-making. The individual or, more precisely, *homo economicus*, is competitive; that is, makes use of his or her disposition to undertake certain tasks individually for the individual reward or gain. And, though ever-changing, as accounted for conceptually by human capital, *homo economicus* nonetheless is predictable—a great convenience for economic analysis. Economic behavior is completely detached from any cultural influence because, for the atomistic *homo economicus*, all existence is solitary existence. Community is irrelevant. Finally, *homo economicus* is a material or embodied being, though this personal characteristic at times is replaced by another: *Homo economicus* is a machine.[16]

Individualism is the philosophical foundation for *homo economicus*. Today *homo economicus* is the dominant way of thinking about economic agents in contemporary economic theory because neoclassical economists are comfortable with individualism, and in essence regard it as more than just a description of the way that things are. For the old economics, individualism is the ideal philosophy proven superior for more than two centuries and validated most recently by the demise of *homo sovieticus* and the collectivist philosophy that supported a radically different characterization of economic agents. But individualism is not appropriate for the new economy in which economic affairs increasingly are centralized in supranational economic unions. *Homo economicus* fits well in a world and at a time when decentralization was taking place in political affairs, notably during the transition from royalty to free citizenry, from privilege to merit. If, however, the actual roles of economic agents have changed in the new economy, along with their personal characteristics as well, it follows that a new economics begins with a rethinking of *homo economicus*.

The new economics argues that there is much with regard to the role of economic agents today that is not accounted for by *homo economicus*. However, the new economics does not discard *homo economicus* entirely.

Rather, the new economics adds important characteristics and dimensions not included in *homo economicus*.

By *person* the new economics means a human being in whom both individuality and sociality are recognized and emphasized: inward-directed and outward-reaching, autonomous and dependent, and aware of self and self-interested and at the same time aware of others and concerned for their well-being. The person is intelligent, thoroughly rational, utility-calculating and maximizing, and free to choose, and at once intuitive, emotional, utility-satisfying, and ethically instructed, bound, and governed. In all economic affairs, the person or, more precisely, the new *homo economicus*, is not only competitive but cooperative, making use of his or her disposition to undertake certain tasks collectively for the reward or gain that cannot be achieved or achieved so well when those tasks are undertaken by the individual alone.

The economy may be compared to a twin-engine aircraft that is built through the efforts of human economic agents such as working, saving, innovating, trading, and the like, and is powered by the engines of competition and cooperation. As with the aircraft, the economy performs better when both engines are synchronized in flight though it can operate on just one alone. We add to this analogy as we proceed.

The predictability of *homo economicus* means that his or her behavior is quantifiable and therefore can be incorporated in the mathematical models of the old economics. The new *homo economicus* is unique, one of a kind, valuing individuality and sociality differently, changing as an economic agent with changing economic conditions and circumstances, but essentially a holistic, unified human being: essentially one, not one-part individual, one-part social but a fusion of the two. An embodied spirit, a material body *inside* a human spirit: not one-part body, one-part spirit, but a fusion of the two.

The new *homo economicus* is aware that community and a sense of belonging emerge not when humans simply avoid any harm to one another but when they participate in one another's economic lives; aware that economic community as, for example, in the form of private companies that produce the goods and services vital to human existence, requires positive contributions from the economic agents who form those communities; aware that all existence is co-existence; aware that the human spirit plays a major role in the three central economic activities of work, consumption, and leisure. Altruism, benevolence, and generosity are duties for the new *homo economicus*. For *homo economicus* they are praiseworthy but unessential personality traits.

Adam Smith's *Moral Sentiments* calls attention to these duties, and Marshall rejects competition as the fundamental characteristic of modern economic systems, affirming instead the importance of neighborhoods and collective action, of honesty, fidelity, unselfishness, and sympathy.[17] However, the old economics constructed *homo economicus* not from Marshall's *Principles* or Smith's *Moral Sentiments* but from the *Wealth of Nations*. In that sense, the new economics and the new *homo economicus* return to the fullness of Smith's and Marshall's original ideas about economic agency.

The new *homo economicus* is grounded in the philosophy of personalism, which emerged with the development and spread of electronic communications media.[18] Thus, the new economics would replace individualism with personalism, and the individual with the person. Personalism, in other words, is offered as the new philosophical ideal.

The new economics sees culture as playing an important role in economic affairs. Dulles provides a useful definition.

> Culture … is a pervasive atmosphere … a social force that encompasses individuals and welds them into communities. It shapes their prejudices, ideas, values, habits, attitudes, taste, and priorities … it inquires into what we are as human being, and what reality is in its most comprehensive dimensions.[19]

To embrace culture, the old economics would have to yield on the solitary existence of the atomistic individual and admit that economic agents co-exist as human persons in communities. Culture relates to the specific ways in which the needs and wants of the human body and human spirit are addressed. To illustrate, at a traditional Cajun wedding reception it is customary for a guest who would like to dance with the bride to pin paper currency to her dress. Across Europe the month of August is set aside for vacations, and it is not uncommon for businesses to close for the entire month. In the United States, work itself is so highly valued that many Americans are workaholics, and related to that addiction, many Americans experience a sleep deficit and, at times, even fall asleep on the job.

Culture relates to the economy in the same way weather influences the twin-engine aircraft. A culture of life and hope, which is affirmed most fundamentally when human beings are not totally self-absorbed and at least from time to time care about one another in economic affairs, enhances the performance of the economy just as the aircraft performs better in good weather. The new economics advocates such a culture for that very reason. In contrast,

a culture of death and despair, which, in the extreme, is reinforced by a pervasive attitude that death is the answer to social problems, slows down the performance of the economy just as the aircraft performs less effectively in bad weather. For well over one hundred years, we have witnessed the devastating effects on developed and developing economies from genocide, ethnic cleansing, civil war, terrorism, drugs, slavery, and the like. By analogy, the old economics denies that weather has any role to play in the operation of the aircraft.

As to work, the spirit in every human being longs for a job, which affords opportunities to put to work one's creative talents and energies and scorns the "dead-end" job. Further, the human spirit needs acceptance by others on the job, and it is normal for a person to be distressed whenever he or she is not fully accepted as a member of the work group. As to consumption, humans need the goods and services required for physical well-being, but because human beings are more than mere material beings, humans are concerned with more than their physical well-being. The human spirit seeks goodness, truth, and beauty in various forms such as music, art, drama, nature, literature, dance, and sports. In searching for goodness, truth, and beauty in whatever form it might take, it is almost always necessary to purchase goods and services. To attend a concert, it is necessary to pay an admission fee. To enjoy the beauty of seashore or the mountains, certain travel expenses are necessary. In other words, one cannot experience goodness, truth, and beauty without paying for certain goods and services and, thus, an important dimension of consumption is to meet the needs of the human spirit.

Human beings are marvelously and mysteriously different in countless ways. What may satisfy the spirit of one person may be of no interest or value to another. Some are drawn to opera, others to rap. One family member may find the beach the perfect place to vacation; another may strongly prefer the mountains. A well-pitched baseball game may excite the spirit of some persons who, at the same time, are bored by a low-scoring soccer game. The new economics thinks of the purchase and use of goods and services in this manner as leisure, a third kind of economic activity distinct from work and consumption. The old economics, on the other hand, defines leisure in a negative sense: time spent *not* working.

By the *law of nature* the old economics means that product markets, resource markets, and financial markets provide a forum for the interaction of economic agents, and those markets by their very nature function efficiently and effectively. The law of nature presumes that every economic agent is capable of representing his or her own best interest without assistance, and that the

agreements that agents reach freely with other agents automatically fulfil the duties of both agents to the group(s) to which they belong. However, individual freedom to act in markets does not justify bringing harm to others. There is no need for any intervention on the part of private groups or public bodies unless the prohibition of hurting others is breached. For some, the law of nature says that community does not matter in economic affairs because it is simply a way of referring to a collection of individuals. Community, in other words, is just a manner of speaking. For others, the law of nature means that community can be maintained and supported without the direct contributions of its members—that it exists entirely on its own.

The new economics argues instead that markets at times are dysfunctional, and *institutions* are needed to intervene in order to address that dysfunction. For example, some employers, left to their own devices, contaminate the air, soil, or water with their waste discharge. Therefore it is necessary to limit the amount of waste that they are allowed to discharge legally and to fine them and shut them down whenever they exceed that limit. The limit is determined by science; that is, by an investigation that addresses the question: How much of a specific waste such as mercury can be discharged into the environment without inflicting harm, especially on human beings?

Another limit is the legal minimum wage that forces employers to pay the legal minimum when otherwise they might take advantage of their workers and pay them less. By analogy, intervention—whether by private group or public body—represents the control surfaces of the twin-engine aircraft such as the rudder and flaps, allowing the pilot to control the economy in takeoff, during flight especially to avoid turbulence and bad weather, and to land safely at its destination. Loss of those control surfaces in flight makes landing the aircraft without mishap nearly impossible.

The old economics relies heavily on mathematical models and data sets to describe and understand economic affairs with *certainty*. This investigative methodology is grounded, of course, in the Enlightenment and the scientific method. The new economics contends that certainty is not possible in economics because economic agents are complex, ever-changing, human persons who remain at least in part a mystery even to themselves, and therefore difficult if not impossible to fully represent in mathematical models. The result is that the conclusions drawn from economic research must be couched in terms that reflect some *uncertainty*.

The problem for the professional research economist is, how to deal with uncertainty in an open and honest fashion, carefully sifting and weighing the empirical evidence to draw only those conclusions that the evidence will sup-

port. Certainty is an even greater challenge today with the new economy, reflecting different cultures, misunderstandings, and consequently different and incompletely understood behaviors of human economic agents. Further, what in one culture is unacceptable and illegal behavior (bribery) may be acceptable in another (facilitating payment, a cost of business). In this regard, analogy can be a powerful model, though lacking in precision. However, when it is carefully crafted, analogy can be more deeply probing and instructive of economic affairs than a mathematical model.

By *instrumental value*, the old economics means that the worth of every economic agent is determined by the contract (explicit or implicit) that sets forth what payment that agent has accepted for the work he or she performs. That is, worth ultimately depends on how useful an agent is as an economic instrument. The new economics takes strong exception to that premise. Human beings have an *inherent dignity* that is central to their very nature as human persons and that everyone is duty-bound to respect. There is, in other words, no philosophically valid way to rank order human beings according to their economic productivity. Each is precious, each has the same worth, no one is to be valued more highly than anyone else, because no human being has the wisdom to create such a rank ordering. The new *homo economicus* embraces the social value of human equality, while the old *homo economicus* does not.

A major deficiency in the old economics is that microeconomics and macroeconomics have not been integrated into a unified general theory. This predicament originates with its premise that the central unit of analysis is the atomistic individual. There is no such problem when economics proceeds from the premise that the central unit of analysis is the human person. To explain, microeconomics represents a description and understanding of economic affairs from the perspective of human individuality.

Macroeconomics, on the other hand, sees economic affairs from the perspective of human sociality. An integration of the two branches of economic theory is necessary because human beings are not one-part individual being and one-part social being. Rather, humans are fully integrated such that it is impossible to separate the individual being from the social being. The new economics makes that, the integration of economic theory, possible by construing all economic affairs—working, consuming, saving, investing, lending, borrowing, innovating, brokering, insuring, buying, selling, resting, hiring, dismissing, and the like—not in terms of the impersonal, mechanical forces of the market but in Marshall's personalist language of humankind "in the ordinary business of life."[20]

Acting as economic agents, and given their free will and intelligence, human persons are capable of making choices. In many instances those choices in economic affairs are ethically neutral; that is, they involve no ethical issue. For example, the decision to paint the outside of one's house with white paint instead of some other color has no ethical content. That is, one color is not morally right and another morally wrong. However, the decision as to what one pays a person to work for him or her very likely has an ethical dimension. To illustrate: Deliberately withholding pay until the work has been completed and paying the worker less than what was agreed to even though the work was done to one's exact specifications is unethical.

Are decisions regarding ethical issues in economic affairs entirely arbitrary, depending completely on the whims, fancies, feelings, opinions, attitudes, and values of the persons making those decisions? Or, are there objective standards that apply in economic affairs, rendering ethical decision-making reasoned, defensible, and alike from one person to the next except in instances of specific extenuating circumstances? Our view is that there are certain objective ethical standards to be applied in economic affairs and that, ultimately, those ethical standards originate in the human experience. Thus, shoplifting is destructive of retail trade because it is unreasonable to expect a shopkeeper to operate his or her store when customers are free to take whatever they want from the shelves and exit the store without paying. Indeed, not punishing shoplifting assures that few if anyone would be so foolish as to become a merchant and expect to earn a living. To teach and reinforce the ban on shoplifting, it is necessary to have laws and enforcement officers to assure that shoplifting is punished.

With the exception of distributive justice, the old economics has little to say about ethics in economic affairs. The new economics insists that ethics in economic affairs is necessary for building and maintaining trust between and among economic agents. *Trust* is the willingness to accept another agent's promise (spoken word, written word) to abide by the terms of a just agreement.Without trust, economic transactions tend to break down due to the transaction costs attributable to monitoring and enforcing those transactions.[21] The need for trust is heightened in the new economy because decision-making takes place over a shorter time span, giving less time to evaluate the trustworthiness of other economic agents. Additionally, communications are less face-to-face, direct and personal, more at arm's length, indirect, and impersonal, making it more difficult to evaluate trustworthiness. See Appendix B for extended comments on the three principles of economic justice: equivalence, distributive justice, and contributive justice.

For many years, Nobel laureates Joseph Stiglitz and George Akerlof have been addressing the defects in the conventional way of thinking about economic affairs,[22] and most recently attacked the neoclassical paradigm along several fronts: the "seemingly precise models" that leave out information concerns; the impossibility of involuntary unemployment; the separation of equity and efficiency; continuous market clearing and equilibrium; the reduction of economics to engineering; Pareto-efficient markets; the failure to differentiate types of markets; the information efficiency of markets; the separation of action, information, and behavior; the invisible hand leading to Pareto-efficient allocation of resources; privatization as welfare enhancing; supply and demand constituting the whole of economic analysis.

Akerloff's indictment,[23] which overlaps Stiglitz's, is considerably shorter: All economic behavior is maximizing; the failure of credit markets and underdevelopment; the insistence on strict rationality as opposed to near rationality; the ready acceptance of the natural rate of unemployment hypothesis; the impossibility of saving too much or too little; the exclusion of "reciprocity, fairness, identity, money illusion, loss aversion, herding, and procrastination" from the mainstream way of thinking about real-world economic affairs.

The problem, as Stiglitz[24] makes explicit, is that "the economists' traditional model of the individual is too narrow." That charge strongly suggests that he, too, rejects the individualism that is foundational to conventional economic theory. However, neither he nor Akerlof offer a replacement philosophy.

Having replaced the four premises of the old economics and addressed the issue of justice in economic affairs, where do we begin the construction of a new economics? We begin, as *Beyond Self-Interest* indicates, with the economic agent. See Appendix C for extended remarks on three important pairs of economic agents: the consumer and the merchant, the worker and the producer, and the entrepreneur and the financial agent.

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Appendix B: Three Principles of Economic Justice

Justice is the virtue or good habit of rendering to another that which is *owed*. In economic affairs there are three applicable principles of justice: the principle of equivalence, the principle of distributive justice, and the principle of contributive justice. There are three principles of economic justice because there are only three main ways in which economic agents can interact: person to person, superior to subordinate, and member to group.

Principle of Equivalence

The principle of equivalence states that buyer and seller in the product market, the resource holder (including worker) and producer in the resource market, and the creditor and borrower in the financial market have two duties that are ethically binding on both parties. First, they are to exchange things of equal value. Second, they are to impose equal burdens on one another. In many such transactions, personal experience informs us as to what "equal value" means. By "equal burden" we mean that the burden of the seller is to give up possession of the good or service in question. For the buyer, the burden is to give up possession of the money necessary to take possession of that good or service. For the worker, the burden is performing the work required by the employer. For the employer, the burden is paying the worker the wage to which they agreed upon. For the creditor, the burden is surrendering use of the loaned funds, waiting for repayment, and taking on the risk of default. For the borrower, the burden is making payments on time as agreed upon.

For example, we may not know precisely the price of a Rolex watch, but we very likely know that it does not sell for the same price as a Timex watch. Anyone attempting to sell a watch that is represented as an authentic Rolex for, say, forty-nine dollars, should be suspected of (1) selling a Rolex watch that is stolen, (2) selling a watch that actually is a counterfeit or a "knockoff," or (3) selling a genuine Rolex but having no real appreciation for its true worth. The principle of equivalence means that (#1) is wrong because the seller has no right to sell what does not belong to him and the buyer has no right to buy and take possession of a watch that belongs to someone other than the seller, that (#2) is wrong because the seller is deliberately deceiving the buyer; and (#3) is wrong because the buyer has no right to exploit the seller who is unaware of the watch's true value.

There are other sources of information about what "equal" means in a product market, resource market, or financial market. They include information available through family members, friends, co-workers, neighbors, and persons who consult for a fee. There are published sources of information as well such as *Consumer Reports*, newspaper advertising, and electronic exchanges such as ebay.com.

At times, the things exchanged are not of equal value, such as when a house is sold and the buyer makes only partial payment in cash but takes possession of the entire house at the time of closing. To simplify this example, we assume that the buyer does not obtain a mortgage from a third-party lender such as a bank. Rather, the seller offers to lend the buyer the unpaid balance by allowing the buyer to make regular payments over time until the balance is paid in full. Notice, at closing, that the buyer's immediate burden is to make partial payment in cash to the seller. The seller's burden is to surrender the whole house and to accept the buyer's written promise to pay the balance in the future. Under these circumstances, the seller faces the risk that the buyer may not be faithful to his or her promise to make payments in the future until the balance is paid in full, and the seller must wait until payments are made and, at closing, forgoes the use of that money had he or she insisted instead on payment in full. Consequently, the seller or lender is justified in requiring the buyer or borrower to repay more than the amount of money that was borrowed. Indeed, the seller or lender is justified in charging interest in order to equalize the two burdens involved.

The precise amount of interest that equalizes the burden is problematic. However, we know by experience that a rate of interest of one hundred percent is excessive because it imposes an undue burden on the buyer or borrower. Similarly, a fifty-percent rate of interest is excessively burdensome. However, in 1981 banks across the United States were charging their most credit-worthy customers an average of twenty-one percent on loans and as much as thirty-five percent for other higher-risk borrowers. Today, credit card companies commonly charge eighteen percent annual interest and, even though some cardholders are not able to pay their credit charges, most cardholders do pay what they owe. We conclude that a rate of interest around twenty percent is reasonable and, in general, satisfies the requirements of the principle of equivalence.

Some common expressions for the principle of equivalence in the product market, involving buyer and seller, are the money-back guarantee, the merchant's refusal to accept a third-party check, and the buyer's experience of getting his or her money's worth. The money-back guarantee is the seller's

recognition that at times an honest mistake has been made in routine transactions, whether the fault lies with the buyer or the seller, and that the things exchanged are not of equal value. Merchants who depend on repeat business understand that the money-back guarantee is good for their business even though they might not understand consciously that they are being faithful to the demands of the principle of equivalence. Shopkeepers often refuse the third-party check because they are fearful that the check has been stolen by the third party to whom it has been made payable and that the person who issued the check has put a stop-payment order on that check with his or her bank, rendering it worthless. "Got my money's worth" is a common expression for a buyer who has entered an exchange with a seller and actually received more than he or she bargained for. In the resource market, the common expression "a full day's *work* for a full day's *pay*" is a reminder of the worker's obligation under the principle of equivalence. Reversing the language to "a full day's *pay* for a full day's *work*" underscores the employer's duty to the worker.

There are several specific ways in which the principle of equivalence may be violated in the product market. We mention only four. Shoplifting is one, and issuing a bad check is another. Loan sharking—charging excessive interest—and price gouging, which may take place in an emergency such as a hurricane, are two more examples. In the resource market there are several ways in which the principle of equivalence may be violated. We enumerate four: expense padding, sweatshop, embezzling, and pilfering. All violate the principle of equivalence either regarding the duty to exchange things of equal value or to impose equal burdens on one another.

Principle of Distributive Justice

The second principle of justice—distributive justice—defines the duties of the superior to his or her subordinates. Specifically, distributive justice requires the superior to distribute the benefits and burdens of the group under his or her supervision among its members in some generally equal fashion. This does not mean strictly equal because there likely are significant differences among subordinates, and it is entirely appropriate to take those differences into account. For example, handicapped employees appropriately may require different parking and restroom accommodations from those of able-bodied employees. Single parents, in general, shoulder heavier child-care responsibilities than married parents do. Distributive justice demands that the superior differentiate among subordinates only when the differences among them are real and substantial and require different accommodations. To

illustrate, a superior may allow a single parent to rush home to tend to a sick child when the same permission might not be given to a married worker with a spouse who routinely stays at home to look after the children.

Discrimination occurs when the superior differentiates among subordinates for reasons that are insubstantial. In this regard, false stereotyping may be the device used to rationalize the difference in treatment among subordinates. For example, older workers may be treated differently because they simply have "less upside potential" than younger workers have. Women may be treated differently because, for them, work is of secondary importance in their lives. Immigrant workers may be treated differently because they dress differently or speak with heavy accents. *Favoritism is simply the other side of the coin of discrimination.* It is treating some persons better than others for reasons that are superficial or based on the false stereotyping of others.

Discrimination in the United States toward gender, race, religion, and national origin was declared illegal in the Civil Rights Act of 1964. Special legal protection has been accorded to women, African Americans, Native Americans, Jews, and persons of other faiths, and persons born in other countries. More recently, persons with disabilities have been included in the "protected class" along with persons forty years of age or older. Discrimination and the governmental intervention required to address it is evidence that the law of nature, that is, each individual economic agent in the pursuit of his or her own self-interest, also serves the common good through the invisible hand, is not always sufficient to resolve important conflicts in economic affairs.

"Equal pay for equal work" is a requirement under distributive justice. It means that persons doing the same work, with the same on-the-job-performance of their assigned duties, are to be paid the same wages. "Equal opportunity," too, is a requirement under distributive justice. It means that persons of equal experience and qualifications are to be afforded the same chance to be hired and promoted. "Affirmative action" is controversial because some argue that it is necessary and others assert that it is reverse discrimination. The principle of the double effect, which we borrow from ethics, is instructive regarding affirmative action because affirmative action—the hiring and promoting of persons in the protected classes over others—has two effects, one positive and one negative. The positive effect is the good that is done for the person(s) hired or promoted. The negative effect is the bad that is experienced by those who are passed over in the hiring or promotion process.

For our purposes, the principle of the double effect says that: (1) the good effect must be greater than the bad effect, otherwise the superior or decision-maker is doing more harm than good; (2) the bad effect must not be intended.

That is, the superior or decision-maker must not intend to bring harm to the person(s) being passed over but recognizes that there is no way to hire or promote one or two from an applicant pool without passing over everyone else.

The principle of distributive justice has application in the product market, too, but here the issues are not nearly as serious as in the resource market. In the product market, it is the merchant or shopkeeper who is the superior because he or she is the one who must treat his or her customers with fairness. There are several ways in which this is done. A merchant who makes rain checks available to his or her customers is saying in effect that when an item is put on sale at a very favorable price, he or she will treat all customers alike even those who come to the store after the supply of that item has been exhausted. Under those circumstances, the merchant reorders the item in such quantities to satisfy all customers who have been issued a rain check. "Limit three to a customer" tells all customers that everyone is entitled to purchase no more than three of a specific item on sale so that one customer will not buy the entire available supply.

Principle of Contributive Justice

The third principle of economic justice is contributive justice, which lays down the obligation of the member to the group to which that person belongs. Insofar as a person receives benefits from the group, that person has a duty to maintain and support the group. Paying dues—a duty—is the usual requirement for the persons joining and remaining active in a membership organization. Failure to pay membership dues typically reduces a person to inactive membership status enjoying fewer or even little benefits of membership as compared to those in good standing.

Of the three principles of economic justice, contributive justice is least familiar because we Westerners think of ourselves as individuals first and indeed have a high regard for "rugged individualism." For that reason, we have only weak examples of common expressions for contributive justice. In the resource market, where employees commonly work in groups or teams, expressions such as "doing my fair share," "pulling my load," and "paying my dues" are sometimes heard. There are even greater problems in seeing contributive justice faithfully practiced in the product market. Even so, there are certain expectations when persons come together whether for a concert, sporting event, or to enter a flow of traffic. The newest arrival in a ticket line or traffic line is expected to wait his or her turn and not to cut into the line. To do otherwise is disrespectful to those who have been waiting and sets an example for others to do the same—in which case, pushing, shoving, and cutting off

other cars may become the rule rather than the exception. A general loss of civility may follow, which is destructive of a sense of community.

However, when it comes to violations of the principle of contributive justice, there are several powerful examples. In the resource market, industrial spying and sabotage violate contributive justice because the person who appears to be a loyal and productive member of one business establishment actually is faithful to a rival organization and seeks to undermine the effectiveness of that establishment by stealing secrets and disrupting the work of that establishment. Is it a violation to hire a person from a rival establishment and then pick his or her brain for whatever information he or she might be able to share with the new employer? It does, if they surrender proprietary information; that is, information to which the former employer can claim a clear property right such as a secret formula for making a product.

Computer tampering violates contributive justice because the persons who use a common resource such as the Internet are expected to respect the work and files of others using that resource. Otherwise, confusion and destruction reign, and the Internet becomes a less effective tool for all who use it. Product tampering is the moral equivalent of computer tampering. Tampering with a product is harmful to everyone who uses that product, because it makes buyers fearful that the product is unsafe to use. That, in turn, can have a powerful negative effect on the company that manufactures that product. Insurance fraud violates contributive justice because, if a fraudulent claim is not detected by the insurance company, payment is made to the insured party, which drives up the costs of the insurer who, then, may pass those additional costs on to all policy holders in the form of higher premiums.

Insider trading is the practice of persons within a corporate organization whose shares of stock are publicly traded on a stock exchange, using information that is confidential and not available to the trading public in order to buy or sell shares in that corporation for personal gain. Insider trading is morally the same as playing cards with a marked deck. The gains achieved by the insiders come at the expense of other traders who do not have access to that confidential information and therefore are buying shares that soon afterward will fall in value, or who are selling shares that later will rise in value. In the United States, the federal Securities and Exchange Commission is charged with the responsibility of monitoring trades made by senior corporate executives, involving shares of stock in their own corporation, in order to detect and punish insider trading. Unrestrained insider trading undermines the effectiveness of a stock exchange because in effect the big fish are eating the little fish. Finally, tax evasion[25]—the deliberate effort to not pay the taxes owed under

tax code—violates the principle of contributive justice because, when evasion is successful, other taxpayers are required to pay more in order to make up for the taxes lost through evasion.

The old economics asserts that all ethical problems in economic affairs are sorted out by the law of nature and the "invisible hand" of the market. All that is required is that economic agents pursue their own self-interest. The new economics insists that pursuing self-interest alone is insufficient to establish the trust necessary for routine economic transactions. Minimally, economic agents must be aware of their duties in justice to others and must faithfully execute those duties. The new *homo socioeconomicus* is trustworthy because he or she respects and protects the dignity of the other human persons involved in a transaction and does not reduce them to mere instrumental value.

Returning to the analogy of the economy to a twin-engine aircraft, used in the main body of this paper, justice functions in two modalities, one activating and one limiting. In the activating modality, justice affirms what economic agents owe one another, and in that sense it functions like the oil in the aircraft's engines, providing the necessary lubricant for "the ordinary business of life." In the limiting modality, justice condemns certain harmful business practices such as discrimination and exploitation and, in that sense, functions like an oil filter, removing impurities in the oil so that the aircraft's engines perform more efficiently. Just as any oil filter needs replacing, justice needs renewing in order to deal with abuses arising from new technologies such as planting a virus or a "worm" in a computer network or stealing credit card numbers and cell phone numbers.

Edward J. O'Boyle

Appendix C: Economic Agency—Three Cases

The Consumer and the Merchant: The New Homo Economicus

All consumer behavior involves two limits that originate in the human body. That is, our bodily nature as human beings requires us to deal with two limits when we are acting as consumers wherein the consumption of any product or service is perceived as being driven by the satisfaction or the utility that derives from that consumption. Putting the concept of the limit at the center of our understanding of consumer behavior, in effect, acknowledges the importance of moderation in order to assure that the goods and services sought after remain the means to satisfying human wants and meeting human needs, and that they do not become ends in themselves.[26]

Limit I refers to the one unit consumed that produces the largest increase in utility or satisfaction. We reference Limit I as maximum marginal utility. Limit II refers to the last unit consumed that offers some increase in utility but beyond which, disutility sets in. We refer to Limit II as the point of maximum total utility. "Pigging out" is a common reference to having exceeded Limit II in consuming some especially enticing product and afterward having some regrets for having overindulged. Why do consumers at times exceed Limit II? Peer pressure is one reason. The availability of the product, free of charge, is another. Another reason is that the consumer is willing to challenge his or her own limit, thinking that perhaps that limit is higher than it actually turns out to be.

Every human being as a consumer faces these two limits because every human being is embodied. Absent the body, the limits disappear. Even so, the limits are not the same for every consumer because each one of us has his or her own body with its own metabolism and tolerances. Besides, as we age, our limits tend to change as well. The hyperactive body of the teenager or athlete requires more calories than the sedentary body of the same person requires much later in life.

The reason that consumers buy more when the price is lower is that, as they consume more, they eventually reach Limit I beyond which, each additional unit consumed offers a smaller increase in utility than the preceding unit, and they are willing to purchase those smaller increments beyond Limit I only when the price is lower. The old economics characterizes the consumer whose behavior is depicted in terms of the principle of diminishing marginal utility as *homo economicus*. Indeed, when it comes to consumer behavior, this

principle probably best represents what the old economics means by *homo economicus*.

Homo economicus is more than what is represented by the principle of diminishing marginal utility. Following the old economics, the consumer is unique, solitary, autonomous, self-centered, and self-made—traits that accent the consumer's individuality. For example, the practice of power dressing and the popularity of health foods give evidence of the consumer who is self-made. Self-centered and self-interested consumers, whenever those items are necessary for their well-being, properly purchase goods and services for their own use without necessarily becoming selfish.

The consumer behaves predictably in ways that are described as utility-maximizing, privacy-protecting, and commodity-acquiring. In Western culture, acquiring and accumulating goods are perceived as a sign of success. As *homo economicus* the consumer is free to choose whatever he or she is able to afford, makes those choices informed strictly by reason for the purpose of satisfying some want, and takes into account not only experiences in the past (is hindsighted) but also hopes and plans for the future (is foresighted). Adults typically plan years ahead for their retirement, carefully budgeting—rationally planning income and expenses—to achieve that goal. Need is entirely rejected by the old economics as a central determinant of consumer behavior because it is a value-laden concept; that is, how need is defined depends importantly on the person who uses the concept.

Comparisons are made, but they are rigorously intrapersonal or inward-looking, wherein consumers evaluate their own wants over time without any regard for others. Our language points to specific instances of the consumer's acting mainly according to human individuality. The trendsetter and the traditionalist are consumers with much individuality. The conformist is one with little individuality.

Even so, there is more to the consumer than even this expanded perspective from the old economics. The consumer is a social being as well as an individual being and, as such, is both unique and alike, solitary and communal, autonomous and dependent, self-centered and other-centered, self-made and culture bound. In America, soul food and Cajun cuisine originate in specific cultures and appeal especially to persons born and reared in those cultural environments. Preteens are persons who, for the things they need and want, are dependent on their parents. Similarly, the elderly may become dependent on their children because of a debilitating condition.

Additionally, the consumer behaves in ways that are described as at once utility-maximizing and utility-satisfying, privacy-protecting and company-seeking, and commodity-acquiring and gift-giving. At times, a person will take less in terms of the maximum utility available at the moment so that a friend might have more. Or, both may decide to share what they have, each one taking less than the maximum available if he or she were to exclude the other, in order that the other might have more, thereby affirming and strengthening their friendship.

As the new *homo economicus*, the consumer is free to choose whatever he or she is able to afford but is morally accountable for the choices made and makes those choices informed by reason and emotion, both by mind and heart, for the purpose of satisfying some want or meeting some need. Fear drives some consumer choices, as at times with handguns and security systems. Some persons known as compulsive consumers or shopaholics are addicted to shopping. Their choices are not rationally determined, nor are they freely made. O. Henry's "The Gift of the Magi," a short story of a young married couple, too poor to buy one another presents for Christmas, in which the husband buys a comb for his wife's beautiful long hair by selling his gold watch and she buys a chain for his watch by cutting and selling her hair, is enchanting because it exemplifies the gift-giving behavior of a husband and wife in love.

As with *homo economicus*, the new *homo economicus* is not only hindsighted but also foresighted as when parents have to reduce their current consumption for years in order to set aside sufficient funds for their children's future education. Even though it is a value-laden concept, need is embraced by the new economics because self-evidently it is a central determinant of consumer behavior. Simply put, the consumer as a person is an economic agent with needs to be met and necessities to be satisfied.

Human individuality prompts the consumer to make comparisons, which are intrapersonal, but his or her human sociality encourages regard for others. Here, as well, our language informs us about the consumer whose behavior reflects human sociality. The free-rider or deadbeat is a person with little sociality. The caring neighbor and the philanthropist are consumers with much sociality. So, too, the man who at the site of the collapsed World Trade Center towers gave away shoe insoles to help protect and comfort the feet of the rescue workers climbing over the jagged rubble.[27]

Most of the world's population living in the Southern Hemisphere is poor. Using the World Bank's criterion of poverty—income of less than one dollar per day—more than 1.2 billion persons are poor. In sub-Saharan Africa, about one-half of the population is poor. The old economics examines poverty as a

macroeconomic issue. The new economics argues that poverty is primarily a microeconomic issue, not a matter of scarcity that an unrestrained market addresses through the price mechanism that automatically eliminates shortages and surpluses but a problem of unmet needs that call for intervention.

From the very start, it is necessary to differentiate (1) those poor persons who use their resources responsibly and still do not have enough to meet their needs from (2) others who use their resources irresponsibly. Because assisting the irresponsible simply enables them to continue acting irresponsibly, it is important to do whatever is possible to restrict them from getting assistance.

The principle of subsidiarity is helpful in reaching a decision as to where in the social order the source of assistance for the needy should be located. Thus, larger, more powerful units of society, such as the national government (1) should not usurp the functions of smaller, weaker units but (2) should help those smaller, weaker units function effectively. The principle of subsidiarity states that the source of the assistance should be located as close as possible to the persons and families in need. This decentralization of the programs and organizations offering assistance helps limit two abuses. First, it helps reduce the abuse of persons applying for assistance who are not needy or who are irresponsible, because, by being closer, the agency likely is better informed and more likely to identify would-be abusers.

Second, it helps remedy the problem of the program staffer who is abusive to applicants, demeaning and belittling them, because, by being closer, the applicant finds it easier to complain to the supervisor about the abusive staffer and to bring the problem to a successful resolution. There are two benefits that flow from organizing assistance in a decentralized manner. First, the applicants are more likely to participate in reshaping the assistance program because they are closer to the administrative control of the program, thereby reinforcing the democratic principle that everyone should participate in the decisions that affect their lives. Second, a decentralized system allows for the development of many different programs, and with the passage of time the emergence of a consensus as to which ones work best and which "best practices" should be adopted elsewhere.

The social question raises a corollary question: What is the merchant or retailer to do in dealing with poor customers? The old economics that follows a libertarian philosophy argues that even the poor should be free to make their own decisions with regard to their own consumption spending, and that no one should intervene in such matters because the poor, better than anyone else, know what is best for them. And, if a specific consumer is wronged, it is a small price to pay for liberty. In any case, let the buyer beware (*caveat emptor*).

The new economics that follows the personalist philosophy asserts that merchants have a set of duties originating in the three principles of justice. First, merchants have an obligation to refrain from marketing and selling activities that worsen the unmet need of their customers. Second, under the principle of equivalence, retailers are admonished not to impose on their customers an unequal burden that derives from the customers' poverty-stricken status, such as powerlessness in the face of a large, intimidating, or indifferent firm. Third, contributive justice informs retailers that they may not force additional assistance costs on taxpayers who are required by law to come to the aid of needy persons even when those person's unmet needs have been made even worse by merchants whose only interest is profits. Fourth, and last, in distributive justice retailers are instructed to treat all of their customers as equals. That is, a merchant with multiple locations including some in the suburbs and others in the inner city, may not charge inner-city customers a higher price than he charges suburban customers unless there are higher costs in operating in the inner city.

The old economics values liberty above all else. The free choices of *homo economicus*, especially when *homo economicus* is an adult consumer, should not be preempted by others. The old economics asserts that customers and merchants alike should be free to see and use one another primarily if not exclusively as the means by which self-interest is served. The new economics, while respecting liberty, values the inherent dignity of human beings above all else, and argues that the new *homo economicus* has a right to be protected from unscrupulous merchants. Further, the new economics asserts that merchants have a duty to respect that right even when it adversely affects their profits. The new economics asserts that it is not in single-mindedly serving self that the merchant achieves success as an economic agent. Rather, it is in respecting suppliers, employees, and customers as human persons, as ends in themselves, that they are transformed into the means to (instruments of) the merchant's success.

In terms of our analogy of the economy to a twin-engine aircraft, consumers are the aircraft's passengers who board the aircraft with the expectation that it will carry them safely to their destination of a better standard of living both in terms of meeting their needs and satisfying their wants.

The Worker and the Producer: The New Homo Economicus

Work has two principal effects: on the goods and services that are produced and on the persons who do the work. We present the person who works as the new *homo economicus* because the worker is two-dimensional, at once an individual being and a social being, capable of competing with co-workers and cooperating with them. The worker is a real, living, breathing person engaged in economic affairs and not merely a resource to be used in the production process. The worker, in other words, has dignity well beyond and apart from the instrumental value that attaches to his or her contribution to economic affairs.

Human beings work in order to earn the income to purchase the goods and services that meet human physical need and satisfy human physical wants, both of which originate in the human body. The amount of income earned through work depends in principle on the significance of the worker's total contribution to the production of goods and services. Thus, earnings are linked to the first main effect of work, and therefore are an implicit affirmation of the principle of private property, which asserts the simple truth that whatever is produced belongs to the person(s) who produces it. For the new economics, the problem is that while an unrestrained labor market automatically eliminates shortages and surpluses, it does not necessarily meet the needs of workers. Intervention at times is required in order to address those needs through measures such as a mandated minimum wage, a limit to the length of the workday, a ban on child labor, and inspections to ensure the health and safety of the workers.

Humans also work to meet the *need for work as such* that originates in the human spirit. The need for work as such is linked to the second main effect of work and is two-dimensional, conforming to the duality of human nature.

Because he or she is an individual being, the worker has a need for a job, which provides on-the-job opportunities for the utilization of his or her own special gifts and talents. This is done by incorporating into the worker's job description specific tasks that require the use of those gifts and talents. The uniqueness of the worker is underscored here.

Because he or she is a social being as well, the worker has a need for a job that makes that person a respected partner in the work being done by the company that employs him or her. A real sense of belonging follows when the company has made an effective effort to integrate the worker into the organization, such that whenever the worker is absent, he or she is genuinely missed

by others who work for the company. The worker's need for acceptance and inclusion is underscored here.

It follows that work is an opportunity for human beings to develop more fully as persons by (1) meeting their need for self-expression through their own individual contributions; and (2) meeting their need to belong through the formation of integrated and inclusive teams in the workplace. Self-expression proceeds from and enhances the individual contribution of the worker, which flows from authentic self-interest that is necessary for human survival. Belonging proceeds from and enhances teamwork that flows from caring for others that is rooted in a person's moral perceptivity—the ability to sense or to be aware of the needs of others.

Understanding producer behavior begins with the principle of supply: The higher the price, the greater the quantity supplied. However, this principle, as in the case of the principle of demand relating to consumer behavior, is strictly descriptive. It does not probe deeply into the behavior of the producer; it merely describes it in terms of price and, as with the principle of demand, another principle is required to help explain producer behavior. That principle is *the principle of diminishing returns*. Also, as with the role of the principle of diminishing marginal utility in explaining consumer behavior, the principle of diminishing returns explains producer behavior in terms of two limits: Limit III or maximum returns and Limit IV or capacity. The limits applying to producer behavior originate in the human body just as we have observed regarding the two limits applying to consumer behavior.

Limit IV refers to the maximum output possible in a day by one worker. Before Limit IV is reached, each additional hour of work adds to the total output. Beyond that limit, however, the worker's total output drops due to physical exhaustion, because at that point he or she makes mistakes that in turn can lead to rework or accidents. We see this kind of limit displayed very dramatically on the highway where, from time to time, exhausted truck drivers fall asleep, wreck their trucks, destroy some of the goods they are carrying, or worse yet—injure or kill someone. Limit IV or capacity applies to everyone who works because everyone who works is embodied and the human body requires rest on a daily basis.

There is a second limit operating on everyone who works, and that limit, too, originates in the human body. Limit III refers to the single hour of work in which he adds more to total output than any other, and it is called *maximum returns*. Before Limit III is reached, returns are increasing: Each additional hour of work adds more to total output than the preceding hour. After Limit III is attained, returns are diminishing: Each additional hour adds less to total

output than the preceding hour. After Limit IV or capacity is reached, returns are negative. Limit III or the point of maximum returns pinpoints the single hour of work in which the worker is most productive. Diminishing returns reflects our own experience with work. Exhaustion does not suddenly overtake us. Rather, we tire little by little as the workday unfolds, with hourly output declining as the work itself saps our strength, until full exhaustion sets in and mistakes take over.

The machines used in the production process are like human workers in the sense that both are material in nature—the one animate, the other inanimate. Due to their materiality, both wear out under use and both require maintenance. Human maintenance means time away from work, in the form of a coffee break, lunch hour, overnight rest, weekends and holidays off, and vacations to provide for even longer periods of rest and relaxation. Machines cannot run indefinitely. They, too, require downtime, which the careful producer does not want to occur when the machines are most needed in the production process. For that reason, producers often schedule maintenance ahead of time in order to assure that the equipment is ready when it is called into use. The scheduling of maintenance is called "preventive" maintenance and, though it can be costly, it is undertaken for fear that in the absence of such procedures the cost would be even greater.

Clearly, the new economics does not dismiss either the principle of diminishing returns of the old economics or the production function that represents that principle diagrammatically. However, the new economics represents the production function in terms of two limits for two, related reasons: Machines and humans wear down with use, and that wearing down effectively limits production. Simply put, whether it involves the workforce or the machines that workers use, materiality is at the very core of the production process and therefore matters critically when it comes to the cost of production and profitability.

With one possible exception, the new economics represents the cost of production no differently from the old economics. Unit cost and marginal cost are driven by the production function and, as production increases, average fixed-costs tend to decline. However, the new economics interprets the sharp increase in average fixed costs at capacity in human terms rather than simply in financial terms.

The observant production manager—the new *homo economicus*—is able to tell when capacity has been reached when he or she notices that average fixed costs are rising. Once production has been pushed beyond Limit IV, mistakes take hold and workers are exposed to greater risk of injury or worse, and

defective units are produced that require costly rework. The new *homo economicus*, charged with the responsibility for supervising production, subordinates output to the safety of the workforce because the workers' inherent dignity as human beings always exceeds their instrumental value as resources in the production process. Additionally, reducing the rework that attends pushing production beyond Limit IV and assuring the safety of the workforce have the effect of cutting the cost of production and enhancing the company's competitiveness and profitability, outcomes of considerable interest to the company's customers and owners.

Putting the concept of the limit at the center of our understanding of worker behavior acknowledges the need for restraint in the production process to avoid rework and protect workers just as, earlier, we observed that moderation is required in consumer behavior to assure that the goods and services sought after remain the means to satisfying human wants and meeting human needs and do not become ends in themselves.

One of the most important responsibilities of the employer or producer is wage and salary administration, which involves two main tasks: evaluating performance and linking pay to performance. In this regard, there are three central questions that must be addressed. First, how much does he or she contribute as an individual to the assigned tasks, and how much is that work worth? Second, how much are others being paid for the same work? Third, how much does he or she contribute as a member to the success of the group or team to which he or she is assigned, and how much is that contribution worth?

Performance evaluation involves the careful, honest, and comprehensive evaluation of the amount and quality of the assigned work that the subordinate has carried out over a given period of time—the last week, month, quarter, year. Supervisors are expected to conduct performance evaluations of those persons who are known as "direct reports"—that is, they report directly to that supervisor. To the extent possible, evaluation should be quantifiable, but for many professional workers, the nature of their work does not always lend itself well to strict quantification. Inevitably, therefore, performance evaluation involves judgment on the part of the supervisor. There are two procedures that help reduce the arbitrariness in making judgments. First, the subordinate prepares his or her own performance evaluation and submits it to the superior for review and approval. Second, the performance evaluations conducted by the supervisor are subject to review by the person to whom the supervisor reports.

The best way to ensure that performance evaluation is done properly is to select the right persons to serve in supervisory positions and to train them well for the difficult task at hand. The mere fact that a supervisor may have done the very same assigned tasks as the person whom he or she is evaluating is no assurance that performance evaluation will be conducted carefully, honestly, and comprehensively. Ultimately, *the supervisor must be a person of integrity*. Required is a new *homo economicus* who understands that wages and salaries are not simply reducible to the forces of supply and demand in the labor market and that the duty of the supervisor is not fully served by the old economics and its law of nature.

As to the problem of linking pay to performance, it is necessary to address the problem first from the perspective of the employer or supervisor and then from the perspective of the employee. The employer or supervisor has two obligations drawn from the principle of equivalence and the principle of distributive justice. Under the principle of equivalence, the employer or supervisor has a duty to the employee of "A full day's pay for a full day's work." Under the principle of distributive justice, the employer/supervisor has an obligation for "equal pay for equal work." Failing with regard to the first duty is, in effect, to break the employment contract and to renege on the wages and work agreed to in that contract. Failing with the regard to the second duty is discriminatory.

The employee also has two obligations, one drawn from the principle of equivalence and the other from contributive justice. "A full day's work for a full day's pay" is what the employee owes the employer or supervisor under the principle of equivalence and, as with the employer or supervisor, any failure effectively breaks the employment contract. The employee's second duty is to "do his or her fair share," "pay his or her dues"; that is, to contribute positively to the success of the group or team to which he or she has been assigned. This duty is less sharply defined than the first. Much depends on the circumstances at the moment in the workplace and the marketplace. More may be required of a person as a member of the team when the company is facing a very difficult deadline in making delivery to a customer, or when the necessary supplies for production are not readily available, or when someone on the team is sick or otherwise absent from work.

Further, more may be required when the company is on the brink of financial failure. In that sense, the principle of contributive justice requires a member of the group or team to do all that is required for group success, provided that *what is required is reasonable*. Thus, judgment inevitably is a part of any decision as to one's duty under the principle of contributive justice. Here, too,

a new *homo economicus* is required in that the employment contract imposes duties on the worker that cannot be shirked without some economic loss to one's fellow workers and to the company's customers, owners, and suppliers. These duties cannot be left to the old economics and the law of nature, because duty involves an intensely personal commitment to what is owed to others, whereas the old economics and the law of nature assert that what one owes to others is sorted out by the impersonal forces of the market that are driven strictly by the self-interest of economic agents and guided by the "invisible hand."

Returning once more to the analogy of the economy to the twin-engine aircraft, the workers are the ground crews, maintenance crews, flight crews, and air-traffic controllers, and regulatory agencies such as the U.S. Federal Trade Commission and the Anti-Trust Division of the U.S. Department of Justice who assure that the aircraft is safe to fly, that the passengers are safely attended during flight, and that the aircraft maintains a safe distance from other traffic while in flight.

The Entrepreneur and the Financial Agent: The New Homo Economicus

The entrepreneur is the key agent in economic affairs because the entrepreneur precipitates change in the workplace and in the marketplace.[28] We prefer to identify the entrepreneur as the two-dimensional new *homo economicus*, as opposed to simply the one-dimensional *homo economicus* of the old economics, because the entrepreneur is a real, living, breathing person engaged in human action in economic affairs and not some totally self-interested, self-absorbed, completely rational, calculating machine with neither the time nor the interest in the romantic. In terms of our analogy to the twin-engine aircraft, we note that there is a profound difference between the human pilot with a mind and a heart, possessing both intelligence and emotions, and the autopilot that has neither mind nor heart and for which, intelligence is entirely machine-like and programmed.

Following Schumpeter, the entrepreneur triggers change in the following five ways.[29] In the marketplace, the entrepreneur initiates two types of change: the introduction of a new good or service and the penetration of a new market. In the workplace, the entrepreneur brings about three kinds of change: the utilization of different materials in the production process, the introduction of a new process of production, and the development of a new way of organizing, managing, administering the business enterprise. At times, more than one type

of change is necessary for success. For example, introducing a new product may require a change in the process of production.

The masculine-feminine dimensions of human nature play a role here, too.[30] The masculine gender trait that rests on human individuality is vital to success in marketplace innovations because the marketplace is a competitive forum wherein individuals clash and compete for the rewards that follow from defeating the competition. The feminine gender trait, which is grounded in human sociality, is vital to success in the workplace because the workplace is a cooperative environment wherein individuals must work together to accomplish their common objectives. Because entrepreneurial change often involves more than one type at once, *both* gender traits may be vital to the successful implementation of the entrepreneur's ideas.

Entrepreneurs are persistent. Indeed, Schumpeter identifies persistence as the key personal trait of the entrepreneur, setting him or her apart from others. The entrepreneur is dogged in the pursuit of his or her innovational ideas and simply does not give up in the face of opposition. Entrepreneurs are visionary in the sense that they see opportunities and possibilities where others see nothing beyond the present. Large, established companies resist entrepreneurial change in a way that is reminiscent of Newton's third principle of motion: For every action there is an equal and opposite reaction. Thus, entrepreneurs often are associated with small companies, including firms that they themselves established specifically to implement their innovative ideas. They are driven at times by the survival needs of the company but are not always successful. However, they are more likely to accept the risk of failing and to try again in a culture where failure in business does not spell personal failure. Bankruptcy relief and "the golden parachute" are two ways in which the American culture encourages the entrepreneur to try again.

Unlike accountants, musicians, veterinarians, and other professional persons, the entrepreneur is not required to master a body of knowledge and demonstrate a certain set of skills. There is no designated educational pathway to becoming an entrepreneur, although entrepreneurial skills can be enhanced through formal education and training and by entrepreneurial role models such as an older member of the family. There is no profession known as "entrepreneur" and no professional membership organization for entrepreneurs to join.

As we have stated previously, the entrepreneur is the pilot of the economy who decides where the economy is headed, following in general one of five flight plans but capable of departing from that flight plan as circumstances require or allow, at times flying directly into heavy weather to deliver the payload. By making credit available to the entrepreneur through the loan process,

the private commercial banker provides the fuel necessary to power the economy's twin engines of cooperation and competition.

To change the analogy, the typical business enterprise is like the human cell, which must grow, multiply, and divide in order to survive. *For a company to prosper and endure, someone must be entrepreneurial.* Failing to innovate assures its ultimate demise.

Successful entrepreneurs engage in a dynamic process, which has two major effects. First, they create new business enterprises, new jobs, new resource requirements that translate into new opportunities for workers, resource holders, suppliers, investors, and communities. At the same time, they destroy old business enterprises, old jobs, established supplier networks, which translates into financial hardship or ruin for other workers, resource holders, investors, and communities. This process Schumpeter called "creative destruction."[31]

As a matter of conscience, the successful entrepreneur must weigh the negative aspects of innovation against its positive aspects. In this regard, the principle of the double effect comes into play and sets limits on what the entrepreneur should do. The destructive, negative effects must not be greater than the creative, positive effects, and the entrepreneur must not intend the destructive effects as a way of singling out certain persons or organizations for punishment.

In American culture, however, the entrepreneur, it seems, is not held to account if his or her initiatives do not measure up to these ethical standards. Did Sam Walton regret what Wal-Mart did to Sears and to many small-town family businesses? Did the two men behind the original Apple computer—Steve Jobs and Steve Wozniak—shed a tear for the havoc they visited on IBM? Does Ted Turner lose sleep at night for the damage that CNN did to the 6:00 P.M. network news? In other words, entrepreneurs often act in ways that are accurately represented and rationalized by the *homo economicus* of the old economics, even when their actions are significantly destructive. Even so, the new economics argues that the entrepreneur has no right to act in ways that, in effect, ignore the principle of the double effect, and successful entrepreneurs sometimes turn to philanthropy after the fact—in effect, rejecting the *homo economicus* and the law of nature of the old economics. The new economics calls for all entrepreneurs to model their behavior after the new *homo economicus* by exercising their philanthropic concerns, their concerns for others, *before* the fact.

The new economics asserts that because firms in the same marketplace compete not just in terms of price and cost but in terms of new products and services as well, industrial policy no longer can be grounded in the model of perfect competition from the old economics. Indeed, the new economics would remove the loaded terms "perfect" and "imperfect" from the public discourse because vigorous entrepreneurship assures that markets cannot possibly achieve perfectly competitive conditions and, for that reason, the types of markets that actually characterize a market economy cannot be called perfectly competitive. The new economics urges that we rethink the market system in terms of functionality and dysfunctionality, according to how well the three organizing principles of competition, cooperation, and intervention ultimately satisfy human wants and meet human needs.

The private creation of credit is not the most important characteristic of capitalism, but it is its *distinguishing* characteristic.[32] No other system operates with private commercial banks making loans to commercial customers on the basis of created credit—that is, without the money being saved beforehand. The entrepreneur depends on the credit made available by the banker to carry out his or her entrepreneurial schemes just as the pilot of the twin-engine aircraft depends on the financial institution that supplies the fuel to power the craft's engines. There are, of course, other sources of funds in which prior savings is a requirement, such as pension funds, mutual funds, and venture capital funds. The central banking authority's function is to assure that there are adequate supplies of fuel for the economy and, in the extreme, to prevent an economic "crash." Subsidies, tax credits, and other forms of relief function like fuel additives to enhance the power of the aircraft's engines.

According to the *homo economicus* of the old economics, by maximizing risk-adjusted returns on invested funds, financial executives also meet their public obligations. The new economics argues, conversely, that there is considerable divergence between the social rate of return and the private rate of return, that capital markets are not perfect. In making investment decisions, the new *homo economicus* cannot presume that every decision to serve the private good of investors at the same time serves the common good. Instead, the new *homo economicus* is duty-bound to evaluate investment decisions in ways that take into account explicitly the difference between investments in such projects as gated communities, private jets, and cosmetic surgery for the rich, and affordable housing, public transportation, and access to health care for the poor.

This obligation derives from the inherent dignity of all human beings as persons—one of the four premises of the new economics—and their need for the goods and services to sustain their lives and provision their well-being at some minimally acceptable level. In other words, *the goods of this world are intended not for the exclusive use of those with the market power to command those goods but for the general use of all humankind*. It is the duty of financial executives to include the common good in their decision-making. They do so by subordinating the law of nature to the love of virtue.[33]

Intertemporal exchange introduces the risk of default requiring reciprocal trust between the persons involved. This trust may be based on real, reciprocal acquaintance as happens in local finance, on reputation—with the resulting possible distortion of incentives on each side, or on some surrogate of trust such as contractual clauses that reinforce the borrower's incentive to honor his or her debt. In international financial contracts in particular, clauses often are introduced to make the problem of reciprocal uncertainty less difficult, but these contractual expedients often have undesired consequences. For instance, linking interest rates to the trustworthiness of the borrower or resorting in general to short-term loans may result in blocking loans for those projects where the expected return is not high enough or is too far in the future. Yet, this is a very dangerous choice that could eventuate in selecting only high-risk projects or those in difficulty. International loans may be badly used, may induce governments to put off painful but necessary economic reforms, or may be available only for high-risk, high-return projects.

In the absence of trust, financial transactions can break down due to the cost of monitoring and enforcing those transactions.[34] The faithful practice of two principles of economic justice—the principle of equivalence and the principle of distributive justice—can contribute powerfully to (re-) establishing trust between agents involved in financial transactions. Under the principle of equivalence, both agents are agreed without coercion as to the amount to be borrowed, the schedule for repaying the principal, and the rate of interest that equalizes the burden for the creditor who must wait for repayment subject to the risk of default. Excessively high rates of interest are condemned as usurious, and the creditor is labeled a "loan shark." Thus, there must be some upper limit to the rate of interest imposed on the borrower, which equates his or her burden to the burden of the creditor.

What that limit should be must be determined in general by market forces, by the specific financial conditions at the moment, and by parties who are not driven entirely by personal gain but who understand that the creditor and, most especially, the borrower are human beings whose dignity must be

respected and who *never* are to be exploited. Otherwise, there is no "level playing field" in financial markets, which means that the powerful are able to dominate and exploit the weak and that, at times, credit is denied to those most in need, especially the poor in developing countries. Debt restructuring and debt forgiveness for nation-states as well as for human persons are justified under the principle of equivalence whenever the burden to the borrower becomes unduly onerous or impossible to bear.

Further, the creditor has a duty under the principle of distributive justice to treat as equals all prospective borrowers who are in the similar financial circumstances notably as determined by risk evaluation; that is, to treat them all alike. The principle of distributive justice demands that the lender not engage in price discrimination even when the opportunity presents itself or in "redlining"—the illegal practice of excluding everyone in a specific geographic district from obtaining credit, even those who are creditworthy. This requires transparency as to the details of credit transactions, which preferably is done by voluntary compliance or, if necessary, by some kind of private or public institutional oversight.

We note that the International Monetary Fund already has affirmed two codes relating to transparency: The Code of Good Practices on Transparency in Monetary and Financial Policies and the Code of Good Practices on Fiscal Transparency.[35] Regulatory agencies, preferably of the voluntary or self-regulatory type, are preferred for this oversight role because they necessarily function closer to the day-to-day operations of the financial institutions whose operations they are examining. Locating the oversight agency as close to the actual lending institution and, therefore, close to the specific conditions in which that institution extends credit, helps the oversight agency to avoid supporting projects that have little or no prospects for economic success and long-term survival, and other projects that otherwise might be turned to personal gain.

As an economic agent operating daily in international financial systems—the new *homo economicus*—must have a working knowledge of what is required in justice, and his or her supervisors must monitor that agent's work to ensure that he or she is faithful to those demands. In other words, senior executives and officials of financial institutions must make justice an everyday priority of the institutions that they manage and direct. For genuine justice in financial affairs, of most importance are the human persons involved.

However, more than justice is required to forge a true sense of trust among human persons. Justice by itself can become cold and calculating if it is not tempered by caring or charity.[36] That is, a deep regard for the well-being of

other human persons with whom economic agents interact on a daily basis. Caring helps develop a sense of trust and solidarity by affirming that all human beings are equal and never should be used strictly for the personal gain of others. Charity helps develop this sense by insisting that all humans are precious and, before all else, their well-being, not maximum efficiency in the utilization of economic resources is the most important end of all economic affairs. *Economic systems*, in other words, *are subordinate to human persons*.

As with justice, caring lubricates the engine so that it can function safely at high temperatures, but caring is a higher-grade oil than justice. Charity—seeing in every human being a precious human person—works like an even higher-grade, longer-lasting oil, allowing the engine to function even more effectively and more efficiently. In real terms, caring and charity mean going beyond the demands of justice, such as creditors who are willing and able to renegotiate the terms of credit to ease the burden on the troubled borrower, and merchants who are willing to give their customers more than they have bargained for. This additional value, which helps trust and solidarity grow and flourish, has a real economic component that is overlooked by the old economics. Financial agents contribute directly to the real though intangible business asset—"goodwill." Caring and charity thus become valued economic resources that are unique in two ways. First, they acquire value only in the giving and never in the hoarding. Second, they are never depleted in utilization.

Notes

1. Stiglitz, 460–501.
2. *Beyond Self-Interest*, 11.
3. Ibid., 4, 12.
4. Ibid., 9; emphasis in the original.
5. Ibid., 2.
6. Ibid., 4.
7. Ibid., 2.
8. Ibid., 4.
9. Ibid., 11.
10. Ibid., 6.
11. *Beyond Self-Interest*, 14.

12. Ibid., 8.
13. Ibid., 2.
14. Franz Mueller's translation. See Mueller 1951, 151, which is used by Mulcahy, who acknowledges it to be superior to his own (Mulcahy 1952), 40.
15. Waters identifies not only these four premises of the old economics but also the four corresponding premises of the new economics (Waters 1988), 115–17.
16. See, for example, Blinder, 18.
17. Marshall, 1948, 5–7.
18. Ong, 1981, 200.
19. Dulles, 1999, 2.
20. Marshall, 1.
21. *Economic Trends*, July 2002, 1.
22. Stiglitz 460–501.
23. Akerloff, 411–33.
24. Stiglitz, 488.
25. Tax avoidance is an entirely different matter. "Avoidance" means arranging one's income in a way that conforms to the tax code but reduces the amount owed in taxes.
26. Danner, 2002, 124–25.
27. Gould, 2002, 153.
28. In philosophical terminology, the entrepreneur is the efficient cause. Dempsey asserts that "The economic function of the entrepreneur signalizes [the] irreducible paramount importance of the human person" (Dempsey, 1958), 361.
29. Schumpeter (1950), 83, 132.
30. This argument rests importantly on the work of Walter Ong on human sexuality. See Ong (1981), 45, 64–67ff.
31. Schumpeter (1950), 81–86.
32. Ibid., (1928), 326.
33. Worland (1996), 59–72.
34. *Economic Trends* (July 2002), 1.
35. *Trade and Development Report* (2001), 81–82.
36. John Paul II, 1998, §1.

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