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Economics for the Common Good: Two Centuries of Social Economic Thought in the Humanistic Tradition

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Mark Lutz's *Economics for the Common Good* makes his clearest and most powerful statement of the case yet for a specifically humanist social economics. At the same time, his case for a humanist social economics is a critique of positivism in economics, most notably as associated with mainstream economics, but sometimes with heterodox economics as well. The centerpiece of that critique and the foundation for Lutz's humanist social economics is a conception of society's good as shared and common and a conception of the individual as a dual self. Lutz's particular conception of society's good as a common good is founded on the idea that all individuals have a shared humanity. Central to individuals' shared humanity is their essential dignity as persons and the essential equality of all persons in this regard. The dual self-conception of the individual – the conception of

individual as both instrumentally motivated and yet also motivated by a “higher nature” – is rooted in Kant’s idea that individuals are necessarily ends in themselves. That is, the very concept of a person is of a being of intrinsic and absolute value. Society, made up of persons, has as its common good the expression and promotion of this shared humanity. In Kant’s words, as quoted by Lutz: “always treat humanity, whether in your own person or in the person of another, never simply as a means, but always, at the same time as an end” (p. 132).

Lutz’s dual self-conception draws on Kant, but at the same time modernizes him through Maslow. Maslow’s more modern theory of personality places emphasis on self-esteem and self-actualization as higher human needs. Of course, Maslow’s theory is merely one among many modern theories of personality. Why, then, Lutz asks, should its values of human development and personal growth command our allegiance? Surely we cannot make a purely empirical case for such a view, since the evidence of history equally supports the Hobbsean view that individuals are often base and self-aggrandizing. Lutz’s insight, in drawing on Kant to place a philosophical foundation under Maslow, is that any strictly naturalistic conception of the individual erases the individual as a free agent and subject of moral value. A proof of sorts of this conclusion lies in the failed normative project of modern economics. Relying from the time of Smith and Ricardo on a consequentialist basis for ethics in Humean utilitarianism and the Benthamite conception of the individual as a pleasure and pain mechanism, economics found itself by the time of Robbins committed to the view that judgments of value are invariably subjective, and consequently unable to say anything significant about the social good. (Lutz tells this history wonderfully in terms of the repudiation of Pigovian interpersonal utility comparisons.) From a Kantian perspective, this positivist destination was inevitable. Unless we posit from the outset that individuals are somehow ends in themselves – Archimedean points in the social economic world – it seems that there can be neither space for ethics in economics, nor place for human individuals in society. This is the upshot of the century from Bentham to Robbins.

It took another half century, from Robbins to Sen, before doubts about consequentialism and welfarism began to appear in mainstream economics. Yet from Lutz’s perspective still not much has been accomplished, and even Sen remains frustratingly indirect in his defense of the dignity of the individual. What precisely is it that leads us to say “it makes no sense for some to be vastly wealthy and others desperately poor, though this may indeed be Pareto efficient” (one of Sen’s most provocative questions)? And how can Sen’s “array of plural values and multiple capabilities” (p. 131) serve as an alternative to consequentialism and welfarism, if nothing restricts our selection among those values and capabilities? Lutz constructs his own case for making the dignity of the human individual central to economics. The key to that dignity is the idea of human rights. Following moral philosopher Alan Gewirth, human rights are explained in terms of what guarantees our ability to engage in free and purposive human action. Having this ability entails a level of basic wellbeing and command over the ordinary necessities of life. Human rights – basic needs – individual dignity: together these ideas underlie what Lutz terms the main social value principle of a humanist social economics, namely, material sufficiency and respect for human dignity.

This main social value principle is, in turn, reformulated as a set of specifically economic rights that Lutz recommends anchor public policy: the right to the necessities of life, the right of economic democracy, and the right of future generations to sufficiency and respect for dignity (p. 138). Defense of these rights then directs us to programs of action whose discussion fills the last chapters of the book. Chapter 8 asks us to re-think the corporation and the myth that capital must hire labor rather than labor hire capital. Here, David Ellerman’s work is central. Chapter 9 asks us to examine the idea of the free trade and capital mobility in a world of global competition. Here, Lutz draws on John Culbertson to remind us that regulation underlies our having free markets. Chapter 10 warns us that the ultimate challenge to an individualist conception of economics and an

economy built on growth is the fragility of our environment. For Lutz, social economics is also a sane economics for the natural world.

I emphasize these programmatic themes and the latter chapters of *Economics for the Common Good*, because some readers of the book may become caught up in Lutz's early chapters' stirring rehabilitation of those two leading dissident social economic voices, Sismondi and Hobson, who figure centrally in Lutz's history of social economics. They may not fully appreciate that the book is more than a charting and dating of two centuries of social economic thought in a humanistic tradition parallel and rival to the better known histories of classical and neo-classical economics. Indeed, Lutz's parallel histories strategy seems meant to take the reader through one key episode after another in the history of economic thought to show precisely where and how mainstream economists sought positive solutions to normative questions, and how Sismondi, Hobson, and others in the social economics tradition, addressed those questions directly. In this way, the first half of the book amounts to a tutorial of sorts, in that many of the same kinds of problems classical and early neo-classical economists mis-addressed recur for contemporary economists wedded to the view that economic life is to be understood with the methods and tools of natural science. So the first half and the second half of *Economics for the Common Good* work well together. Learn the moves and counter-moves as history displays them. Then apply yourself to the present!

I should add that my favorable view of this book reflects my success in teaching it. In my experience, the students who come to the book both understand its sometimes complex discussions and more importantly understand what is at stake in adopting a social economic approach to economic life. While it is true that many students today have already imbibed the postivist-naturalist conception of social reality widespread in our society when they enter the classroom, some resist it and come to economics with a genuine desire to see past the formalism that dominates the profession and obscures clear-thinking about economics and economic policy. For these students, and for those generally open to re-evaluating the relation between economics and ethics, Lutz's book is indispensable.