

Rethinking the Economics of Self-Interests

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Conventional wisdom in the U.S. seems to be that only *the market* is capable of doing things right. Anything that interferes with *the market*, the government, public attitudes, or cultural values, for example; by definition creates economic inefficiency and is bad for society. Few people are aware of the origin of this *belief*, and even fewer seem willing to challenge it. In fact, the few who dare to question *the market's* sanctity are quickly attacked and degraded by people in powerful places with obvious self-interest in perpetuating *the belief*, including an army of economists.

Current belief in the sanctity of *the market* can be traced back to statements by Adam Smith, the father of conventional economic theory, in his book, *The Wealth of Nations*. "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self love, and never talk to them of our necessities but of their advantages" (p. 7). Later, in reference to trade, Smith states, "he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." "By pursuing his own interest he frequently promotes that of the society more effectually (sic) than when he intends to promote it" (p. 199). These statements provided the foundation of the contemporary economic wisdom -- that pursuit of short run self-interests is transformed into achievement of the public good, as if by an *invisible hand*. The greatest societal good results from the greatest individual greed.

But, Adam Smith didn't say that pursuit of maximum profits and growth by large, corporate organizations would result in the greatest benefit to society as a whole. The economy of Smith's day was quite different from today. In the late 1700s, most economic enterprises were small, family operations. For such operations, land, labor, capital, and management often resided in essentially the same entity, and farming was still the dominant occupation. Few enterprises were large enough to have any impact on the marketplace as a whole. Most market transactions were direct between buyer and seller -- there were few opportunities for deceptive sales practices. Trade was mostly in basic commodities - every seller's wheat, bread, or shoes were pretty much the same as those offered for sale by other sellers. Under these conditions, profits were quickly competed away in highly competitive local markets.

There were few corporations in Smith's time, but he wrote about the dangers of monopolies and excess profits, -- "the price of a monopolist is upon every occasion the highest than can be got (p. 28)." He considered "joint stock companies," corporations, to be inherently irresponsible entities, and could think of only a handful of endeavors where publicly owned corporations could be justified (p. 341). Even those would require close public scrutiny and government control, he warned.

Human populations back then were small enough and technologies were sufficiently benign that people could have little permanent impact on their natural environment - at least not on a global scale. Strong cultural, moral, and social values dictated the norms and standards of "acceptable" individual behavior. Smith could not conceive of a society in which the welfare of the poor and hungry would not matter, or where people in general would behave in unethical or immoral ways. "No society can surely be flourishing and happy, on which the far greater part of the members are poor and miserable" (p 36).

In the environment within which conventional economics was born, in Smith's time, pursuit of self-interest might have served the interests of society reasonably well. But, the world has changed over the past 200 years. In fact, none of the important assumptions of truly competitive markets -- the prerequisite for efficient resource allocation by free markets - are valid in the economy of today.

Today, giant corporations dominate almost every sector of local and global economies. Through mergers, joint ventures, and strategic alliances, corporations have formed "virtual" monopolies - irresponsible entities that maximize profits "upon every occasion." Corporate profits today are far larger than any concept of "normal" profit envisioned in classical economics. Corporations are inherently non-human entities - regardless of what the Supreme Court has said and regardless of the nature of their managers and stockholders. Corporations have no heart, they have no soul.

The basic economic resources of land, labor, capital, and management now reside in separate entities, sometimes divided even among nations. Labor and management are in continual conflict, and most corporate shareholders - owners of mutual funds and pension funds -- are hardly conscious of how much of what companies they own. Land has become just another marketable commodity to be exploited and used up.

Producers and consumers have become disconnected, geographically and conceptually, as a consequence of industrialization. Consumers no longer have any personal knowledge of where their products come from or of who is involved in their production. They must rely on a complex set of standards, rules, and regulations for product information, and today's advertising consists of "disinformation" by design. Superficial product differentiation abounds -- through processing, packaging, advertising, and marketing gimmicks -- making price competition impotent if not impossible.

Human activities are no longer ecologically benign -- if they ever really were. The pressures of growing populations and rising per capita consumption are now depleting resources of the land far faster than they can be regenerated by nature. Wastes and contaminants from human activities are being generated at rates far in excess of the capacity of the natural environment to absorb and detoxify them. Fossil fuels, the engine of twentieth-century economic development, are being depleted at rates infinitely faster than they can ever be replenished. Human population pressures are destroying other biological species, upon which the survival of humanity may be ultimately dependent. The human species is now capable of destroying almost everything that makes up the biosphere we call Earth, including humanity itself.

The society of Smith's day was weak on economics - hunger, disease and early death were common -- but it had a strong cultural and ethical foundation. However, that social and ethical foundation has been seriously eroded over the past two centuries -- as glorification of greed has replaced enlightened self-interest. Civil litigation and criminal prosecution seem to be the only constraints to the unethical and immoral pursuit of profit and growth. Concerns of the affluent for today's poor seem to be limited to concerns that welfare benefits may be too high or that they will be mugged or robbed if the poor become too desperate. Smith's defense of the pursuit of self-interest must be reconsidered within the context of today's society - a society that is now strong on economics but weak on community and morality.

In addition, contemporary economics is fundamentally incapable of dealing with *relationships* among people, or between people and their environment. This fact is freely admitted even in basic economics text books. In economics, a market is nothing more than a collection of independent individual consumers. Human institutions such as families, communities, nations and cultures have no economic relevance - other than as collections of individuals. Thus, one gains no economic well being from relationships -- from identifying with or being a part of any particular family, community, nation or culture. Believing, trusting, sharing, caring, and serving are but empty words to the economist. Economic values relate only to our narrow, short run self interest. Concepts such as faith, hope, and love are ignored -- they are just illusions of the human imagination.

In economics theory, the environment is a passive entity, and thus, has no specific active relationship with people. The environment is always external, or outside, the economic system. The environment may be ignored, treated as an external constraint, or as something that is impacted by economic activity within. But, the environment is always treated as something separate and apart from people and the economy. In economics, we are separated from something that we obviously are a part of. The serenity we feel and beauty we see in nature is assumed to have no impact on our human well being. In economics, the sense of *rightness* that comes from our attempts to be good stewards of the earth's resources contributes

nothing to our quality of life. It's economically irrational to want to leave as much and as good as we have today for the benefit of future generations.

Economics assumes that trade always takes place between two people or groups that are equally competent and capable of pursuing their own self-interest. Sometimes this is a valid assumption, but often it is not. Economics ignores the fact that the world is filled with people (and countries) who are inherently unequal in competence and capabilities. It ignores the fact that giant corporations are capable of totally dominating conditions of trade with smaller businesses or individuals. By their very nature, industrial corporations attempt to dominate in their *transactions* with all, including with the natural environment.

Any trade that is legal is generally accepted as *free* trade by economists. Economics ignores the fact that the strong may pressure the weak into trading by simply threatening or withholding benefits, or protection from harm, upon which the weak has become dependent. Since the strong are not legally required to provide these benefits, no law is broken.

When trade occurs between the strong and the weak, particularly when motivated by profit as economists assume, the weak are invariably exploited by the strong. As long as the outcomes for strong and weak added together end up in a larger dollar and cent total, economics concludes that there have been gains from trade -- no matter that the weak are now even relatively weaker and more vulnerable and the strong are now even stronger and more dominant. To the economist, justice and equity are just empty words because they have no means to address them.

In summary, contemporary economics is concerned totally and completely with pursuit of short run, self interests. Economics recognizes no unique social value - a community or a society is nothing more than a collection of individuals. Economics recognizes no unique spiritual values - and concern for the environment, at least for its sustainability, is fundamentally spiritual. Economist - and the industrial, corporate interests that now would raise economists to the priesthood - would cast out those of us who still believe that quality of life has social and spiritual dimensions that are just as important as our narrow economic self interests.

Does this kind of economics really make sense as a guiding philosophy for America -- and as a model for the rest of human society? Do we actually believe that the greatest greed results in the greatest good? Or are we a society that is being shamed into doing things that don't make sense because we don't want to be publicly degraded and labeled naïve and unrealistic, as being economically illiterate and irrational?

It's economics that is out of date - not small family businesses, caring communities, loving families, nations with integrity, and cultures with values. We have no ethical or moral obligation to accept economics as the final arbitrator of who gets a job and who doesn't, who stays in business and who doesn't, what we do in communities and what we don't, where food is produced and where it is not, whether or not we trade, or of anything else. We don't have to abandon "good" things from the past just because something "more economically efficient" comes along. We don't have to accept "bad" things in the future just because they are "more economically efficient" than some "good" alternative. We can choose what we want to keep from the past and what we want to accept in the future. *The market* is not God - no matter what the economic priests would lead us to believe. Economics is a creation of people. We simply cannot turn loose the thing we created for our benefit and allow it to exploit the very people it was designed to serve. It just doesn't make any sense.

Common sense demands that we rethink and directly challenge the fundamental principles that underlie conventional economic thinking - line by line, row by row, from the ground up. Any effort to sustain humanity that fails to attack the problem at its root cause ultimately is destined to fail. The root cause of the current crisis in American agriculture is the same as the root cause of ecological degradation and of social and moral decay - a society that blindly accepts the economic bottom line as if it were the word of God.

People will pursue their self-interest - it is an inherent aspect of being human. But, people, by nature, do not pursue only their narrow short-run individual self-interest. It is within the fundamental nature of people also to care about others and accept the responsibilities of humanity. Rethinking does not require that people deny their self-interest. Instead, it will require that we rise above the *economics of greed* to an *economics of enlightenment*. The *invisible hand* can still translate the pursuit of self-interests into the greatest good for society, but only if each person pursues an *enlightened* self-interest - a self-interest that values relationships and ethics as important dimensions of our individual well being.

Enlightened self-interests includes narrow self-interest (which focuses on individual possessions) but it includes also interests that are shared, in which one has only partial ownership (which focuses on relationships, community, and social values) and interests that are purely altruistic (which focuses on interests that are solely others', which one pursues only out of a sense of stewardship, ethics, or morality). All three - self-interests, shared-interests, and altruistic-interests -- contribute to one's well being or quality of life, but not in the same sense that greed might enhance one's material success. Each contributes to a more enlightened sense of quality of life - which explicitly recognizes that each individual is but a part of the whole of society, which in turn must conform to some higher order of things or code of natural laws.

The Dalai Lama of Tibet puts it in slightly different terms, "If you think in a deeper way that you are going to be selfish, then be wisely selfish, not narrow-mindedly selfish. From that viewpoint, the key thing is the sense of universal responsibility, that is, the real source of strength, the real source of happiness. From that perspective, if in our generation we exploit every available thing, trees, water, mineral resources, or anything, without bothering about the next generation, about the future, that's our guilt, isn't it? So if we have a genuine sense of universal responsibility as the central motivation and principle, then from that direction our relations with the environment will be well balanced. Similarly with every aspect of relationships: our relations with our neighbors, our family neighbors and country neighbors, will be balanced from that direction" (p. 179)

This enlightened self-interest is a product of balance among narrow self-interests, community or shared-interests, and altruistic or other-interests. Enlightened self-interest means that we cannot simply maximize or minimize any one particular aspect or dimension of our lives. We cannot be driven solely by greed, by altruism, or by concern for community. Instead we must pay conscious attention to whether we are adequately meeting our needs as individuals, as members of some larger community or society, and as moral, ethically responsible humans. Quality of life is a consequence of harmony or balance among the three.

The transformation of human society from one driven by the economics of short-run self interests to one lead by the economics of enlightenment will not happen overnight, and it may not happen without struggle and strife. But none the less, it must happen. The transformation may happen peacefully or may arise out of the turmoil of an economic collapse . It has already begun, although it may take decades to complete. But, each of us can begin the transformation for ourselves whenever we choose.

We can get off of the treadmill that keeps us running faster and faster as we get farther and farther behind. We can choose at any time to search for balance and harmony in our lives and in our work rather than continue the blind pursuit of our narrow self interest. We can choose a life of quality -- with enough income to sustain us physically, enough friends and neighbors to sustain us socially, following a code of ethics and morality that will sustain us spiritually. We can choose to pursue our enlightened self interest rather than simply give in to our greed. We can set examples and build models that others may choose to follow. We can develop the foundation of reality upon which new theories for an economics of enlightened self interest can be built. We can help guide humanity toward a sustainable future. And, we can do it at anytime we choose.

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