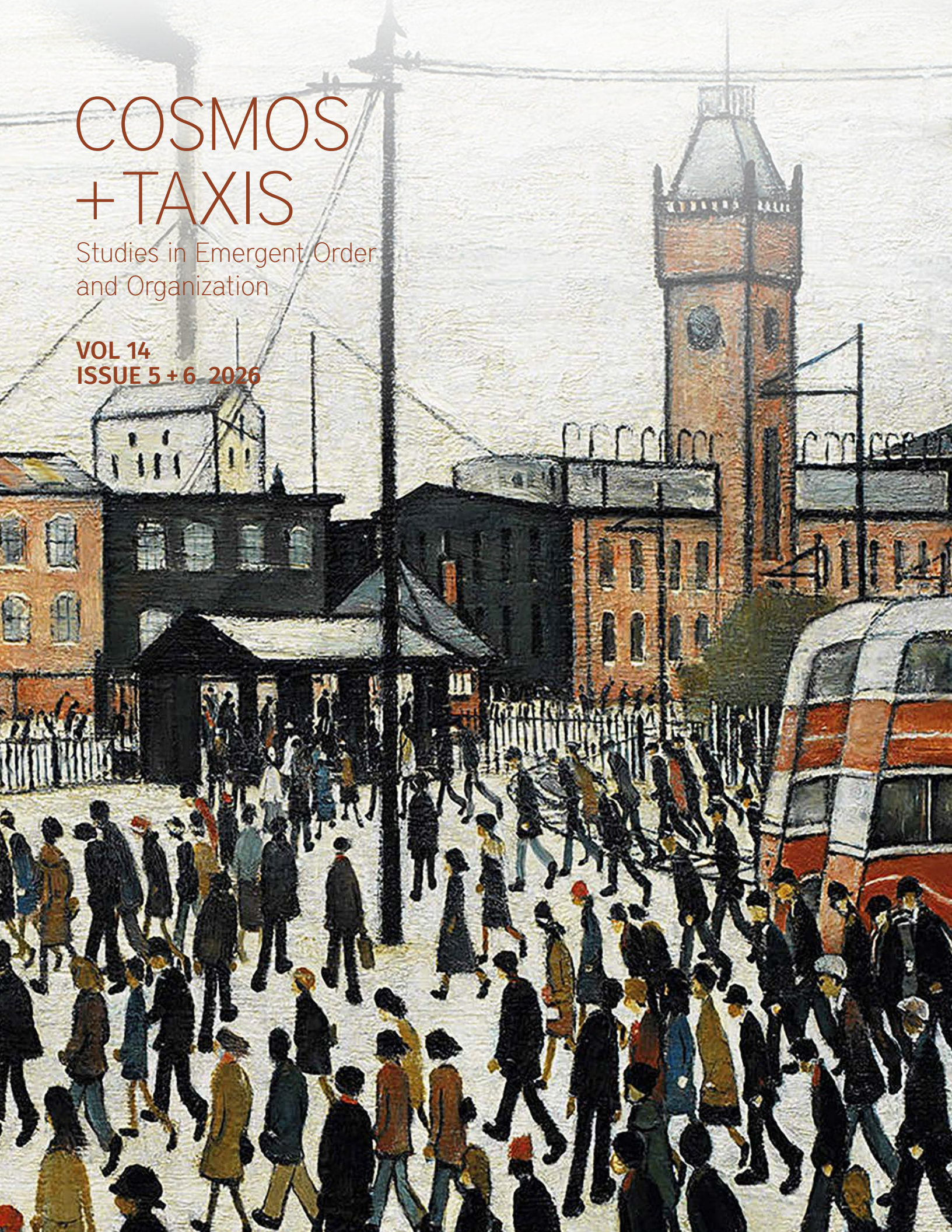


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In this issue

I. Introductory Matter

Theory and Applications: Humanomics as a Challenge and Extension to Existing Economics 1

Michael D. Thomas

Constrained Optimization or Observation? On What Economists Take as Primary 7

Bart J. Wilson

II. Theoretical Complementarities

Self-interest is more important than sympathy, a friendly reminder 12

Daniel J. d'Amico

Austrian Roots? Humanomics as Principle of Action 23

Ryan M. Yonk and Peter C. Earle

Abstracting Less, Understanding More: Two Smiths, One Interpretive Turn 32

Joshua D. Ammons

III. Theoretical Substitutes

Talking Tuism and Ruminating on Rules 44

Adam Martin

Humanomics and Rational Irrationality: Why Moral Sentiments May Make Voting Biases Worse 53

Jordan K. Lofthouse

IV. Applications: Complementary

The Future of Meaningful Work 63

Vlad Tarko

The confluence of humanomics and neuroeconomics on economic cooperation	75
---	----

Ravi K. Roy, Mostafa Deldoost and Ryan M. Yonk

Humanomics, Envy, and Social Behavior	86
---------------------------------------	----

Aaron Wirt

V. Applications: Cases

The Road to Humanomics	98
------------------------	----

Vincent Carret

“A Message to You, Homo-Economicus”: 2 Tone and Humanomics	108
--	-----

Nicholas A. Snow

V. Applications: Cases

Humanomics, Governance, and Religion: Exploring an Institutional Basis for the Moral Sentiments	121
---	-----

Anthony Gill

Philosophical Versus Technical Economics	131
--	-----

Paul D. Mueller

Catholic Social Teaching and Comparative Economic Systems: On Free Enterprise and the Common Good	141
---	-----

Stephen C. Miller

VII. Author's response

Humanomics and Its Interlocutors: On Making Observation Primary	150
---	-----

Bart J. Wilson

Author Index	158
--------------	-----

Back Issues	162
-------------	-----

Editorial Information	163
-----------------------	-----

COVER IMAGE ATTRIBUTION

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Theory and Applications: Humanomics as a Challenge and Extension to Existing Economics

MICHAEL D. THOMAS

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Keywords: Humanomics, moral sentiments, behavioral economics, meaning-making, Adam Smith, Vernon L. Smith, interdisciplinary methodology, moral ecology

In 2019, Vernon L. Smith and Bart J. Wilson wrote *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century*. Their book confirms, through their partnership over the years in the experimental economics laboratory, that human conduct is more expansive than individual responses to changes in their payoffs. To move beyond the received view of the individual as a maximizing self-interest chooser who is isolated within a set of payouts was to challenge the emerging field of behavioral economics. Vernon Smith's Nobel prize in 2003 was shared with Daniel Kahneman, whose work in the lab with Amos Tversky revolutionized psychology by creating the field of behavioral psychology (Tversky and Kahneman 1974). Richard Thaler later incorporated this influence into economics, revealing systematic problems with how economics modeled choosers as rational actors. Thaler (1980) argued a rational choice theory was a poor predictor of what people did in the lab. In Thaler (1987), a recurring series on "anomalies" was introduced, where Thaler showed how individuals in the laboratory would act differently than the rational choice model would predict.

Smith and Wilson (2019) challenge this behavioral approach in their book to try to understand what rationality is hidden in the choices people make that appear irrational at first. Rather than focusing on the difference between prediction and observation as irrationality, they chose to look at this difference as a source of complexity that can expand our description of what the chooser is experiencing. When someone in a laboratory setting is willing to take lower payouts so that they can punish anonymous strangers, this is what Smith and Wilson (2019, p. 21 f5) call "sentiments," a term they associate with Adam Smith (1982/1759). Recalling Adam Smith's much thicker description of human choosing requires a challenge to the rational choice model as well as the presentation of deviations from expectation as irrational. In this stylized way, irrationality cannot be inferred as a market failure. Moral sentiments provide the researcher with a description of human beings who are working to make meaning outside of a narrow calculation of cost and benefit.

While behavioral incentives are important for understanding marginal choices, and incentives do show ample predictive power, they are not the sole determinant of individual choice. In pattern predictions of behavior, these other considerations, these moral sentiments, can be quite important for moving beyond static models of human choice. Behavioral economics provides static models of choice. The great contribution of humanomics is in providing a dynamic account of choice. A humanomics approach focuses attention on meaning that is not reducible to changes in incentives within an experiment. The implications of these two approaches differ substantially. Behavioral economists will see irrationality as a

reason to change the incentive structures of choice. This can mean taxing, nudging, or prohibiting in order to optimize outcomes. The static model risks missing the meaning-making of the choosers. Instead, the Humanomics approach looks to better understand what motivates the chooser so that a better, dynamic picture of choice is understood. In the longer term, understanding what motivates moral sentiments is a more important question for describing human conduct from a social science perspective.

PAPERS IN THIS ISSUE

The papers in this issue help a reader to apply the lessons of humanomics to a wide range of topics. There are theoretical and applied issues in understanding how the researcher can build a better representation of human choice in line with humanomics' investigation of dynamic choice. The core motivating question for discussion in this issue is whether humanomics is a complement to existing ways of thinking about economics or if it is a substitute. This latter conclusion requires a challenge to the underlying methodology of economics that requires researchers to abandon rational choice theory, at least as it is practiced within the mainstream of the economics discipline.

A distinction between complements and substitutes clarifies how an author applies humanomics to their research. If humanomics challenges the underlying anthropological assumptions of the mainstream of economics: atomistic individual vs. contextualized chooser, how amenable is economics to incorporating this complexity? What have existing fields like institutional economics, economics of religion, philosophy of economics, done to incorporate complexity in their existing literatures, and how can those applying humanomic models build on these theories? In what ways can humanomics be used to clarify existing debates in economics and provide complementary justifications for the intuitions expressed there? Those who see the inclusion of Adam Smith's sentiments as a departure from the way economics has been done recently, emphasize substitution. Those who recognize a need to return to what has been called the "mainline" of economics (Boettke 2019), reinforce the complementary emphasis on Adam Smith that Smith and Wilson are doing in their book to emphasize an essential continuity in economics back to its foundation.

The volume has been arranged to help the reader compare the authors' contributions and evaluate claims of complementarity and substitution. First this is done by drawing on theoretical complementarities. Second, the radical departure from how economics has been done is emphasized in the substitute theoretical approaches section. Third, complementary applications draw the reader's attention to humanomics as a new tool in the economist's toolkit. Fourth, Applied Case Studies, shows how humanomics gives a greater range to analysis. Lastly, Applied Moral Sentiments looks at various groups that can be explained through shared meaning making in the context of humanomics. Before the contributions from the other authors, though, we have a new contribution from Bart J. Wilson (2026), *Constrained Optimization or Observation? On What Economists Take as Primary*, which provides an intellectual overview of the themes in this issue.

THEORETICAL COMPLEMENTARITIES

The issue opens with a discussion of how the humanomics approach provides a theoretical complement to existing economics. Daniel J. D'Amico (2026) makes the case that self-interest and sympathy go together to describe human behavior. D'Amico reads humanomics as requiring a balance between self-interest (the behavioral approach) and sympathy (humanomics approach). D'Amico stresses that defending self-interest was difficult in the 18th century when moral sentiments were the dominant approach. This new and threatening concept introduced by people like Bernard Mandeville and later Adam Smith challenged the centrality of morality to public discourse. D'Amico stresses complementarity by arguing that a balance between these two approaches is important. Remembering the balance reminds the reader that the descriptive power of the behavioral approach does provide a check on normative political economy. It

is important to remember that behavioral economists who infer normative implications, specifically the irrationality of actors, and seek interventions that manipulate choice through incentives. Treating this normative position as science can obscure the normative element. A balance between self-interest and sympathy integrates Adam Smith's anthropology into a more complete understanding of human behavior.

Ryan Yonk and Peter C. Earle (2026) emphasize how the humanomics approach leaves a place for narrative, local knowledge, and individual purpose, elements shared with Austrian Economic thinkers. Both Austrians and humanomics focus on a non-reductivist description of choice. Rather than adding variables to explain away error, both of these approaches attempt to understand context. Yonk and Earle describe a phenomenological approach to modeling that avoids treating context as baggage (2026, p. 23). This move acts as a limit on abstraction, without completely abandoning the descriptive usefulness of pattern predictions. Yonk and Earle help to bridge humanomics with the Austrian approach and connect moral sentiments to an established tradition of analysis.

Joshua Ammons (2026) also establishes Smith and Wilson's approach by showing consistency in Vernon Smith's research over his career. Vernon Smith's approach has always taken interdisciplinary work to show how central moral ecology is to the function of markets. One way that this stands out in Smith's career is the use of the word, "conduct" as distinct from how "behavioral" is used in economics. Vernon Smith (2015) and Smith and Wilson (2017) build on Smith's *Theory of Moral Sentiments* to explain a contextualized chooser making choices that introduce meaning-making to their decision-making. Ammons helps the reader see that Vernon Smith's commitment to interdisciplinary work allowed him to dig deeper into understanding those choices that did not fit the experiment design's expectations. Rather than call these irrational, Smith had an established pattern of looking more deeply into the phenomena for other explanations.

THEORETICAL SUBSTITUTES

Adam Martin (2026) and Jordon Lofthouse (2026), in their contributions to this issue, treat Smith and Wilson as challenging economics both as a policy tool and as it is taught in universities. In this approach, humanomics gives enough reason to question the behavioral interpretation that the implications for designing policy responses are muted. By emphasizing humanomics as a substitute for static modeling, these authors emphasize the novelty of incorporating sentiments into current economic practice. Since this represents a radical departure from our assumptions of economic decision-making as self-interested and rational, a deeper consideration of anthropology in economics is needed.

Adam Martin considers when it is appropriate for economists to view humans as non-tuistic, acting only in light of their own incentives, and when tuism, or other regarding, is a better model for social coordination. For example, property rights are formed in a tuist, other-regarding way, but then operating within these property rights frees the individual to cooperate with anonymous people in an impersonal market setting. Martin recognizes the cognitive load that tuism imposes on routine action, but suggests that our judgment never completely disappears from consideration of the rules of the game. This helps to identify a realm of behavior (response to incentives) and conduct (employing moral sentiments).

Lofthouse, builds on Bryan Caplan's (2001) "rational irrationality" to show that far from a flaw in governance, irrationality is to be expected. Lofthouse extends Caplan's argument to explain that when people form norms of behavior through human sentiments, feedback is vital. Caplan's critique of expressive voting, where people hold expressive views when these are not costly to maintain, explains how insulated political opinion can become feedback. He offers a theory of moralized irrationality that is socially embedded and exacerbates bias. Institutions must be designed to minimize spillover effects and incentivize reflective and rational approaches when decisions are made aggregately. Lofthouse asks if expert policymakers are more or less susceptible to irrational beliefs. This question extends Caplan's analysis as a critique of voting as well as demonstrates how moral sentiments are not just irrational, but within context can be a perverse form of meaning-making.

APPLICATIONS: COMPLEMENT TO EXISTING QUESTIONS

Applications of humanomics can broaden the scope of economic analysis in fruitful ways. The logic of moral sentiments can take sticky questions where economics has failed to make inroads and reframe them in ways where economic intuition can interact with various other disciplines in a cohesive approach. By adding humanomics to the toolbox, researchers show the economist ways that Smith and Wilson's research can enhance an economist's understanding of meaningful work, advances in neuroeconomics, and the implications of experimental economics for interpreting envy.

Vlad Tarko's (2026) paper points to a simple but difficult problem. Supply and demand fail to exhaust a description of the way labor markets work. People choose their work for reasons other than wages. A naive model would suggest that people maximize wages subject to their constraints, but that does very little to describe the human beings Tarko meets in life. Meaning-making is not well-modeled as an exogenous variable affecting individual choice. Tarko builds out a shared moral ecology of work to explain how people choose careers with higher social meaning like teaching, art, activism, or caring for others. Tarko compares how a self-referential standard, authenticity, and an external standard, usefulness to others, explain both an individual's choices and their mistakes. This approach gives the reader a theory of meaning and happiness in work that adds to our understanding of choice.

Roy, Deldoost, and Yonk (2026) point out that a humanomics approach avoids a type of biological determinism common to interpretations of neuroscience. The addition of Smith and Wilson to existing literature emphasizes how trust, cooperation, and interdisciplinary work all extend insights from neuroeconomics to a broader picture of political economy. Wirt (2026) adds a deeper phenomenological discussion of envy to deepen Smith and Wilson's use of envy in a classical sense—experienced by someone who feels inferior to another—by distinguishing it from a potential confusion with pity. Wirt emphasizes how important moral ecology is for applying humanomics as a descriptive model of behavior.

APPLICATIONS TO CASES

Case studies demonstrate the unexpected challenges and opportunities of humanomics as a methodology. In this section, two examples: urban planning and entrepreneurial behavior in ska music, show how meaning-making challenges narrower assumptions of choice. The authors look at how that context shapes choice by taking moral sentiments to these specific contexts. Vincent Carret (2026) shows how humanomics overlaps with narratives about identity, place, and belonging to give a sense of moral ecology. Planning, especially the type that abstracts from these concerns, will risk interacting with communities in unpredictable and sometimes debilitating ways. Nicholas A. Snow (2026) explores how 2 Tone/Ska music resisted destructive moral and cultural innovation to create a message of inclusive identity across racial and class lines. In Snow's case, moral sentiments were part of meaning-making that sustained a community of musicians against opportunism from subgroups. A focus on narrow economic incentives would add little to our understanding, but humanomics can focus the researcher on choice and feedback in a more complex description of events.

HUMANOMICS AND APPLIED MORAL SENTIMENTS

Humanomics explains the importance of community and meaning-making to the individuals who make up the group. Meaning emerges when communities discover, perpetuate, and revise their shared metaphysical commitments. To take groups as combinations of individuals who work out reciprocal relationships with one another, substantiates where this meaning comes from, which then becomes shared. Anthony Gill's (2026) paper emphasizes the need for cooperation, trust, and legitimacy to arise organically in groups that are seeking meaning together. Gill points to areas of meaning-making that cannot

be enforced systematically and how religion is a useful framework for understanding injunctions against free-riding.

Paul Mueller's (2026) paper outlines how moral ecologies demand coherence. This is not just to avoid hypocrisy, but also to reinforce lived adherence to the embodied practice of trust, legitimacy, and reciprocity. Mueller compares technical economics to philosophical economics and explains how groups form meaning and supply coherence between these two, which would be lacking without the group. Economics, as a disciplinary group, must have a philosophical side to underwrite its technical applications for them to be more than detached observations. To apply economic principles demands a group that seeks professional coherence.

The last paper, by Stephen Miller (2026), asserts that humanomics allows practicing Catholics to make sense of Catholic Social Teaching. The Catholic Church's teaching on secular concerns expands the discussion of moral principles to political economy. This integration allows a more complete understanding of the human person. Miller argues that one should carefully consider the implications of solidarity and subsidiarity in an institutional context, and to integrate self-interest and moral sentiments to avoid caricatures of each. Miller sees humanomics as a way to understand better the integration of economics, human dignity, and the common good. In this example, humanomics explains why a church might promulgate commentary on social topics to evaluate the achievement of shared goals and reconcile secular outcomes with transcendent commitments.

This issue is full of thoughtful observations, careful discussions of Smith and Wilson's contributions to a foundation for Humanomics, and innovative use of the ideas to explore theory and application. The reader should be excited to review both Vernon Smith and Bart Wilson's other works in this area, as well as to look for our authors' continued contributions in this relatively new area of emphasis within economics. The response by Bart Wilson to this issue and a conference on the contributions is included as well. Thank you to Cosmos + Taxis for making this special issue possible, and thank you to Colin O'Reilly at the Menard Family Center for Economic Inquiry and Creighton University for hosting a symposium in the summer of 2025 to get comments on the papers and discuss many other issues besides.

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Constrained Optimization or Observation? On What Economists Take as Primary

BART J. WILSON

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Abstract: Economists differ on what they take as primary when constructing the problem of a rational economic order: constrained optimization or observation. The general starting point is to frame the problem with four key assumptions—scarcity, fixed preferences, complete information, and self-interest—so that the optimization problem yields a clear prediction. Observation enters only after the fact, to repair the model when predictions fail. F. A. Hayek and Vernon Smith instead begin with what people actually know and do, making observation primary to economic inquiry. Humanomics extends this stance by grounding human conduct in Adam Smith’s astute observations of fellow-feeling, moral sentiments, and a sense of propriety. Economics as an observational science takes human conduct, not constrained optimization, as primary.

Keywords: economic methodology, experimental economics, humanomics, philosophy of economic science

How do we go about constructing the problem to solve for a rational economic order?

On certain familiar assumptions the construction appears straightforward enough. *If* we presume scarcity is fundamental, *if* we fix preferences, and *if* we stipulate for our ease that information is complete, then the problem we construct is simply one of optimization. That is, we define the rational order in advance as the optimum choice from among a set of alternatives. The conditions which the solution must satisfy are those we ourselves have laid down in the form of equilibrium relations. They are the identities we inscribe when we equate marginal rates across uses, the marks by which we certify the order as rational.

This, however, is decidedly not how the economic problem unfolds in the lives of human beings. It is only how we construct it for ourselves. The problem as it arises is not already contained in identities of our own making, but in the ongoing adjustments through which people conduct themselves in, as Alfred Marshall famously put it, the ordinary business of life. To attend to that economic problem requires observing how it takes shape and how human beings themselves make sense of their circumstances, for only then can we begin to see why there is a problem at all. We ourselves, as economists, are not outside the scientific problem, but implicated both in it and in the order we advance as its solution.

That we are part of the problem we study is not peculiar to the study of the economic problem. All human inquiry is, by definition, human. The physicist, the sociologist, the historian, the literary critic alike work through the interpretive lens of the human mind. They all construct their mechanical mod-

els, their ideal typologies, their narratives, their commentaries from the world, not of the world, though always within it. What is distinctive of our social inquiry is the primacy we give to the assumptions of our construction, the assumption of constrained optimization. It is precisely here, against the primacy of constrained optimization, that the primacy of observation must begin.

Readers will recognize the opening construction above as inspired by F. A. Hayek's 1945 seminal essay "The Use of Knowledge in Society," in which he argues that economists have mis-specified the economic problem. The economist's logical construction, Hayek insists, is not the actual problem human society faces. His move, first and foremost, is to observe that the economic problem turns on how human beings know and act upon what they know. The problem is not the mere fact that *information* is dispersed, as the essay is too often mistakenly summarized. What is dispersed is not simply data but contextual knowledge. The deeper problem is that people only *know* what they know from their particular circumstances of time and place, and make sense of them in their conduct. Hayek reaches his conclusion precisely because he makes the observation of human beings—how they know and make sense of their circumstances—primary to his economic inquiry.

Seen in this light, it is clear why Vernon Smith (1982) connects his own formative work on experimental markets—most notably, Smith (1962)—to Hayek's essay. In the canonical double auction experiment, the economist assigns buyers redemption values and sellers costs, each knowing only their own circumstances. The participants trade by announcing bids and asks in an oral double auction, an institution in which contracts form when a bid and ask meet. What emerges, replicated now many thousands of times, is that prices converge quickly toward the competitive equilibrium, with the participants realizing virtually all of the potential gains from trade. The primacy of the method lies in the economist observing what human beings do and discovering in their conduct the order that emerges. Smith sees in this pattern nothing other than what Hayek observes. Markets economize on knowledge by coordinating dispersed information through prices. In his 1982 essay Smith formulates what he calls the Hayek Hypothesis, namely that "strict privacy together with the trading rules of a market institution are sufficient to produce competitive market outcomes at or near 100% efficiency" (Smith 1982, p. 167).

Yet even Hayek could not see the experimental method as valuable. He allows that "we might conceivably test [the validity of the theory of competition] in artificially created real situations, where the facts which competition is intended to discover are already known to the observer," but he immediately dismisses the idea as "of no practical value" and "hardly worth the expense" (Hayek 1984, p. 180). Hayek's turn to human beings rather than constrained optimization marks a decisive step, but for Hayek observation is incidental; for Smith it is central. In experimental markets the economist does not assume what people *would* do but observes what they actually do, and in doing so makes economics an observational science. In Smith's words, the aim is "the advancement of economics as an observational science that would emphasize rigorous observation in which the process of data collection, whether in the laboratory or field, is under the control of the scientist" (Smith 1986, p. 8).

What Hayek could not imagine—that an experimental market may perform differently than what the economist expects on paper—Smith discovers in practice. When he first ran the double auction in 1956, he did not expect convergence to the competitive equilibrium; the textbooks of the day insisted, and insist still, that it requires large numbers of buyers and sellers with complete information. His students' trading, however, produced exactly that result without such conditions. The surprise is not an inconvenience to be explained away but the opportunity to learn, which is the very point of inquiry. It is meaningful because observation and interpretation move together. The experimentalist observes what people do and interprets how that conduct makes sense in its context. To take observation as primary is not to exclude interpretation but to discipline it by what is going on in the world.

Humanomics takes the next step. In the preface we (Smith and I) say that our path begins, and receives its illumination, in observing unanticipated results: first in markets, where the strict-privacy, self-interest model predicts far better than economists expect; second in simple ultimatum and trust games, where the same model fails decisively. In both the ultimatum and trust games the prediction is the same: if self-

interest rules, people keep what they have and give nothing away; in fact, they reject unfairness, extend trust, and return kindness. The model fails, and what appears instead are reciprocity, fairness, and trust—observable phenomena in need of explanation. Such a disjunction compels us to return to Adam Smith’s *The Theory of Moral Sentiments* for a framework that extends the observational stance from markets to the moral foundations of human conduct.

Modern economics, we say, has in large part “lost sight of the fellow feeling by which human beings gravitate toward one another, and we have lost sight of the sentiments that excite human beings to act and by which human beings judge their own and one another’s conduct” (Smith and Wilson 2019, p. xvi). Our experiments force that capacity, the “stuff of which human relationships...are made,” back into view (Smith and Wilson 2019, p. xiv). In the laboratory, fellow-feeling, moral sentiments, and a sense of propriety appear as capacities made visible in human conduct. Attending to those capacities indicates that markets and moral sentiments belong to a single observational project. Both require observing what people actually do and how they make sense of one another.

Adam Smith is an extraordinarily astute observer of human conduct. In *The Theory of Moral Sentiments* he attends to the fellow-feeling by which human beings read one another’s actions, and to the impartial spectator they invoke in judging what is fitting to do. In *The Wealth of Nations* he attends to the disposition of human beings to truck, barter, and exchange one thing for another, and how such conduct gives rise to the division of labor and the creation of wealth in markets. In both works the method is the same: to observe what human beings actually do and how they make sense of one another in their conduct. That is why two experimental economists turn to him. Adam Smith offers not a maxim of self-interest but a way of inquiry that, like our economic experiments, begins by attending to what people actually do, and discovers in their conduct the order that emerges.

Compare, for example, how an Adam Smithian humanomist and a behavioral economist go about constructing the problem to solve for a rational order in the ultimatum game. The behavioral economist begins from the same construction that defines modern economic analysis: scarcity is fundamental, preferences are fixed, and information is stipulated as complete. To this triad they make explicit the further assumption of self-interest, so that the optimization problem is formally specified and produces a determinate outcome. Within that construction, the behavioral economist posits the ultimatum game as a simple, clean test of the self-interest assumption (Camerer 2003, ch. 1). In a \$10 game the proposer should offer the smallest positive amount (\$1), and the responder should accept it, since something is better than nothing.

Many thousands of experiments, however, do not bear this out (Camerer 2003). Proposers typically offer \$4–\$5, and responders reject offers of \$2–\$3. To account for these departures, economists amend the fixed preference for one’s own material payoff by adding an additional term for “social preferences,” representing, for example, fairness or inequality aversion, thereby retaining the same utility-maximization apparatus (see, e.g., Levine 1998, Fehr and Schmidt 1999). In so doing, the economist actively constructs what is going on as a trade-off between material and nonmaterial payoffs. Rather than discovering it in human conduct, the economist installs such a trade-off into the construction itself.

The point to see is that observation does not lead inquiry. Constrained optimization does. The assumption of self-interest does not come from observing human conduct, but the behavioral economist imposes it so that the optimization problem has a determinate solution. And when the prediction fails, the behavioral economist retools the optimization framework. What the experimenter observes is not treated as evidence in its own right of something going on in need of explanation, but as input to be fitted back into what is taken to be primary—the constrained optimization problem. As Deirdre McCloskey (2022) reminds us, such maneuvers carry a lingering positivist impulse that treats anomalous observation as a nuisance for the economist to manage rather than as the ground from which a genuinely human science must proceed.

The Adam Smithian starting point begins elsewhere, most notably the first sentence of *The Theory of Moral Sentiments*: “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness to him, though he derives

nothing from it except the pleasure of seeing it” (Smith, 1759, p. 9). In other words, Adam Smith insists that we cannot begin from the assumption that people are self-interested, for observation of humankind makes plain that it is not the only principle, how soever much it manifests. The choice of construction is decisive. Do we stipulate self-interest so that the optimization problem is well-defined and yields a definite prediction, or do we begin by observing how human beings actually make sense of one another in their conduct?

What follows from Adam Smith’s starting point is not a constrained optimization problem but an inquiry into how people actually regard and respond to one another. Where the behavioral economist assumes self-interest, the humanist follows Adam Smith in beginning from the observable fact that human beings are moved by fellow-feeling and moral sentiments. The ultimatum game brings this contrast into sharp relief, for it is precisely in such settings that the assumptions of self-interest collapse and the working of moral sentiments comes into view. The problem to understand, then, is not how to reconstruct a new constrained optimization problem to fit the observed outcomes, but how the proposer and responder themselves come to make sense of one another’s actions as fitting or not. Where the behavioral economist retools the optimization framework when predictions fail, the humanist attends to what is going on—actions interpreted as meaningful in their own right.

For the behavioral economist, the proposer’s offer is a division of money to be rationalized within a retrofitted utility function (Wilson 2010, 2012, 2024). The humanist, by contrast, sees something else: an offer as a sign of intent, to be judged by the responder’s sense of propriety and received as such. The responder’s acceptance or rejection enacts a judgment of whether the offer is proper. As Adam Smith observes, “beneficence is always free” and “cannot be extorted by force” (Smith 1759, p. 78), and in the ultimatum game the responder’s power of veto places a proposer under precisely that cloud of extortion (Smith and Wilson 2018). The game forces both people to act under the threat of mutual loss, and once compelled, the shadow of rejection shapes their conduct. Low offers prompt resentment against what is judged improper (Houser and Xiao 2005). The humanist, following Adam Smith, observes in such conduct the working of sentiments (specifically, approbation or disapprobation, gratitude or resentment) that form part of the moral fabric of human conduct. What emerges is not a retrofitted utility function but a framework in which fellow-feeling, moral sentiments, and a sense of propriety explain why rejection and acceptance appear in the laboratory just as surely as in everyday life.

In this comparison the distinction is stark. The behavioral economist constructs the problem as one of preferences and optimization, adjusting assumptions to save what is primary—the method of constrained optimization—when predictions fail. The humanist constructs the problem from observation: how human beings actually make sense of one another in their conduct. The behavioral economist begins with a constrained optimization problem and seeks to fit behavior to it; the humanist begins with observing human conduct and discovers the order that emerges.

Primacy in economic inquiry shows itself in the stance we take at the outset. We can begin with constrained optimization or we can begin with observation, and the choice we make shapes the kind of science we practice and the human conduct we are able to see. When we stipulate scarcity, preferences, information, and self-interest, we decide in advance what the order will be and fashion our constructions accordingly. When we begin instead by attending to what people actually know, do, and make sense of, we allow the order to come into view in their conduct. That is the burden of Deirdre McCloskey (2021), which bids economists to rejoin the humane sciences by attending to narratives, virtues, and practices through which human conduct is lived, judged, and given shape. To make observation primary is to take seriously the fact that economists, like all inquirers, are within the world they study, and that it is there that we discover the meaning and order of human conduct.

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Self-interest is more important than sympathy, a friendly reminder

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Abstract: There is a recent and growing popularity of Adam Smith's normative framework in *The Theory of Moral Sentiments* (*TMS*). Many correctly recognize Smith's insights surrounding "other-regarding" motivations and behaviors as a necessary and important complement to his "self-interested" approach to economic motivations as elaborated within *The Wealth of Nations* (*WN*). One such strand of inquiry, the Humanomics research program, draws from *TMS* specifically to add caveat to the morally neutered and formalistic features of the utility maximization assumptions of the contemporary neoclassical paradigm. In laboratory settings, human individuals do not conform to the strict predictions of pecuniary rationality. Treating human beings and human decision makers as pure profit maximizers seems an error prone model of the human condition and thus a shortsighted view of human society. While these corrective efforts are appealing and intuitive, I caution that it is also important to recognize an asymmetric weighting to the analytical and practical importance(s) across self-interested and other regarding motivations and behaviors. To explain the complex patterns of human society and civilization are the analytical goalposts of social science. When held to such a standard, and in conversation with the broad stylized facts of social change and economic history, and as clearly explained by Smith and others since; self-interested motivations and behaviors play both a more foundational and prominent role in coordinating human actors towards peace, harmony and prosperity at the societal level than systemic patterns or changes in moral sentiments or other regarding behaviors.

I: INTRODUCTION

Humanomics is the fitting title for a recently developed approach to social science. Pioneered largely by Vernon Smith and Bart Wilson (2019), this framework originally aimed to study and understand human decision-making and behavior by combining the tool kits of economic theory alongside controlled experimental methods. Surprisingly (Smith 2008a, pp. 193-197), early findings from experimental studies stood in significant contrast with the most common modeling assumptions regarding the potentials of strict rationality and the limits of social coordination.¹

Thus, Smith and Wilson saw a pressing need for a uniquely humanomic research agenda aiming towards "a more fundamental rethinking of human sociability (2019, p. xiv)." Agents in the lab did not universally rely on strategies that prioritized self-interests; instead agents consistently acted in other-regarding ways, consistently conformed to stable and positive levels of cooperation, and consistently sustained robust expressions of mutual trust. Early explanatory efforts sought to merely tweak the conventional models and theories of utility maximization—to simply include the utility of others within one's

own preference function and or to conceptualize social cooperation as merely trafficking in reciprocity instead of cash.

But, Smith and Wilson were left wondering “[w]hy does the payoff to the other person appear in one’s own utility function? How did it get there?... why do people respond trustworthily to trusting actions when it is a convenient opportunity to gain from another’s largess, as she will never know your identity? (ibid.)”. Models of utility maximization work well until they do not. So, what is to be said about the remaining forms of human behavior and arenas of society that do not neatly fit within the utility maximization model? If economic science is truly to be a universally applicable framework for understanding human choices and the resultant patterns of civilization, then should not our basic assumptions and theories have the ability to explain the observed sociability of real humans apart from the calculative dynamics of market transactions—all without wholesale or ad hoc adjustments? Humanomics answers yes, and aims to provide a consistent and reliable way to do so.

In this vein, the humanomics approach is a welcome contribution to the modern field of applied economic analysis. In short, I agree whole-heartedly with the pointed critiques from Smith and Wilson against the dominant and strict assumptions regarding human motivations used by most economists since the middle of the 20th century. As Mirowski (2002) has rightly noted, an economic toolkit, solely reliant on formalism and empirical precision, is perhaps more equipped to understand cyborgs rather than real human beings or real human communities. Furthermore, as Hayek (1952) argues, such erroneous starting assumptions carry down-stream consequences to theories, research programs, policy agendas, and societal outcomes that proceed therefrom. Instead, we need a social science equipped with an applicable theory as if the agents in our models are real flesh and blood creatures imbued with purposeful intentions and a-rational moral commitments alike.

In its inception, economic science was not discovered, nor theorized and applied, with the limited intention of only explaining the processes of formally buying and selling material assets. “Political economy,” prior to its modern “economics” relabeling to conveniently echo physics (Leonard 2017, p. 19), concerned itself instead with the full gamut of human motivations and actions—including and seamlessly complementing a research focus on the totality of human civilization and social complexity. Hence, the humanomics pioneers (Smith 1998) rightly draw inspiration from Adam Smith, particularly his philosophical analysis within *The Theory of Moral Sentiments* (1759) (*TMS*) written and published prior to the original economic magnum opus, *Wealth of Nations* (1776) (*WN*).

Smith and Wilson correctly point out that Hayek’s (1991) recognition for the human need to live and behave across essentially two distinct social worlds (the limited and the extended orders in turn), draws precedent from Adam Smith’s consistent theories across his alternative philosophical and economic texts. In short, human decision-making is at times primarily motivated by “other-regarding” sentiments (sympathy), especially when interacting in the limited order consisting of close-knit, familial and kinship relations. At other times, humans are primarily motivated by “self-interest,” especially when interacting in the relatively anonymous and extended order of the division of labor and the global market economy.

Neither environmental context churns purely on one motivation devoid of the other. Even loving family members have to make a living, and even cut-throat corporate executives serve dual roles as daughters or sons, husbands or wives, siblings or parents, etc. V. Smith (2008b) notes insightfully, human subjects do not check their moral and cultural commitments at the laboratory door for the convenience of experimental controls and the ease of *ceteris paribus* conditions. Last, the divergent modes of human motivations bear consequences on the internal dynamics and outcomes within these alternate social spheres. A group, organization, or community comprised mostly of one motivation will operate in different ways and result in different outcomes from the other. Hence, a full and accurate vision of these motivations and behaviors, carries significant policy and institutional implications regarding what rules and enforcements are likely to function well across diverse social settings.

Fueled by these distinct but not incompatible modes of motivation, human individuals learn how to navigate our broader society by following norms that robustly promote their own self-interests compatibly

with social progress. A full and accurate comprehension of such humane conditions and their interactive potentials thus informs a broader political economy of institutions. What types of rules and institutions best assure societal harmony and progress, given the complex interactions of diverse and at times divergently motivated individuals and groups? Herein is A. Smith's (1776) infamous invisible hand mechanism and appreciation for natural liberty.

Again, a social science only informed by self-interest is lacking and likely to err. Both modes need to be recognized in order to better understand and explain the full array of social processes and outcomes. Hence, this essay is not a rejection or even a critique per se of the humanomics approach (see: Cutsinger and Salter 2025) or Smith and Wilson's impressive body of work, conclusions and contributions. It is instead a sort of restatement and support for the humanomic appreciation for dual motivations, but complimented by an effort to conceptually recognize the relative magnitudes of frequency and the relative impact of society wide influences stemming from these different motivations.

In short, the recognized and appreciated existence of both motivations inspires subsequent questions. Are they equal in their foundational roles towards the frequency of behavioral types? Are they equal in their marginal and resultant effects upon social order? Knowing which motivation is more influential upon the broader social order, its trends over time, and its patterned operations will thus inform the expected relative returns of dedicated research attention and the potentials of error when included as modeling assumptions. Last, do behaviors primarily motivated by self interest or sympathy bear consequence upon subsequent behaviors and outcomes motivated by the other?

I argue that while the humanomics movement is correct to expose and highlight the limits of a purely self-interested approach akin to max U, there are also reasons grounded in intellectual history, conceptual theory, and accumulated empirical evidence to explain and even justify some weighted prioritization for self-interested over other-regarding behaviors when conducting social science. In short, it is correct to not equivocate Adam Smith's definition of self-interest with modern definitions of selfishness, but it is also important not to forget how significantly ground-breaking the recognition of self-interest's role in society was amidst the Scottish Enlightenment and how much analytical traction it has carried since and sustains today.

Second, paralleling Friedman's (1962) focus on political as opposed to economic freedoms, much of our accumulated data and evidence regarding economic growth through time, the dispersion of economic performance across nations, and the episodic ebbs and flows of economic trends, all can be interpreted to inform the presumed relative magnitudes across self-interest and other-regarding motivations. In short, self-interest is more important than sympathy. Friedman thus inferred the bold and contentious implication that "*there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits* (italics are mine, 1962, p. 133)."

Furthermore, substantial theory and evidence implies a particular interactive effect across other- and self-regarding behaviors, processes and outcomes. In short, the material returns of self-interested behaviors are a substantial enhancement to the moral and practical potentials of other regarding efforts. Material scarcity is the ultimate breeding ground for human conflict. Inversely material abundance and or continual economic growth, makes conflict less frequent, and conflict resolution processes easier to discover, communicate, coordinate and sustain. Trade and market transactions have a greater potential to transform animosity relations into indifferent and or sympathetic relations with time and or repetition. The inverse relationship does not hold symmetrically. Our contemporary expressions of sympathy are more dependent upon past and present expressions of self-interest, but the opposite is not necessarily the case. Furthermore, explicit efforts to promote, design and or collectively encourage or expand sympathetic relations can be mired in unintended consequences.

The remainder of this paper is organized as follows. Section II surveys the historical context of Adam Smith's contributions to both moral philosophy and economics. At the time, Smith's attention to self-interest was the more original and revolutionizing insight. Smith's subsequent legacy being more shaped in economic science over moral philosophy is unsurprising. Section III provides a theoretical framework for

understanding the dynamics of human sociability that can identify the relative foundational and interactive effects of other-regarding and self-regarding behaviors. While other-regarding behaviors are crucial for developing familial and friendly bonds, the age-old dilemma of political economy and civilizational order is more concerned with resolving the challenges of antipathy in the state of nature. Section IV provides some concluding remarks.

II: THE SOCIAL ROLE OF SELF-INTEREST WAS THE ESSENTIAL CONTRIBUTION OF THE ENLIGHTENMENT

The title of this section deserves some definitional clarification. The intellectual debates and scientific contributions occurrent across the developed European countries in the 18th and early 19th centuries are commonly referred to as “the Enlightenment.” Undeniably, this epoch hosted a slew of rapid and magnanimous social changes, including but not limited to: scientific breakthroughs, technological advancements, industrialization, urbanization, population growth, changes in law, politics, and more. Hence, these historic and revolutionary transitions drew significant attention from theorists and researchers at the time to apply focused attention and develop innovative analytical and empirical methods to understand and explain the newness, rapidity and extremity of these exceptional changes.

By “essential,” I mean to imply that the Enlightenment would simply not be a profoundly influential episode in civilizational history if the recognized role of self-interest had not been discovered and theoretically elaborated therein. Self-interest plays not only a foundational but predominant role in making Enlightenment thought unique apart from earlier and subsequent strands of social theory. Furthermore, self-interest is arguably a necessary and predominant condition for the revolutionary effects that stemmed from the Enlightenment’s ground-breaking social theories. Without self-interest, the Enlightenment would not likely have been very enlightening. Last, the rich body of social theory and political philosophy that stemmed from the Enlightenment’s appreciation for self-interest have served a similarly essential role in coordinating social preferences for the development, maintenance, and preservation of liberal institutions around the world since and today.

In attempting to explain the timing, location and dimensionality of explosive economic performance amidst the industrial revolution, economic historians have recently taken a cultural turn. Mokyr (2018) credits cultural contributions like Bacon’s scientific method for paving the way of subsequent technological and commercial experimentations and replications. Citizens and elites arranged the rules and policies of society to foster innovation and growth, because they first had a deep cultural appreciation for those processes and outcomes. McCloskey (2017) credits the moral and political commitments of liberalism as particularly important. Once people had a belief in freedom they expressed a pressing need and demand for liberty; innovation and prosperity followed in stride. In short, the overly materialist focus of the naming convention, “industrial revolution,” is misplaced as the underlying causes were more rooted in social relationships and belief systems than physical arrangements of capital and machines. Ideas and culture mattered and arguably mattered most.

I want to suggest that self-interest, as an observed phenomenon, and individualism as its methodological correlate, are the essential and most significant catalysts for the cultural foundations of the Enlightenment. If McCloskey (2019) is correct, that liberalism is a social framework for unlocking human peace and prosperity, then I wish to argue that self-interest and individualism in theory and practice are the critical building blocks of that liberal framework.

Decades prior to any of A. Smith’s publications, social theorists were mired in contentious debates regarding the nature of human decision-making and how to comprehend the patterns of society. It is important to grasp the conditions of this latent discourse in order to understand what features of Smith’s work were commonly understood and accepted apart from what features were likely to be perceived as ground-breaking or contentious. Even if Smith were explicitly aiming to elevate and highlight the importance of other-regarding motivations and behaviors, the conclusions of his dedicated work on the matter

and obvious perceived need for further developments into economic science demonstrate a more socially dependent role from the extended division of labor than from limited networks churned by reciprocal sympathy.

In 1705, Dutch physician and clinical psychologist Bernard Mandeville while residing in England authored a brief satirical poem he titled: *The Grumbling Hive: or, Knaves turn'd Honest*. The prose took form as a fable describing a bee hive akin to a human community:

Thus every part was full of vice,
Yet the whole mass a paradise;
Flattered in peace and feared in wars,
They were the esteem of foreigners,
And lavish of their wealth and lives,
The balance of all other hives.
Such were the blessings of that state;
Their crimes conspired to make them great:
And virtue, who from politics
Had learned a thousand cunning tricks,
Was, by their happy influence,
Made friends with vice; and ever since,
The worst of all the multitude
Did something for the common good...

Thus vice nursed ingenuity
Which, joined with time and industry,
Had carried life's conveniencies,
Its real pleasures, comforts, ease,
To such a height, the very poor
Lived better than the rich before,
And nothing could be added more.

Herein, is the most original and contentious element of Mandeville's poem. In short, Mandeville viewed the base motivations of human behavior as inescapably self-interested. While prior authors, particularly Hobbes (1651),² had long recognized the self-serving nature of human behavior to explain the hazardous and cut-throat conditions within the state of nature, devoid of formal governance; Mandeville viewed the self-interested nature of human individuals not so much as a threat to civilization, but as the crucial fuel undergirding social harmony, technological progress, and economic growth.

Mandeville's proposition did not spring forth from a socio-ideological vacuum. His argument was instead crafted and curated largely as a reaction to a particular and popular trend of social and political activism of his time – moralist campaigns for social reform (Horne 1978). In short, moralists perceived the social problems of their day as primarily if not exclusively moral failures. Changing trends in crime, disease, war, poverty, etc. were all seen as aggregated expressions of personal vice and self-interest and therefore *prima facie* evidence of moral decline. Response and reform strategies were thus continuously framed as campaigns to educate against vice and for the promotion of other-regarding behaviors, expressions of altruism, philanthropy, and religious virtue. Hence, Mandeville's bold claim that social progress and prosperity were foundationally and predominantly dependent upon the same motivations of vice—self-interest—drew targeted attacks.

Mandeville's original poem, published as an affordable pamphlet, received little but typically negative attention. Mandeville responded by publishing subsequent revisions and addendums. In 1714, he published an extended edition entitled *The Fable of the Bees: or, Private Vices, Publick Benefits (The Fable)*. In 1723

he published yet another extended edition alongside dialectic material including counter arguments and retorts, and an additional essay critiquing a popular expression of supposed altruistic philanthropy—the financing of charity schools.

Mandeville's theme and core insight were consistent throughout his multiple renditions of *The Fable* and other complementary essays of social commentary (see also: Mandeville 1709, 1714 and 1724). Social elites who applauded themselves for charity and various forms of altruism, to Mandeville, were better understood as being motivated by vanity and greed, no different from ordinary merchants and laborers. In fact, in his view, the latter were more responsible for the beneficial aspects of society (prosperity and peace) than were the moralist elites. The craftsmen and merchants make the commercial world turn far more than the preachers, the philanthropists, the philosophers, and the politicians. Furthermore, potent episodes of social disharmony and tension, in Mandeville's framework, were recognized as the unintended consequences of policy failures (Mandeville 1725). Such policies that were often ironically instigated and implemented in the name of moral righteousness and other-regarding concerns.

It is perhaps impossible to understate how negatively and scandalously Mandeville's ideas were perceived by public opinion at the time. By 1724 *The Fable*, "was twice presented by the Grand Jury of Middlesex to the Court of the King's Bench as a public nuisance, with a recommendation that its publisher be prosecuted (Hundert 1994, p. 1)." Yet it is also difficult to debate against the profound and sustained influence that Mandeville's idea had in sparking the intellectual debates of the Enlightenment and shaping social science ever since (See: Hayek 1978; Barry 1982; and Hamowy 1987).

While the humanomics program enters the field of modern economic social science from a vantage of renewing a tragically, sometimes forgotten, and too often downplayed role of other-regarding sociability, it was precisely the opposite context of prioritization which spawned Mandeville's original idea and Smith's systematic elaborations thereafter. Mandeville wrote to an audience who recognized virtually no role of self-interest doing good in the world, and they hated him and his ideas for it. Smith provided a systematic vision generally supporting Mandeville's observation of self-interest only after assuring his audience he retained a strong appreciation for moral sympathies—it does not seem he could have sustained his positive social standing or reliable employment as a scholarly intellectual otherwise. Hence, the immediate and lasting legacy of Smith's ideas largely depend upon this order of operations.

This inversion of these respective social settings inspires a natural question. Which set of audience presuppositions is less wrong: Mandeville and A. Smith's or V. Smith and Wilson's? Readers and political decision makers amidst the Enlightenment, sans a working understanding of self-interest would persist with ineffective and often detrimental moral campaigns, and never express strong preferences for institutions and policies that prioritized or protected the necessary conditions for trades and contracts. Today's neoclassical economics profession, nested within the most abundantly prosperous society of human history lack a consistent explanation for anomalous lab results. The analytical and practical stakes seem radically different.

Adam Smith's theoretical project took root in the soil first made fertile and receptive by Mandeville's prior conditioning. Though Smith made explicit efforts to differentiate his analysis from Mandeville's (Smith 1756) and many subsequent scholars have thoroughly investigated the nuanced divergences between the two authors, the lasting and more prominent legacy of Smith has persistently been his attention to the functional dynamics of self interest and the socially beneficial effects therefrom via the invisible hand, i.e. a consistent extension of Mandeville's central claim. "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 own necessities but of their advantages (Smith 1776, pp. 26-27).

Such debates remain, causing some to have recently wondered why *TMS* has not carried the more dominant intellectual influence (Liu 2022). *TMS* was published prior to *WN*, and intuitively its subject matter seems more focused on the metaphysically distinct features of the human condition and normative foundations of human existence—conscientious self-awareness, the formation of moral beliefs and

associational responsibilities, and the social patterns of moral customs and norms therefrom. However, my interpretation of Smith's intellectual history supports the standard prioritization of *WN* over *TMS*. Friedman and modern economics did not co-opt Smith, they are rightful bearers of Smith's most important legacy. The extended division of labor is primarily churned by the self-interested behaviors of its divergent participants. Friedman, like Smith, like Mandeville was right.

The totality of Smith's written works should be understood by modern readers as a consistent but multi-fronted research program. In the broadest sense, Smith was a social theorist and in pursuing a comprehensive and objective understanding of human society he, along with fellow Enlightenment contemporaries, developed the earliest methodological framework for conducting social science. In short, human civilization was the ultimate subject matter, with some unarguably given characteristics demanding of investigation and explanation: 1) human society was unique relative to the social groupings of other earthly species, and 2) human society was obviously complex yet also systematically patterned and therefore comprehensible with objective and scientific methods.

Smith's separate works thus appear dedicated to explaining the origins and operational dynamics of some of the core distinctive features of human society: human morality in *TMS*, trade, prices and the extended division of labor in *WN*, and the functional rule of law in his incomplete but posthumously published, *Lectures on Jurisprudence* (Smith 1976). Smith's shorter works further complement this agenda such as his dedicated essay on the evolution of language (Smith 1761). What are the implied areas of human society needed to be explained and needing of a social-science method to investigate? Those functional forms of evolved social regularity and institutions that are exceptionally unique to human societies, i.e. spontaneous orders (See D'Amico 2015).

In light of this framing, it is not surprising that Smith's earliest work would begin, as many attempted social theorists similarly did at the time and since, with the most basic and obvious components of the human condition—moral sentiments and the bonds of kinship as the central topics of *TMS*—the same presuppositions of the moral reformists. It is my contention that this initial entry point into the broader agenda of understanding society writ large, was drafted first not necessarily because Smith viewed it as foundational or a most prominent cause towards social order, but rather it was most intuitively obvious and of commonly recognized importance by his predecessors and peers. Smith's argument therein and his subsequent pursuits should be seen to shed light on the specifically limited rather than expansive potential of sympathetic sentiments and other-regarding behaviors to motivate and explain the complexities of society.

How does a harmonious, peaceful and prosperous society of diverse individuals with sometimes competing moral beliefs and vested interests come to be, peacefully operate and economically progress? Again, humanists are onto something. Human beings do not enter our earthly realm as isolated automatons, but are instead birthed and reared through infancy, adolescence and adulthood as family members, friends and neighbors (see Rubin 2002). However, friendliness and intimacy are decidedly less important if not at times wholly irrelevant to the elaborate and complex processes of domestic production, international trade, consumption and savings that serve a more foundational role to human existence and well-being throughout history and into the modern world. Smith proceeded to write the longer and more systematically complex work of *WN* arguably to proceed beyond the limited role that moral sympathies can play in carrying humanity from barbarism to prosperity. How far can sociability take human cooperation? Not very. Is there another way to convince Smith's readers to take some recognition of the innate humanity of strangers far removed from themselves? Smith answers yes with a thorough and systematic description of the division of labor. If one wants an individual to refrain from defaulting towards hostility and animosity regarding different peoples, a nuanced and accurate vision of the material interdependencies of global commerce and economic progress is a profound method.

III. WEIGHTING THE RELATIVE ROLES OF SYMPATHY AND SELF-INTEREST

There is an analytical weakness to the framing of human motivations as a binary condition of self-regarding as opposed to other-regarding intentions. While A. Smith, Hayek and humanomics contemporaries all rely on some degree of this dichotomy, a more elongated and specified spectrum is perhaps warranted. Enlightenment thinkers and their contemporary flag-bearers are often grounded in the similar project of understanding and explaining human civilization and the expansive social complexity therein. Hence, many of the earliest pioneers of political economy began with the state of nature as a hypothetical construct to better compare and recognize the origins and operational features of formal governments and their role in civilizational progress.

Enlightenment thinkers were well-aware of the empirical obviousness, now commonly proselytized (Pinker 2012), that the post-industrial world was both materially and socially exceptional when compared to the longer-run and arguably abysmal conditions of the human experience prior. Hence, Smith's chosen starting point—the moral dynamics of intimate kinships—was not selected for its foundational position but rather its marginal analytical value given its lack of treatment relative to state of nature discussions prior. Thus, the duality across sympathy and self-interest is often underappreciative to the more dog eat dog conditions of pre-modern history. Antipathy and apathy are nearly absent from the analysis, yet they are precisely the more pressing and ubiquitous challenges of social order (Seabright 2010).

Why do people love their parents and children, how do they choose their spouses and form strong bonds of friendship? These are fascinating and important questions, but obviously less puzzling and less challenging to answer when compared to the foundational questions of social order and civilizational origins. Families are not large-scale civilizations. Large-scale civilizations are instead comprised of genetically unrelated agents, who must learn to pause their instinctive adversarial instincts and proclivities for the sake of coordination and cooperation. *TMS* answers the former questions with the mechanisms of sympathy, but also implies that sympathy is wholly insufficient to resolve the latter. I suggest that A. Smith presented the contents of *WN*, in particular, the descriptive material of the advanced division of labor, as a more robust answer to the latter.

I propose the following spectrum of how individuals may frame their relational attitudes towards others from least to most sympathetic: antipathetic, apathetic, friendly, familial, and amorous. Given these possible modes of relation, Smith, Hayek and humanomists provide two primary strategies for encouraging individuals to motivate their behaviors towards the social conditions compatible with human flourishing—self-regarding and other-regarding.

While Smith's discussion and our general understanding of Smithian sympathy since, focuses upon the operations of sympathy within mostly the latter three and to some extent the second; the majority of times, places and community settings have struggled most profoundly progressing away from the first. The conditions across most of human history were Malthusian, which is to say that material conditions were so scarce that human individuals were wholly dependent upon their close-knit communities and familial orders for basic survival. Individual qua individual relationships within such kin groups were structured and enforced by sympathetic expressions.

However, most individual qua individual engagements that transcended beyond a single familial network, just like group qua group dynamics across familial networks, were characterized by antipathy and zero-sum conditions. In short, for most of human history, akin to most inter-individual engagements for most species, the default assumption when encountering a stranger is hostility. Their gain is your loss, and you understand that they likely recognize the same.

In the wake of the industrial revolution, and the material abundance enjoyed since, encounters with strangers today are ubiquitous. Most individuals residing in the developed world spend most of their time and relationships coordinating and interacting with non-kin acquaintances. This is a remarkable and profound transition that cannot be explained with reference to substantive changes in moral sentiments in theory or practice.

Last, we return to Hayek's metaphor of two simultaneous worlds. Much, of Hayek's inferences and comments regarding these alternate modes of human relations are performed in pursuit of cautioning against the misapplication of the norms from the one setting onto the other. If we applied the norms of other-regarding sympathy to the extended order they would not sustain the same results or functions that they carry in the limited order setting. If you treated strangers on the street or in the board room with the same presumptions of trust and reverence as your beloved family members, you would likely endure significant commercial hardship. Similarly, but distinctively, if one applied the norms of contractual formalism and calculative profit maximizing within the kinship unit it would make for an awkward and strange family dynamic. I say distinctively because the social consequences across these alternative forms of error do not seem equal, and instead seem obviously weighted in significance towards the relatively anonymous and extended order. A mother's apparent unconditional affection for her child is conveniently self-interest compatible. In contrast, a corporate executive's strategic decision for labor layoffs may often depend upon their willingness to ignore their other-regarding sentiments.

Furthermore, the complementary potentials across these alternate modes is also asymmetric. If it is true that extensions and advancements in the division of labor are primarily driven by self-interested behaviors, then the material abundances provided therefrom carry a positive and enhancing potential to foster and sustain a broader and more abundant variety of limited social order relationships. Inversely, a stronger or more enhanced network of kinship relations is often detrimental to the material progress of the group and the individuals therein. Strong-tie networks tend to depend upon forms of exclusion and solidarity that limit their accessibilities to productive forms of capital and labor (Granovetter 1973). And geographic areas where close-knit groups have dominant influence, lag behind economically in the long run.

Today, many more of our contemporary personal relationships are directly and indirectly dependent upon the material conditions of the advanced division of labor compared to the past. The romantic partners who met via online dating, the bonded friendships formed across departments of the same corporate offices, and the vast majority of unique relationships forged by common interests, shared experiences, and viable opportunities for communication in the modern world are enhanced and expanded by orders of magnitude relative to the past and primarily thanks to the forms of material abundance, technological advancements, and population trends of industrial modernity. In fact, beyond mere enhancement and expansion these relationships are impossible to comprehend ever occurring or sustaining in a more materially scarce world. More of any individuals' other-regarding relations are owed to the sustained network of self-interested relations than the other way around.

With markets providing the new space and resources for more abundant and diverse forms of actualized and humane relationships also comes more opportunities for conflict, and thus more tacit learning opportunities for conflict resolution processes and the reflective moral attitudes and norms that stem therefrom (Storr and Choi 2019). Empowered by more material abundance, human beings in the modern world have a greater capacity to discover the meaning and practice of virtue and sympathy in a more diversified and complicated social environment. Such forms of moral development seem not only more abundant but more profound and more meaningful. It is probably easier to do good, when the only rubric for doing good is simple, a la: be nice to your sister. It is harder and more impressive to do good when being good is complicated and nuanced, a la: what is the proper etiquette for resolving a conflict that triggers a plurality of considerations and relational interests?

IV: CONCLUDING REMARKS

The human condition is complex. A recognition of both self-interested and other-regarding behavior is crucially necessary to recognize how social change, progress, economic growth, and human flourishing has occurred and can persist. The dual presence of these alternative motivations and behavioral spheres of social life do not imply equivalence or symmetry in their relative roles or cross influences. Economic

models of self-interested individual behavior are a more robustly explanatory tool for understanding social complexity than the operational dynamics of normative commitments and moral sympathies.

It is important to understand the context of the Enlightenment and Smith's contributions therein, in order to recognize the unequal weighting of analytical importance across self-interest and regard for others. Smith is less at odds with Mandevillian cynicism against altruism than commonly recognized.

Mandeville saw self-interest as the inescapably omnipresent and ubiquitous condition of human behavior. Even seemingly altruistic behaviors were only observed and sustained in so far as they comport to the self-interest of the actor. Moral truth like humane social science is an analytical endeavor distinctive apart from the physical and natural sciences and needing of a similarly distinct method. From the vantage of objective science, claims of moral certainty appear akin to descriptions of the supernatural. Smith is undoubtedly intrigued by the human penchant for moralizing and seeks to explain and understand its machinations; but, he is not engaged in the moralizing project itself. Mandeville is more concerned that such moralizing is wrongly accredited for social progress and thus often ignored as a viable source of social regress. There is little tension or exclusivity across Smith and Mandeville's observations that moralizers exist and incorrectly believe themselves beyond the reach of self-interest.

Thus, I close with a succinct and prescient insight regarding the political and institutional implication drawn from these inferences from Brennan and Buchanan (1981, p. 165): "We admit freely the possibility and indeed the likelihood of nonself-seeking behavior by human agents in all institutional settings. But like Adam Smith, we believe that *homo economicus* remains the appropriate model of behavior in the derivation of normative propositions about the institutions themselves."

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NOTES

- 1 Smith and Wilson (2019, p. 6) further cite Smith (1962), Davis and Holt (1993) and McCloskey (2006) as reliable sources for summarizing and commenting on these literatures and empirical results.
- 2 And Locke (1689) similarly recognized self-interest and leveraged a description of the state of nature as a hypothetical construct, his project was more focused on interrogating the origins and legitimacy conditions of government institutions rather than social order more generally or economic prosperity.

Austrian Roots? Humanomics as Principle of Action

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The long-standing core idea of Austrian Economics and its luminaries is that “Humans Act”, and indeed Mises titled his most remembered book, *Human Action: A treatise on Economics* (von Mises 1949). This core claim has distinguished the Austrian School and the work that it produces from technical, systems-oriented ones that placed little focus on individual actors. It in no small part gave rise to Public Choice (Boettke and Leeson, 2004), and influenced plethora of heterodox approaches in the second half of the twentieth century that sought to explain not just a steady state or merely the economic ends but also the process by which decisions are made, and how and why those processes can lead to a variety of outcomes.

As the exploration of the role of human action in those processes has continued, additional examinations of how we should think about those processes and the role that human action within them has continued to evolve. Our understanding of the role that human beings play within market and political decision making has been shaped in no small part by Austrian style thinking. These examinations included the extensions of many of the economic approaches and insights to non-market decisions making (public-choice), a greater examination of how institutions and individuals interact (New Institutional Economics), and increasingly if the assumptions about how and why individuals act in economic decisions, that are commonly used are justified.

With the development of techniques that allowed experimental examination of individual economic action and decision making, a new approach that sought to examine how the individual engaged in that action emerged. A large and growing literature moved economics into the laboratory where individuals could be directly observed, and where the conditions could be more tightly controlled by the researcher in an attempt examine their thinking and actions more clearly (Hey 2013; Plot and Smith 2008).

Among those examining economic thinking and behavior in this way, was Vernon Smith, future Nobel Laureate, and luminary of experimental economics (Bergstrom 2003). His work conducted alongside Bart Wilson transformed how lab experiments were used in economics and gave rise to a literature that has attempted to place the individual, their thinking, decision making, and ultimately their humanity back at the center of our understanding of economics, what they would come to describe as humanomics (Smith and Wilson 2019).

This experimental approach when coupled with core insights of Austrian Economics as well as historical and cultural examinations of the commercial society have opened a field beyond the lab that places human beings back at the center of economic action, namely humanomics. A number of special issues, books, and ongoing conference panels all speak to this attempt and have engaged seriously with this core idea (Shugart et al. 2024; Ealy and Mendonhall 2024). As Deidre McCloskey has observed, “The lesson of humanomics, in short, is that modesty in the face of creativity by free adults is in order” (McCloskey 2021, front matter).

This renewed focus brings back a much older understanding of the core economic question being focused not on the measurement or policy instruments but rather on the actions of individuals, and their motivations (Yonk et al. 2024). This approach can be found in the writings of Adam Smith, who Smith and Wilson as well as McCloskey point to as some of the earliest explanations where this principle of human beings acting for human reasons can be found.

It is not necessary to assert a direct intellectual genealogy from the Austrians to McCloskey or Smith and Wilson to appreciate the affinities in their respective critiques. Both traditions grew increasingly dissatisfied with the narrowness of optimization-based rationality and sought frameworks that respected the complexity of human action and the spontaneous emergence of order without intentional design. If Smith and Wilson or McCloskey found themselves returning to *The Theory of Moral Sentiments*, it may be in part because Austrians led them there, or because both traditions converged either independently or through mutual influence on the same intellectual space. A space characterized by a focus on the moral and institutional terrain that allows for meaningful choice. That intersecting does not require that the Austrians anticipated Vernon Smith's experimental approach or Deidre's focus on meaning and rhetoric, instead it only requires that multiple diverse lines of economic thought, driven by internal tensions and empirical insights, arrived at the same critical juncture, a recognition that Homo economicus was never the whole, or even most important part of, the individual under study.

THE EXPERIMENTAL ROOTS OF EXPLAINING HUMANOMICS

Vernon Smith and Bart Wilson produced a humanomics approach to designing and interpreting laboratory experiments by gathering the principles from Adam Smith's writing, particularly but not exclusively his *Theory of Moral Sentiments* (Smith and Wilson 2019). The crucial conclusion of their approach is an acknowledgement that humans self-examine their conduct and sentiments so that their actions please the mind and satisfy their social impulse as embodied in the "impartial spectator". They describe the impartial spectator as capturing the individuals' sense of what is a proper way of conducting oneself in a given context. When "one humbly accepts that human feeling, thinking, and knowing about what a good action is also map outcomes into action"—think the impartial spectator—"the assumption that human action unidirectionally maps into outcomes [becomes] untenable" (Smith and Wilson 2019, p. 63).

Smith and Wilson find the importance of context in human action through a narrativized experiment. The usual modeling norm is to extract the "essence" of a phenomenon by avoiding any baggage that individuals can bring into the laboratory, skewing the predictive results of the model. But incorporating human "baggage"—the context, the stories, the memories, the lived experiences, etc.—means studying real humans rather than just an abstraction. Trust, for example, is not simply a post-facto result of a party not taking advantage of us on one occasion. Whether we view somebody we encounter for the first time as trustworthy depends on circumstances, on particular place and time, and on the narrative leading to the encounter (Smith and Wilson 2019, p. 174). Crucially, though, this is not radical subjectivism of the Kantian or postmodern sort. The impartial spectator represents not some free-floating moral abstraction, but a phenomenological realism—a way of modeling how real people, situated in social and cultural contexts, evaluate their conduct. It aligns with Austrian subjectivism in the Misesian sense: agent-relative, yet not unmoored from the shared code of conduct shaped by habit and culture. Building on the work of Jan Osborn, Bart Wilson, and Bradley Sherwood (Osborn, Wilson and Sherwood 2015), Smith and Wilson demonstrate the role of context with a narrativized Punish Justice game, where players do not know all possible outcomes in advance and make decisions as they proceed.

The game captures how human beings rely on internalized rules of conduct depending on the circumstances they find themselves in.¹ A laboratory experiment that includes "that which is essentially human—the stories we tell ourselves to make meaning of our experience"—is much more conducive to understanding human conduct in a background of experience because it does not turn "thinking, knowing, feeling" human beings into "amoral molecules in a flask" (Smith and Wilson, p. 195).

Deidre McCloskey gives a non-experimental, but similar story that captures the point well. She observes that when she promises to write a review of a book, she means “well... I hereby promise to review the book” (McCloskey 2022, p. 91). But in addition, if the author is a close friend, the promise in this context acquires “a power beyond meaning. It gives ... a reason for action independent of my lazy inclinations and desires” (ibid.). In other words, context and language matter in how human action plays out. Humanomics is “an economics in which shifting ideas and rhetoric of humans have material consequences” on their actions (McCloskey 2022, p. 121).

For McCloskey, Humanomics entails more than improving experimental designs or better predicting behavior. It involves expanding the economic toolkit by rejecting the “economic mercantilism”—the urge to export findings of economics to other fields while rejecting to import anything from fields like the humanities. Instead, humanomics means engaging in the activity most (at least presumably) beloved by economists—trading with other relevant fields under division of labor, which means reading widely and incorporating all the available scientific logic and evidence from social science and humanities as we attempt to understand how humans act: “experimental, simulative, introspective, questionnaire, graphical, categorical, statistical, literary, historical, aesthetic, psychological, sociological, political, ethical” (McCloskey 2021, p. 8). Understand how economic thinking and action occur and why, has to be situated among the torrent of evidence about human behavior produced outside (as well as much earlier) of economic discipline.

Humanomics, in addition to models, mathematics, statistics, and experiments, takes seriously:

the news on the Rialto, the rhetoric of the chat rooms in controlled experiments, the sober testimony of businesspeople at Rotary meetings, the gossip of the Kaffeeklaltsch, the findings of interspecies experiments, the results of value alignment in AI, the politics on the stump and in the cloakroom, the ethical and epistemological ruminations about suitable categories, the stories of historians, the reflections of theologians, the introspections of poets and philosophers, the surveys of public opinion, the wisdom of the visual arts and of songs, films, plays, novels, poems, operas, and Grand Ole Opry” (McCloskey 2021, p. 3).

This need not be paralyzing, though, or anti-specialization. McCloskey’s point is that economics should teach not just not the value of specializing and the “pilling up specialized products in the backyard,” but of complete picture including both specialization *and trade*: “An economist dismissing the transcendent purposes of economic actors, ignoring their talk, and treating them like ants to be observed, isn’t trading with other human knowledge” (McCloskey 2021, p. 5).

Although McCloskey would argue that Adam Smith had already practiced humanomics in his time,² today it has sparked rethinking of many things’ economists take for granted (McCloskey and Silvestri 2021). The reintroduction of the human being in total into economics has already produced a variety of new approaches to old issues.

For example, Bart Wilson (Wilson 2022, 2023) takes the ambitious step of attempting to reframe the origins of property rights and division of labor from a humanomics perspective. Wilson stands against the current positivist paradigm, where “Economists and political scientists tend to think that [sic] about institutions [such as property rights] as impositions from the external world on the individual” (Wilson 2022, p. 6). In that view, “it is not the hunters who are to blame [for skinning baby seals alive], but the regulations governing seal hunting that impose communal right” (Wilson 2022, p. 13). Engaging with the cases found Elinor Ostrom, such as “cases when people *with the same particular structure of property rights* do not do the equivalent of skinning baby seals alive” (italics original), would require recognizing ideas and ethics, not calculated outcomes, as the source of property rights (Wilson 2022, p. 13). “Our minds classify physical things with abstract concepts like MINE and YOURS, and moral sentiments prompt us to make claims like “It’s mine!” (Wilson 2022, p. 12). Sentiments, not the predicted efficient outcomes of a property right regime lead to human action.

The “temptation for Samuelsonian economists” is to say that “People want to live in a place with other people for all the stuff they can get out of living with other people” (Wilson 2022, p. 17), again turning the calculus of outcomes of human actions into the origins of it. But “as hard as it may be for some economists to read, human beings want to live with other human beings because we actually take pleasure in being in the company of our fellow human beings” (ibid.). The division of labor is an unintended outcome of (1) people wanting to live in a place with other people; (2) recognizing that other people will not simply give them things they want; (3) exchanging things with other people to get what they want; and (4) thus doing different things (ibid., p. 16). In other words, the effect—division of labor—is several steps removed from the cause—people gravitating to live together given what kind of species they are.

Nick Cowen extends the approach further, employing the Humanomics-type rethinking to integrate John Rawl’s *Theory of Justice* with Adam Smith’s *Sentiments* (Cowen 2021). Rawls dismissed economic activity as bearing no relevance to moral cultivation or consideration. One reason for Rawl’s dismissal of economics is precisely the mechanistic, technical conception of a man who processes given resources and given ends to produce best outcomes which does not require engagement with moral concerns in his actions. Since it’s not the material outcome produced by a social institution which matters most for Rawls, or, Cowen argues, Adam Smith, but rather the moral status and social distinction that stems from participation in that institution, there is no moral ground for basic economic liberties without attributing moral status to economic actions. But if Smithian account of commercial activity as morally improving (especially in terms of trust and tolerance) is right, Rawlsian basic liberties can be extended to include a set of economic liberties.

For McCloskey, it is in humanomics, which she says she was groping since she was in secondary school, long before the term was coined, that we find the necessary and *sufficient* condition that gave rise to the Great Enrichment in the West. In short: it’s not just trade, property rights, patents, capital accumulation, or even entrepreneurial psychology (all of which existed much earlier in China and other places than 17th century Europe). It’s also not just the English common law, sailing technology, or ancient Germanic traditions (McCloskey 2021, p. 74) that created the economic miracle of the last few centuries. Many of these, were necessary, but certainly not sufficient. The sufficient condition for what she calls commercially tested betterment came from change in the “ideas, words, rhetoric, [and] ideology” that lead to human action (McCloskey 2021, p. 72), or what in other works she calls Bourgeois Revaluation of commerce and betterment (McCloskey and Carden, p. 171). Humanomics, with its integration of human ideas, ethics, ideology, can explain a transformation like the Great Enrichment, and what happened in northwestern Europe. Indeed, McCloskey concludes, the Great Enrichment itself with the economic, cultural, political, and social developments “is a case study in humanomics” (McCloskey 2021, p. 74).

HUMANOMICS AS AN ECONOMIC DISCIPLINE

Adam Smith observed that “Every animal was by nature ... endowed with the principle of self-love” (Smith 1750, sec. Seventh. II. II.). But while the primary principle for human beings, like any other animal, might be self-love there is fundamental difference. Although pigeons and rats might be the rational maximizers, of traditional economic models, only humans “exhibit *meaning* in their courage, temperance, justice, faith, hope, and love,” all equally if not more important if we are to understand how and why they act (McCloskey 2022, pp. 83-84).

When chimpanzees (or for that matter any other animal) “feel hungry, they want fruit, right here, right now. And when they see things like a tool or a mate, they also want them, right here, right now. Great ape psychology is of and in the moment. They do not think abstractly beyond the here and now. Human beings think abstractly about the ordinary business of life” (Wilson 2022, pp. 14-15).

In other words, we contemplate what good life is and our dreams to achieve it and then act. “When we do something, we think about how we can do it well, and because of this, we can do much more” (Wilson 2022, p. 15). Frank Knight asked how much of human life is about “using given means to achieve given

ends?” (Knight 1924, p. 96). His answer, Smith and Wilson sum up, is very little. For humans it is more about exploring and discovering values rather than merely optimizing their consumption (Smith and Wilson 2019, p. 55).

While the traditional incentives studied by economists drive much of human action they do so alongside “... identity and justice and love and other matters not reducible in a serious empirical study to Prudence Only” (McCloskey 2022, p. 82). Meaning that the view that they only react mechanistically and rationally to incentives, which are in turn shaped by institutions, is sufficient to social science, but not to understanding human action itself.

Instead of a mechanistic approach to methodology, the functional anthropology of humanomics becomes a way of recentring these discussion around human beings and adding richness and context the overly abstract methodological approaches of conventional economics.

Trying to explain human action with only utility maximization subject to constraints ends up with circular reasoning. In behavioral experiments, the “invisible force” of the sentiment is both the cause and the effect at the same time (Smith and Wilson 2019, p. 59). As they put it:

‘Why did the proposer [in the Ultimatum trust game] offer \$5 to the responder?’
 ‘Because it’s fair.’
 ‘What is a fair outcome in the ultimatum game?’
 ‘The proposer offers \$5 to the responder’ (Smith and Wilson 2019, p. 59).

Behaviorists “assume” that which needs to be explained—*why* people experience, for example, inequity as if they themselves were worse off, not just that they do (Smith and Wilson 2019, p. 54). Such reasoning is not limited to preferences or sentiments, but also to constraints. Since all humans are construed in most traditional approaches as “Mr. Max U, a narcissistic sociopath intent on maximizing his utility subject only to the constraint of the rules of the game” (McCloskey 2022, p. 12), the only variable left in the model to explain phenomena like cooperation, society, progress, or the Great Enrichment itself are “the rules of the game” that set up incentives directing the utilitarian maximizers towards desired outcomes.

If rules of the game include property rights, contracts, rule of law, then—according to the neoinstitutionalist idea of Douglas North (North 1986) or Daron Acemoglu and James Robinson (Acemoglu and Robinson 2012)—the Max U humans start cooperating and producing economic growth. Appropriate rules (institutions), in this view, are necessary and sufficient conditions.

While economists are right to list institutions as essential to understanding human action there is a temptation to do as, another institutionalist Douglas Allen did (Allen 2012) according to McCloskey’s account; “nam[ing] every human interaction, from rule of law ... to families and customs. ... Every social thing is gathered under the I-word—markets, cities, families, languages, symbolic systems, habits, beliefs, laws, passions, rhetoric, philosophies, ethics, ideology, religions, whatever. So, society causes society, which is hard to dispute” but does little to expand our understanding what drives human action (McCloskey 2022, p. 79). This critique does not deny the relevance of institutions, formal or informal. Instead, it calls for more complete accounts of how they emerge and acquire significance. The Austrians (particularly Hayek’s work on dispersed knowledge and spontaneous order) influenced influencing Douglass North’s recognition of the centrality of informal institutions and tacit knowledge (North 1986; Hayek 1945). The Humanomics project, like the Austrian tradition it draws from, adopts a fundamentally anti-formalist stance and in so doing emphasizing description over prescription.

Some including, Avner Greif and Joel Mokyr, call McCloskey’s criticism misplaced because the literature, they say, has long acknowledged that individuals have to be motivated to follow, not ignore the rules (Greif and Mokyr 2016). By motivation, however, they mean “incentives broadly defined to include expectations, beliefs, and internalized norms,” to which McCloskey responds:

Uh-huh. If you define ‘incentives’ so broadly that they include ‘expectations, beliefs, and internalized norms,’ then you can fit into them any evidence you wish without scientific content. ... If ‘motivation’ is anything that humans do, the nothing is gained scientifically by saying that they respond to motivation. Of course they do (McCloskey 2022, p. 137).

If ideas are helpless without institutional enforcement normativizing them, the onus on is to explain how mere words like “All men are created equal,” or “government of the people, by the people, for the people,” or “I have a dream” can have such a decisive effect in shaping people’s minds and driving them to implement “glorious ideals” like slowly killing the remaining racism (McCloskey 2022, p. 80). Or how the rally cry of “Engage the enemy more closely” in the Trafalgar achieves an enthusiastic cheer from the crew with no offers of money or threats of court or lash. (McCloskey 2022 p. 82). Or how sweet talk, especially persuasion of supervisors, managers, advisors, salespeople, professors, lawyers, and multiple other professions account for at least ¼ of income in US, according to McCloskey and Klamer (McCloskey and Klamer 1995). Or how come the mission of *Saving Private Ryan*, which is bizarre on utilitarian grounds (seven people against one) evokes the sympathy of the troops towards a grieving mother and willingness to risk their lives in the name of it. Instead, the driving force of the mission is soldiers’ honor and identity, not calculation of outcomes, incentives to follow orders (McCloskey 2022, pp. 162-164). Meaning, metaphors, stories, identity, ethics, talk, free-will—not incentives, payoffs, constraints, or preferences are at the root of human action. (McCloskey 2022, p. 120).

For a those arguing that incentives and institutions are at the core of human action, a traffic light is like “a fence, a constraint, a rule of the game.” But for human beings even the red light, irritating or not, has meaning like the presence of civilization and the ever-contested legitimacy granted to the state that civilization entails.” A devout rule follower will not cross it even at 3:00 am with no police, cameras, or other cars insight, “Incentives be damned.” On the other hand, “for a principled social rebel, or a Bostonian, or indeed for a sociopath, the light is a challenge to his autonomy, a state sponsored insult” (McCloskey 2021, p. 47-48).

One example from, Daron Acemoglu and James Robinson postulates that the reason for absenteeism from work among Indian nurses was the result of inappropriate institutions. Right institutions (time clocks) would have pulled them back to work (Acemoglu and Robinson 2012). “They didn’t,” McCloskey says. “The nurses conspired with their bosses in the hospitals to continue not showing up for work.” But it was “lack of an ethic of self-respecting professionalism” not a market failure creating institutional structure that drove their actions (McCloskey 2022, p. 106).

Douglas North commends Clifford Geertz’s example (Geertz et al. 1979) of how caravan trade was made possible in Morocco around 1900 by informal constraints against robbing the caravan with no organized state supervising it, presumably demonstrating the constraining power of an informal institution (North 1991). But “North misses the non-instrumental, non-Max U language” of Geertz, McCloskey notes:

The toll for safe passage ... Geertz [said in explicit rejection of Max U], was ‘rather more than a mere payment,’ not, that is, a mere monetary constraint, a budget line, a fence, an incentive, an ‘institution’ in reduced definition of Samuelsonian economics. ‘It was part of a whole complex of *moral rituals*, customs with the force of law and the weight of sanctity’ (McCloskey 2022, p. 117-118).

Despite this critique it is clear that lurking in the background of North’s understanding of institution is at least an Austrian adjacent view of the actions of individuals and emergent institutions that come with them.

HUMANOMICS AND HUMAN ACTION

If we find, as McCloskey, Wilson and Smith, and a myriad of others have these explanations inadequate, or at least incomplete what are we then to do? Here again the Austrian conception of human action, and their understanding of subjective value that the emergent desire to reintegrate the human sentiments into our economic understanding becomes an important part of bridging our understanding of McCloskey and Wilson and Smith and the common functional anthropology their conception of humanomics reintroduces into economics more generally.

Beginning with that first idea that the core of economics is that human acts and coupling with a reality described by Frank Knight (1924, p. 126) that they describe as, “Humans respond to meaning” (Smith and Wilson 2019, p. 63), we can begin an examination not devoid of incentives or institutions but rather where the human sentiments drive human imprecise and context dependent as they are. Integrating those sentiments into our understanding of why, how, and if humans act coupled with the incentives and institutions where those actions occur, replaces the mechanistic utility maximizer with something that more closely resembles and actual person, operating within a context, and with myriad and often conflicting desires.

What counts as fair or unfair, for example, depends on the context of the situation. The meaning that acting individuals attach to the situation and our ability to interpret that meaning as the source of action or decision become core to our understanding. In his discussion of rationality in his 2003 *Constructivist and Ecological Rationality in Economics*, Smith suggests just this sort of understanding that could be used by the economist in their exploration of human behavior. Smith distinguishes between *constructivist* rationality (associated with deliberate optimization under fixed constraints) and *ecological* rationality (which emerges from human interaction over time without central design) (Smith 2003). Smith’s focus, rooted in understanding the difference between constructed rational understanding and emergent understanding, is heavily influenced by an Austrian understanding and F. A. Hayek in particular (Smith 2003; Hayek 1945). Smith’s concept of ecological rationality recalls Hayek’s insights in “The Use of Knowledge in Society” (1945) where order arises not from central (or even formal) planning but from individuals acting on local, often contextual knowledge. Smith’s framework can be seen as one of the most Austrian articulations of modern experimental economics, providing a conceptual bridge between laboratory observation and the Austrian theory of emergence.

The distinction he draws is Hayekian in its framing focused on dispersed knowledge and the spontaneous order of market processes. The tension seemingly observed between pursuing self-interest and regarding others as we make choices ceases to be irreconcilable when we place human sentiments back at the center of human action and examine those choices with that understanding in mind. As Wilson and Smith observe, in “[Adam] Smith, there is no unresolved observed contradiction between people pursuing their own interest, say in money, and choosing actions that are other regarding. One’s own interest includes living harmoniously and ethically with others and choosing socially fit actions” (Smith and Wilson 2019, p. 11).

The self-love Adam Smith describes as at the core of motivating human behavior was not the strawman of “greed is good” attributed to him by his least charitable interpreters, but rather a core motivation that when filtered through interaction with one’s impartial spectator provides us with a clearly human approach to making choices. When he said that it is from butchers, bakers, or brewers regard to one’s own interest that we expect our dinner, not their benevolence, he meant that that interest while primary could only be accomplished through a fundamental equality of the market place participants were “not expecting by lordly right to take without recompense, or by a beggarly lack of dignity to receive without recompense.” Instead, Smith starts with and understanding of the motivation of human action by individuals and takes full account of the reality of the human sentiments. As McCloskey and Carden observe, “You and the baker and butcher are equals in Smith’s view. To pay your way is to respect equal dignity” (McCloskey and Carden 2020, p. 177). Smith’s conception pushes those sentiments into the decision process and transform-

ing what might be otherwise viewed as a primarily mechanistic decision into a distinctly individual and human one where that equality dignity is active.

As a humanomics understanding of human action suggestions, Adam Smith saw no need to map *all* human motivation for action on a single preference-maximization scale. Human beings do pursue their self-interest, but they also consider other people's interests, precisely because they exist within a context and the reality of being human influences those choices, within the institutions and incentives they face. The impetus to subsume the latter under the former is an artifact of modeling rather than a scientifically validated result.

Replacing reflection on the outcomes and choices, with an understanding of that human's act, and exploring the motivations for those actions in full form provide a far better, and comprehensive understanding than simply rely on the abstractions that have removed the sentiments from our understanding. Instead, we find in the Smithian roots and Austrian influence as well as in the connections drawn by Wilson, Smith, and McCloskey an intellectual grounding that incorporates a functional anthropology missing from conventional models.³ In contrast to the mechanistic and formalist approaches that dominate much of economic theory, Humanomics reclaims the economist's role as interpreter: describing human action as it unfolds in meaningful, relatable contexts, not prescribing outcomes from the top down.

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NOTES

- 1 For example, two distinct narrative treatments attribute the effort and responsibility for doubling the potential payoffs of the game to either Player 1 or Player 2 (which is not, as Smith and Wilson notice, what economists call a “framing” effect, because the narratives are not logically equivalent). The results clearly demonstrate how attributing effort affects the beneficence of the actor tasked to decide who gets the higher outcome. In other words, even if a Player can otherwise receive a higher payoff himself, his desire to reward the partner whose effort made the payoffs possible in the first place (in most cases) prevails. See Smith and Wilson (2019, pp. 195, 175-187).
- 2 In the same interview, McCloskey joked that the first annual prize for best work in Humanomics which she and Bart Wilson, the coiner of the term, established, would have to go to Adam Smith. (McCloskey and Silvestri, 2021).
- 3 McCloskey’s emphasis on rhetoric, narrative, and the moral dimension of human action resonates with earlier calls for a hermeneutic turn in economics. The most notable of those recently came from Don Lavoie (1991), who argued that economic understanding depends not only on structural models but also on grasping the interpretive frameworks individuals employ to make sense of the world. Kenneth Boulding (1969) similarly expresses a vision of economics as a “moral science” that emphasizes symbolic communication as central to action. While this paper does not formally adopt a hermeneutic methodology, the descriptive and anti-formalist orientation overlaps with that tradition to an extent. The emphasis on human meaning, moral reasoning, and narrative coherence in Humanomics is a natural continuation of those earlier insights.

Abstracting Less, Understanding More: Two Smiths, One Interpretive Turn

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Abstract: The analytical framework developed by Vernon Smith through experimental economics validates key theoretical insights about interpretation and meaning that Adam Smith originally articulated. Through systematic analysis of Vernon Smith's experimental research program, three fundamental aspects emerge that characterize this interpretive approach: the role of shared meanings in exchange, the contextual nature of economic knowledge, and the importance of interdisciplinary engagement. Experimental research has provided robust empirical evidence for these principles, particularly through studies of market institutions, property rights evolution, and social exchange. The convergence between classical political economy and modern experimental methods suggests important directions for future economic research, particularly in understanding how social context and intersubjective meanings shape economic outcomes.

I. INTRODUCTION

The relationship between theory and empirical evidence in economics has evolved significantly over the past half-century, particularly in how economists understand the role of interpretation and meaning in economic behavior. While mainstream economics has traditionally emphasized formal mathematical models and macro-level quantitative analysis, a growing body of research suggests that understanding economic phenomena requires greater attention to how actors interpret their social and institutional context. This paper examines how Vernon Smith's experimental research program has provided robust empirical validation for theoretical insights about interpretation and meaning that were initially articulated by Adam Smith, demonstrating convergence between classical political economy and modern experimental methods.

Recent developments in experimental economics have highlighted the limitations of treating economic agents as purely rational maximizers operating in an asocial context. These observations have led some leading scholars to call for paternalistic measures to address the flaws in human rationality (Thaler and Benartzi 2004; Chetty et al. 2014; Sunstein and Thaler 2003; Rizzo and Whitman 2019). Experimental economics has methodologically contributed to these critiques of price theory, but Vernon Smith's work accepts these methods and offers an alternative model of rationality that implies very different policy prescriptions. His theory of rationality aligns with earlier theoretical work in Austrian economics and economic sociology that emphasized the interpretive dimension of economic action. However, while mainstream economists often dismissed these theoretical perspectives as unscientific, experimental methods have provided rigorous empirical evidence for many of their core claims.

This convergence between experimental findings and interpretive theory raises important questions about the nature of economic knowledge and the appropriate methods for studying economic phenom-

ena. In particular, it suggests the need to reconsider how economists conceptualize rationality, market efficiency, and institutional development. Rather than treating these as purely technical matters amenable to formal modeling alone, the evidence increasingly suggests the crucial role of shared meanings, social learning, and both informal and formal institutions in shaping economic outcomes. In contrast, as Wilson (2025, p. 151) points out, “Samuelson’s foundations of economic behavior cannot distinguish the cause of someone’s action from the consequences of their action, which means that the consequences of our actions hang in the air without explanation.” We need explanations of human behavior that cohere with the agent’s understanding of their actions.

The interpretive turn in Austrian economics, also known as Austrian hermeneutics, is a shift towards emphasizing the role of interpretation, meaning, and context in economic theory. This approach draws on insights from hermeneutics, a theory and methodology of interpretation, to understand economic phenomena. Key aspects of the interpretive turn include: 1) Recognizing the importance of shared meanings and intersubjective understanding in economic action (Lavoie and Storr 2011; Storr 2010). Economic actors rely on cultural frameworks and social rules to interpret and navigate the economic landscape (Storr 2013). 2) Drawing on hermeneutic philosophy and emphasizing the situated, contextual nature of economic knowledge (Lavoie and Storr 2011; Storr and Choi 2019), Austrian hermeneutics examines how interpretive communities shape economists’ understanding (Boettke 2011) while advocating for a meaning-centered, culturally-attuned approach (Dienstag 2016a) that illuminates the social embeddedness and contextual rationality of economic life (Lewis and Chamlee-Wright 2008; Stein and Storr 2023). 3) Engaging with insights from the humanities and social sciences to enrich economic understanding with thick descriptions of institutions and human decision-making (Chamlee-Wright 2011; Storr 2011). This interdisciplinary approach helps capture the complexity of human action (Dienstag 2016b). Many Austrians did not and do not take these insights seriously (Storr 2011). This article argues that these ideas, firmly rooted in Adam Smith, have gained greater appreciation and respect in the mainstream of economics through the works of Nobel Laureate Vernon Smith.

Experimental economics, through its empirical findings, challenges the traditional rational actor model by demonstrating that individuals often behave in ways that deviate from strictly pecuniary rationality. Hermeneutics also questions the assumptions of rationalism by emphasizing the role of interpretation, meaning, and context in human behavior. Both approaches advocate for a more nuanced and realistic view of human action. Smith and Wilson (2019, p. 11) highlight this point clearly, saying:

Sentiments provide a framework that well prepares us to examine and study context to understand social processes and directs us away from focusing only on outcomes and their payoffs, whose social meaning can only be derived from the context. Although the intellectual route has been much different, focusing on the consequences of actions describes much of the recent history of piecemeal learning in experimental economics. Sentiments, I contend, integrate our modern relearning into a consistent whole. Smith’s model is consistent with the contemporary findings in experimental economics and does not require modification in the light of evidence. Sentiments do, however, require a contemporary interpretation in their applications to modern findings.

Vernon Smith’s empirical findings have validated key theoretical insights about interpretation and meaning in economic behavior. I focus on three fundamental aspects that characterize the interpretive approach: the role of shared meanings in exchange, the emergence of rationality through social interaction, and the importance of interdisciplinary engagement. By examining how these themes manifest in experimental research on market institutions, property rights evolution, and social exchange, I demonstrate how modern empirical methods have confirmed theoretical perspectives that were long forgotten in mainstream economics and marginalized among some Austrian economists.

This idea’s implications extend beyond the specific findings of experimental economics to raise broader questions about the nature of economic theory and methodology. If economic behavior is fun-

damentally interpretive and socially embedded, this suggests the need for research approaches that can capture these dimensions while maintaining scientific rigor. This paper's convergence between classical political economy and modern experimental methods indicates promising research directions, particularly in understanding how social context and intersubjective meanings shape economic outcomes.

The article proceeds as follows. First, I explore the roots of interpretive economics through the overlap between Adam Smith and Vernon Smith in Section 2. Then I explore Vernon Smith's contributions to the literature on shared meaning and intersubjective preferences in Section 3. This knowledge is situated within a particular context as articulated in Section 4. Then, I describe the interdisciplinary strands of Vernon Smith's research in Section 5. The article in Section 6 closes with a call for economists to interpret human behavior differently.

II. THE INTERPRETIVE TURN OF ECONOMICS FROM ADAM SMITH TO VERNON SMITH

Adam Smith's work, particularly in *The Theory of Moral Sentiments* and *The Wealth of Nations*, presents a sophisticated understanding of the socially embedded nature of economic activity (Smith 1998). His work anticipates several key themes in contemporary interpretive and institutional economics.

First, in *The Theory of Moral Sentiments*, Smith (1853) develops a theory for understanding how shared meanings emerge through social interaction. His foundational insight is that moral and economic judgments arise through intersubjective validation: "Every faculty in one man is the measure by which he judges of the like faculty in another. I judge of your sight by my sight, of your ear by my ear, of your reason by my reason, of your resentment by my resentment, of your love by my love. I neither have, nor can have, any other way of judging about them" (1853, p. 23). Smith establishes the epistemological premise that knowledge is at least in part inherently social and interpretive.

Smith elaborates on this theoretical framework by analyzing how general rules of conduct emerge from social interaction. He argues that "Our continual observations upon the conduct of others insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided" (1853, p. 184). Crucially, these rules become internalized as "a sense of duty, a principle of the greatest consequence in human life, and the only principle by which the bulk of mankind are capable of directing their actions" (1853, p. 188).

The institutional dimension of this intersubjective understanding is apparent in Smith's economic value and exchange writings. In *The Wealth of Nations* (1904), Smith argues that value itself is socially constructed through his observations of the inhabitants of Cuba and St. Domingo, who "used to wear little bits of gold as ornaments in their hair and other parts of their dress. They seemed to value them as I would do any little pebbles of somewhat more than ordinary beauty" (p. 73). Economic value derives from shared social understanding more than inherent properties. The physical properties of gold indeed make it a more desirable medium of exchange than milk, but this is not a sufficient condition for the social convention to emerge.

The theoretical sophistication of Smith's framework is further evident in his assertion on the relationship between law and social expectations. In his *Lectures on Justice, Police, Revenue and Arms*, Smith (1869, p. 7) argues that "The foundation of contract is the reasonable expectation, which the person who promises raises in the person to whom he binds himself." He uncovers how legal institutions themselves rest on a foundation of shared social understanding of institutions.

Moreover, Smith provides a theory for understanding how these shared meanings evolve through social interaction. His observation that "Human society, when I contemplate it in a certain abstract and philosophical light, appears like a great, an immense machine, whose regular and harmonious movements produce a thousand agreeable effects." Smith (1853) suggests a systematic understanding of how social institutions emerge from individual interactions. Humans in this framework are not like chessboard pieces to be freely moved or unbounded from societal rules and emergent conventions.

Regarding language formation, Smith (1853, p. 507) argues that even rudimentary communication requires social coordination, saying “Two savages, who had never been taught to speak, but had been bred up remote from the societies of men, would naturally begin to form that language by which they would endeavour to make their mutual wants intelligible to each other.” The language generated through this process may be limited by the individual’s physical abilities to create words or hear the speech of others. Still, the emergence of language is a spontaneous order.

This insight has found robust empirical support in contemporary behavioral economics. Vernon Smith (2018) confirms how Smith’s concept of fellow feeling provides crucial insights into experimental results that defied an overly simplistic model of rational choice theory. Additionally, Smith’s theory of moral sentiments provides crucial insights into experimental results involving trust and cooperation (Smith and Wilson 2017).

Vernon Smith (2024, p. 4) demonstrates how Adam Smith’s understanding of shared meanings and social interpretation continues to illuminate contemporary economic behavior, saying, “Whatever might cause our sympathy, or to excite it, nothing surpasses the mutual simultaneous pleasures of fellow-feeling with another.” This interpretation is further developed in Vernon Smith (2013b), which demonstrates how Smith’s concept of the impartial spectator facilitates the understanding of how economic actors develop shared notions of fairness and proper conduct.

Second, Adam Smith’s work presents rationality not as an innate cognitive trait but as an emergent property arising from social interaction within institutional contexts. This theoretical framework, articulated in *The Theory of Moral Sentiments*, begins with a fundamental observation about human development: “Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct... than of the beauty or deformity of his own face” (1873, p. 129). Smith establishes the foundational premise that rational judgment requires social context.

Smith develops this insight through several interconnected arguments. First, Smith demonstrates how commercial interaction generates rational economic behavior, noting in *Lectures on Justice, Police, Revenue and Arms* (Smith 1869, p. 254) that “When people seldom deal with one another, I find that they are somewhat disposed to cheat... When a person makes perhaps twenty contracts in a day, he cannot gain so much by endeavouring to impose on his neighbours.” Second, he extends this to intellectual development itself, arguing that “Genius is more the effect of the division of labour than the latter is of it. The difference between a porter and a philosopher in the first four or five years of their life is, properly speaking, none at all. When they come to be employed in different occupations, their views widen and differ by degrees.”

In *The Wealth of Nations*, Smith (1904, p. 175) further demonstrates how rational economic conduct emerges through social coordination, observing that “foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew.” These arguments anticipated Hayek’s (1945) later observations about how competitive market systems generate knowledge unknowable to solitary individuals and central planners.

Two key observations further elaborate the social and institutional dimensions of rationality. First, Smith (1853, p. 263) argues in *The Theory of Moral Sentiments* that “This natural disposition to accommodate and to assimilate, as much as I can, our own sentiments, principles, and feelings, to those which I see fixed and rooted in the persons whom I are obliged to live and converse a great deal with, is the cause of the contagious effects of both good and bad company.” Second, Smith (1869, p. 253) notes in *Lectures on Justice, Police, Revenue and Arms* that “It is commerce that introduces probity and punctuality... These virtues in a rude and barbarous country are almost unknown.”

This theoretical framework has found robust empirical support in contemporary behavioral economics, as clearly articulated by Vernon Smith (2005a, p.143):

To paraphrase Adam Smith, people in these experiments are led to promote group welfare enhancing social ends that are not part of their intention. This principle is supported by hundreds

of experiments whose environments and institutions (sealed bid, posted offer and others besides CDA) may exceed the capacity of formal game-theoretic analysis to articulate predictive models. But they do not exceed the functional capacity of collectives of incompletely informed human decision makers, whose autonomic mental algorithms coordinate behavior through the rules of the institution—social algorithms—to generate high levels of measured performance.

Both kinds of rationality have influenced the design and interpretation of experiments in economics. Thus, if people in certain contexts make choices that contradict our formal theory of rationality, rather than conclude that they are irrational, some ask why, reexamine maintained hypotheses including all aspects of the experiments—procedures, payoffs, context, instructions, etc.—and inquire as to what new concepts and experimental designs can help us to understand the behavior better. What is the subject’s perception of the problem that he/she is trying to solve?

Smith and Wilson (2018) show how seemingly irrational behavior in ultimatum games reflects deeply embedded social norms. Vernon Smith (2018) provides a comprehensive theoretical synthesis, further developed by Campbell and Smith (2021), showing how bounded rationality emerges from social interaction rather than pure individual calculation.

Vernon Smith (2020) and other prominent economists (McCloskey 2016) have challenged the neo-classical focus on individual utility maximization, validating Adam Smith’s original insight that rational economic conduct develops through social interaction within institutional frameworks. Adam Smith showed that economic knowledge is an emergent property. In *The Theory of Moral Sentiments*, Smith articulates a theory of economic behavior that emphasizes its inherently interpretive nature, arguing that economic understanding develops through what he terms the “impartial spectator,” a socially constructed lens through which individuals evaluate their conduct. Smith argued that when an individual “views himself in the light in which he is conscious that others will view him, he sees that to them he is but one of the multitude... If he would act so that the impartial spectator may enter into the principles of his conduct...he must...humble the arrogance of his self-love” (Smith 1853, p. 97).

In *The Wealth of Nations*, Smith extends this social-institutional framework to market behavior, demonstrating how economic knowledge is embedded within trust and social understanding networks. His famous observation about the butcher, brewer, and baker illustrates this point. While we appeal to their self-interest, this appeal requires sophisticated social knowledge about “their advantages” rather than “our own necessities” (1904, p. 118). This contextual understanding is further elaborated in his observations of banking, where he notes that currency value depends on social “confidence in the fortune, probity, and prudence of a particular banker.”

Smith’s *Lectures on Justice, Police, Revenue and Arms* expands this theoretical framework by examining the institutional foundations of economic knowledge. His observation that “Property and civil government very much depend on one another” (1969, p. 8) exemplifies his understanding of how economic institutions are embedded within political frameworks.

These ideas have been systematically developed and empirically validated in Vernon Smith’s research program. Vernon Smith (2010b) explicitly connects experimental findings to Adam Smith’s understanding of how economic knowledge emerges from social exchange. This theoretical bridge is extended in Vernon Smith (2013a), which corroborates how Adam Smith’s model of social behavior provides crucial insights into experimental results that defied traditional game theory predictions.

The methodological implications of this theoretical lineage are explored in Vernon Smith (2005a), which systematically documents how economic knowledge emerges through actual social interactions rather than abstract theoretical reasoning. The empirical validation of Adam Smith’s original insights is further developed and shows how classical price formation theory, grounded in social interaction and contextual knowledge, better explains market behavior than neoclassical assumptions of perfect information (Inoua and Smith 2022). Most recently, Vernon Smith (2024) analyzed how Adam Smith’s theory of economic behavior was embedded within a broader framework of social understanding and moral sentiment.

Third, Vernon Smith's interdisciplinary scholarship exemplifies productive integration of moral philosophy, psychology, and economics (Smith 2018; Jaworski et al. 2010), particularly through his experimental economics program that draws on Smithian insights (Smith 1986) to explain deviations from neoclassical predictions (Smith 2020). His work emphasizes how Adam Smith's framework illuminates the emergence of market rationality through social interaction, even absent complete individual understanding (Smith 2015b), while demonstrating how social rules and institutions shape economic behavior (Smith 2005a).

Through their complementary analyses, Adam Smith and Vernon Smith demonstrate how economic behavior emerges and remains embedded in complex social contexts, shaped by shared meanings, institutional frameworks, and evolutionary learning processes. Smith (2020, p. 344) says:

we summarize and review Adam Smith's (1759; hereafter TMS) non-utilitarian model of human sociability and apply it to simple two-person trust and ultimatum games. Smith's model was based on inferred causal sources of individual action that had observable consequences, and he was always quite clear that he was modelling the agent's experience of his/her relationship with other agents. Those relationships had important consequences for the welfare, stability and efficacy of society that he pursued in TMS.

This rich understanding continues to inform interpretive approaches to economic analysis.

The Austrian critiques of positivist economics during the 1970s were not a departure from the mainline tradition of political economy (Boettke et al. 2016), but were instead rooted, perhaps unknowingly, in Adam Smith's understanding of human nature. Nevertheless, I contest the position advanced by Lavoie that this perspective "could be put on a more solid philosophical foundation if Austrians employed Gadamer's philosophical hermeneutics (Storr 2011, p. 85)." Instead of sowing the seeds of dissatisfaction with positive economics through Gadamer and Habermas, Austrian economists should have pursued a deeper engagement with Adam Smith's work. I acknowledge the concerns raised by Vaughn (1998, p. 133) that, "hermeneutics makes the old arguments for the unchallenged supremacy of the free market open to challenge." Positivism seemed to be a powerful theory to defend the market order. The more formidable threat to market theory did not emerge from George Mason University economists, but from Kahneman et al. (1990), who received the Nobel Prize in the same year as Vernon Smith. Kahneman employed market mechanisms, including double auctions, to undermine the notion that trade eliminates the endowment effect, as the Coase theorem suggests. In response, Smith (2005a, p. 136) argues,

The inference [by Tversky and Kahenman] ignores the demonstrated capacity of motivated subjects to find equilibrium outcomes by repeat interaction in market experiments without cognitive awareness of this capacity, and their capability of achieving better outcomes in two-person anonymous trust interactions than if they applied traditional game-theoretic principles... Predominantly both economists and psychologists are reluctant to allow that naive and unsophisticated agents can achieve socially optimal ends without a comprehensive understanding of the whole, as well as their individual parts, implemented by deliberate action.'

Smith's stance is unambiguous. The problem lies not with the ecological rationality of agents but with the oversimplified models employed by paternalists and numerous free-market economists. What requires modification are the models themselves, not the agents' rationality. To properly confront the challenges presented by behavioral economics, a more sophisticated framework for understanding human rationality is essential. Humanomics offers the potential to challenge these scholars using their own methodology. For those skeptical about the potential of this research program, review the journals that publish Vernon Smith's work in the reference section of this paper.

III. SHARED MEANINGS AND INTERSUBJECTIVE UNDERSTANDING IN ECONOMIC ACTION

Vernon Smith exhibits how shared meanings and intersubjective understanding fundamentally shape economic action, without deploying this philosophical jargon. Instead, his theoretical perspective, grounded in Adam Smith's concept of the impartial spectator and mutual sympathy, illuminates how economic actors develop shared understandings through social interaction, challenging conventional frameworks focused solely on individual utility maximization. Smith and Wilson (2019, p. 11) say,

The core message we develop from *Sentiments* is that humans are other-regarding in their personal interactions because we learn to follow rules of conduct that permit us to live in the company of our fellow human beings. Such rules are situation-sensitive to the effect of our actions on the benefits and hurts of others, as well as to our own self. The human capacity for fellow feeling, in particular for mutual fellow feeling, is the primary mechanism through which we are socialized creatures.

Before proceeding, it is important to clarify the relationship between two key concepts: the social aspect of rationality as revealed in experimental settings, and the interpretive processes through which shared meanings are constructed and deployed. While these are analytically distinct, they are fundamentally interconnected. As Lavoie and Chamlee-Wright (2000) demonstrate, all rational deliberation occurs within cultural parameters, and what appears as rational depends on cultural understanding rather than asocial calculation. Economic decision-making is inherently interpretive—entrepreneurs must read complex social texts rather than simply respond to objective signals. The social rationality observed in experimental economics emerges precisely through these hermeneutical processes, as economic actors navigate meaning-rich environments using culturally embedded interpretive capacities (Lavoie and Chamlee-Wright 2000).

Laboratory studies demonstrate the role of shared meanings in economic behavior. Kimbrough et al. (2010) display how participants develop common interpretations of legitimate possession, exchange practices, and cooperative norms through social interaction and dialogue. In ultimatum games where participants have exit options, actors quickly develop mechanisms for more even distributions than game theory suggests (Weg and Smith 1993).

The significance of shared meanings manifests distinctly across personal and impersonal exchange contexts. Research uncovers how experimental subjects construct shared conventions and mutual understanding around property rights and exchange relationships, with different intersubjective frameworks emerging in village-level personal exchange versus merchant-room impersonal exchange (Smith 2011; Crockett et al. 2009). More broadly, social distance and recognition influence economic decision-making (Hoffman et al. 1999).

Market interactions emerge as a crucial site for the development of shared understanding. Smith (1999) demonstrates how traders develop common expectations through market experience, with shared trading experience reducing market bubbles and facilitating more efficient outcomes. Far back into his career, Vernon Smith (1976, p. 278) realized that, “The explanation is that with information on each other's payoffs, the way is open for 'equity' considerations to modify self-interest choices.”

Smith's research carefully considers the temporal and cultural dimensions of shared understanding. For example, he argues that hunter-gatherer societies developed sophisticated systems for transmitting shared cultural practices and knowledge (Smith 1992a). Later, Kaplan et al. (2018) revealed how different groups converge on varying levels of cooperative equilibria through repeated interaction. This evolutionary perspective is enriched by Smith (2005b) showing how moral understandings and social conventions emerge through interactive processes. Smith (2003) explains how context gives meaning to outcomes, with actions as signals of rule-following conduct rather than mere utility calculations. Smith (2021, p. 122) says,

The important learning from these experiments is that other-regarding actions trump and robustly survive instructional treatments designed strongly to encourage self-interested actions. This powerful finding demonstrates the strength of human sociability, and robustly falsifies the traditional economic and game-theoretic modeling based on self-interested action.

Vernon Smith shows that economic action is embedded in systems of shared meaning and intersubjective understanding. These shared interpretive frameworks emerge through social interaction within specific institutional contexts, shaping how economic actors understand and respond to market situations, property rights, and exchange relationships. To quote Wilson (2025, p. 123), “Property is a speech act, jointly attended to by other people who have been taught by the previous generation of mentors the circumstances under which I can claim this cow as mine.” Smith and Wilson’s empirical findings have profound implications for economic theory and policy, suggesting that attempts to understand or influence economic behavior must consider the social processes through which shared meanings emerge and evolve.

IV. THE SITUATED AND CONTEXTUAL NATURE OF ECONOMIC KNOWLEDGE

Economic knowledge’s situated and contextual nature emerges as a fundamental principle in the experimental economics literature. Smith (2010b) verifies that economic behavior and understanding cannot be divorced from their social, institutional, and historical contexts, challenging simplistic notions of context-free economic analysis. Social behavior emerges through historically contingent norms rather than abstract game theoretic predictions, as evidenced by systematic empirical analyses of institutional development in distinct cultural contexts (Smith 2010a, 2015a).

Experimental economics affirms the contextual nature of economic knowledge. Houser et al. (2004) demonstrate that minor variations in experimental procedures can produce statistically significant changes in behavioral outcomes, with ultimatum game offers varying from 44.4% to 27.8% based on procedural modifications. This sensitivity to context extends beyond mere procedural variations to encompass broader institutional frameworks, anonymity conditions, and social framing (Hoffman et al. 1994). The path-dependent nature of institutional development becomes clear in Kimbrough et al. (2008), showing how prior institutional experiences significantly impact future economic performance, even when institutional structures are identical.

Economic knowledge develops through practice rather than abstract reasoning. Market participants often achieve efficient outcomes without consciously understanding the equilibrium properties, highlighting the role of tacit knowledge and experiential learning (Smith 2003). Different institutional contexts can produce different behavioral outcomes despite identical underlying economic incentives (Smith 1989).

The social embeddedness of economic behavior manifests in studies of market institutions and exchange contexts. Identical monetary payoffs lead to different behaviors when the social context changes, with variations in group size, resource conditions, and social environment significantly affecting outcomes (Kaplan et al. 2018). The contrast between personal and impersonal exchange contexts provides compelling evidence for how economic knowledge is situated in social relationships (Smith 2011, 1992b). Studies of futures markets demonstrate how institutional frameworks mediate knowledge formation and price discovery (Porter and Smith 1995). In contrast, investigations of different auction rules and market institutions reveal variations based on institutional context (Smith 1986). This contextual understanding extends to developing property rights and other fundamental economic institutions (Smith 1992a).

The methodological implications of this research are significant for experimental economics. Laboratory conditions create contexts that influence subject behavior regarding using other people’s money in experiments (Smith 2010a). The varying outcomes across experimental sessions and between different institutional frameworks demonstrate the importance of considering the context in economic research (Knez et al. 1985).

Economic knowledge is fundamentally situated within and shaped by specific social, institutional, and historical contexts (Smith 2018). This understanding has profound implications for economic theory and policy, suggesting that attempts to develop context-independent economic principles may be fundamentally misguided. Instead, economic inquiry should carefully consider the specific institutional frameworks, social relationships, and historical circumstances within which economic behavior occurs.

V. INTERDISCIPLINARY ENGAGEMENT: ENRICHING ECONOMIC ANALYSIS WITH HUMANITIES AND SOCIAL SCIENCES

Vernon Smith's research program presents a sophisticated interdisciplinary approach to economic analysis, integrating insights from moral philosophy, particularly through engagement with Adam Smith's *The Theory of Moral Sentiments* (Smith and Wilson 2017), while also drawing upon archaeology, anthropology, and biblical studies to understand economic development patterns (Smith 1992a). This methodological pluralism extends to incorporating evolutionary psychology, cognitive science, and neuroscience within experimental economics frameworks for analyzing social behavior and decision-making (Hoffman et al. 1998; Smith 1999) while simultaneously engaging with philosophy, sociology, and institutional work to examine the emergence of property rights and economic conventions (Kimbrough et al. 2010). Through this multidisciplinary approach, Smith illustrates how economic theories emerge through empirical testing and dialogue across interpretive frameworks (Smith 2010b), substantially enriching our theoretical understanding of economic phenomena.

A particularly significant strand of interdisciplinary engagement involves the integration of anthropological and historical perspectives. Vernon Smith presents research about property rights in hunter-gatherer societies and the evolution of legal institutions to inform economic research (Smith 2004), a theme later expounded upon by his frequent coauthor Bart Wilson (2020). This historical-anthropological approach is complemented by engagement with evolutionary psychology and cognitive science, leading to more nuanced understandings of economic behavior and institutional development (Smith 2020). Smith integrates neuroscience, evolutionary psychology, and anthropology insights with experimental economics and classical economic theory (Smith 2003). Interdisciplinary engagement can enhance our understanding of economic phenomena, supporting Hayek's assertion that economic expertise requires knowledge beyond the discipline's traditional boundaries (Smith 2005b).

Interpretive approaches can uncover crucial dimensions of economic behavior that may elude purely quantitative methods, mainly through research that merges experimental economics with qualitative analyses of chat room transcripts (Kimbrough et al. 2008). Smith's exploration of chat logs and discourse highlights how participants construct shared understanding, directly confronting the common assumption that words are not data (Smith 2011). This methodological advance significantly deepens our comprehension of economic behavior by integrating rigorous experimental control with attention to social and interpretive factors.

The integration of qualitative methods extends to historical and textual analysis, particularly in research combining quantitative experimental economics with careful interpretation of historical texts and investigating how subjects attribute meaning to actions (Smith and Wilson 2017). This methodology recognizes that economic explanations have an irreducibly narrative character, requiring interpretive frameworks and imaginary constructions to make sense of economic history rather than relying solely on formal models and quantitative data.

The culmination of these research efforts illustrates an integration of multiple disciplinary perspectives into economic research. His research program synthesizes diverse intellectual traditions, including moral philosophy, anthropology, evolutionary psychology, and cognitive science. This approach manifests itself in several key ways: by incorporating neuroscientific insights into experimental economics frameworks, applying anthropological perspectives to understand property rights evolution, and using qualitative methods, including discourse analysis of experimental chat logs. Smith's methodological

innovations particularly shine in his integration of interpretive approaches with conventional quantitative approaches, demonstrating how narrative evidence and textual interpretation can illuminate crucial dimensions of economic behavior that might elude purely quantitative study.

VI. WHAT SHOULD ECONOMISTS DO NOW?

The convergence between Adam Smith's philosophical insights and Vernon Smith's experimental findings parallels Haidt's (2001) empirical confirmation of David Hume's armchair speculation. Just as Haidt validated Hume's (1896) claim that reason is "slave of the passions," Vernon Smith's experiments confirm Adam Smith's understanding of human sociality and market behavior. This highlights why contemporary scholars continually draw on Enlightenment thinkers. The Scottish Enlightenment produced more anthropological or observational commitments that generated testable hypotheses about human nature.

Hirschman (1997) and Boulding (1993) recognized that the Scottish Enlightenment tradition was critical for developing a more humane economics, one that worked with rather than against human passions. Vernon Smith and his collaborators provide empirical evidence for what has long been known but forgotten: humans are fundamentally social beings whose rationality emerges through interaction. As Haidt (2006) demonstrates, the complexity of Hume and Smith requires retooling in light of scientific progress, which confirms that we have become too comfortable with overly simplistic models.

The humanomics framework attacks behavioral economics' oversimplifications while avoiding the utilitarian economists' aggregation fallacies. It recognizes what the Austrians attempted to articulate: that apparent irrationality often reflects deeply embedded social competencies that enable mutually beneficial exchange. Culture and society are not merely constraints that bind homo-economicus. These social constructs are the fabric of civilization, and we do not check these cloaks of society at the door when we enter the lab or the office. New economic theory, it seems, often results from reading old books with fresh eyes.

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Talking Tuism and Ruminating on Rules

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Abstract: Humanomics is a research program that, among other aspirations, challenges a pure utility-maximizing or purpose-seeking approach to economics. It posits that moral sentiments and rule-following both offer considerable increases in the explanatory power of economic theory, and critiques the ways that standard mainstream, behavioral, and radically subjectivist economics has treated these subjects. This essay motivates and then asks a series of questions about what humanomics asks of us fellow economists. If moral sentiments are so powerful, why do individuals buy low and sell high in market experiments? How do individuals determine which rules are relevant in different social contexts? Is humanomics subject to the same problem that it accuses mainstream economics of? And what are economists being asked to give up in order to take on this approach to economic theory?

“For a psychopath, every exchange is a Coasean bargain. Explain.”

Sometimes I pose this challenge to the graduate students in my Institutional Analysis class. It gets to the heart of what I view as the distinctive characteristics of the humanomics research program. Most people familiar with the term probably associate it with two main intertwining strands. First is Deirdre McCloskey’s *Bourgeois* trilogy of books (2007, 2011, 2016) as well as her subsequent essays, which argue that the key to understanding the development of the modern world and its “Great Enrichment” lies in the distinctive ethics that bourgeois societies gradually developed in recent centuries. The second strand originates in the work of Vernon Smith, starting (in book form) with Smith’s *Rationality in Economics* (2008). This strand continues with Vernon and coauthor Bart Wilson’s *Humanomics* (2019), and then Wilson’s *The Property Species* (2020) and *Meaningful Economics* (2024).¹ My comments here will focus on this second strand.

I’ll get back to the psychopath later. Gotta keep you intrigued so you read on.

As someone sympathetic to humanomics, what follows is not a set of criticisms but a set of questions. The answers—which I will not even attempt—would help scholars open to humanomics offer more fully informed consent about how much of the research program to take on. The first section below lays out my interpretation of the distinct features of humanomics that are necessary to set up my questions, which follow in the second section.

HUMANOMICS, BRIEFLY

Everyone knows that economics assumes people are selfish. Well, it used to. Sort of. For John Stuart Mill (1844, Ch. 5), economics just is the science that looks at social phenomena as if they arise purely from self-interest (with a little time preference and laziness sprinkled in). Well into the 20th century, even very humanistic economists such as Frank Knight (1960, p. 73) argue that economic theory *per se* assumes that individuals treat each other like vending machines. Economists pressed on this issue would admit that, in fact, human beings are not strictly self-interested. But we can still endeavor to explain social arrangements *as if* they are. Self-interest is a powerful assumption for (a) generating testable hypotheses and (b) examining the robustness of actual social arrangements for promoting human well-being. Hume (1741) was right that if we assume people are self-interest and social arrangements still work tolerably well, that is a point in their favor.

And self-interest seems to work in explaining or at least predicting some behavior. McCloskey sometimes points to “covered interest arbitrage” (2007, p. 437), a synecdoche for financial and other very thick markets. A lot of human behavior is very well described by “buy low, sell high.” But even very cynical social scientists are generally willing to concede that there are some limits to the explanatory power of self-interest. If nothing else, they can bury their cynicism, like pirate treasure, deeper down into selfish genes (Dawkins 1976). OCA2 marks the spot. Or one could consult any summary of decades of experimental economics in which, in many contexts, the pure self-interest assumption miserably fails to predict how people behave in the lab (Kimbrough 2022). The most frequently cited deviations from pure self-interest for explaining such behavior are motivations that take others into account, a capacity for internalized rule-following, or some combination of the two.

In my estimation, the contribution of Philip Wicksteed to this discussion often gets short shrift. In his introduction to a later edition of *The Common Sense of Political Economy*, Lionel Robbins writes:

Before Wicksteed wrote, it was still possible for intelligent men to give countenance to the belief that the whole structure of Economics depends upon the assumption of a world of economic men, each actuated by egocentric or hedonistic motives. For anyone who has read the *Common Sense*, the expression of such a view is no longer consistent with intellectual honesty. Wicksteed shattered this misconception once and for all (Robbins 1933, xxi).

Wicksteed is writing at a fascinating time in the development of economic doctrine. Marginalism has taken hold, but a full-throated defense of subjectivism has not yet materialized. (Ironic phrasing intended). In his discussion of the economic motive, he points out that models such as supply and demand do not assume pure self-interest, but rather *non-tuism* (a term I believe he coined). Whereas egoism considers only me, non-tuism “may consider anyone but you” (Wicksteed 1910, p. 175). It is literally “not-you-ism.” Pure self-interest is a subset of non-tuism. Non-tuistic behavior ignores the interests of the specific party I am interacting with but need not be strictly self-interested.

Imagine that I am shopping for canned food to donate to a local food bank. (Anonymously, to satisfy our cynics about altruism). If I shop for the best price, conditional on quality, I am ignoring the interests of the sellers of canned food. I could always choose to pay them \$1.00 for a can of food priced at \$0.99, but if I pocket the penny I am acting non-tuistically, however altruistic my intentions. Even if I donate the penny to the food bank, the purchase itself is non-tuistic. Good news for economists! Our standard models of competitive markets, in which buyers cajole for the lowest price and sellers the highest price, can still hold predictive power even if people aren’t strictly self-interested.

Non-tuism is an important step from a model of pure self-interest towards a strictly subjectivist point of view. Both mainstream and more subjectivist economists are typically keen to minimize any specific account of motivations in developing their theories of human behavior. Mainstream economics uses the word “prefer” not in its colloquial meaning of a psychological disposition but rather as a term of art

meaning that an individual ranks one state of the world higher than another. For hardcore subjectivists, preferences are a mere mental map of real choices (Martin 2020). Both versions of preferences intentionally avoid saying anything about *why* people choose what they choose. We choose what we prefer, but to prefer something means nothing more than to consider it choiceworthy. One of the most striking features of humanomics is that it wants to explicitly integrate a distinct account of motivations into economics, explaining the *why* of choosing.

The laboratory results mentioned above are frequently taken to be evidence against pure self-interest. Bicchieri and Zhang (2012) recognize that, to that extent, the results are also evidence against non-tuism in many laboratory interactions. The way that people play many experimental economics games seems plainly *tuistic*, just because we know the non-tuistic equilibrium and it almost never obtains. When asked to allocate a sum of money unilaterally in a dictator game, many individuals offer positive sums. Note: subjects give money specifically *to the other player*.

Consistent with the humanomics critique of positing altruistic, inequality-averring, or other social preferences discussed below, experimental results usually do not tell us the *content* of those motivations. We typically do not observe what experimental subjects do with the money after they leave the lab. A true devotee of Peter Singer would make as much money in the experiment as possible and donate some of the earnings to GiveDirectly. A true egalitarian might win as much as possible and do the same—or if they are a U.S.-based nationalist egalitarian, donate the money to Native Americans. Instead, they give some of the potential winnings to their fellow subjects, who are almost certainly better off than the above-mentioned groups. All we really know from many experimental results is that subjects' behavior is tuistic. They see one another as something other than vending machines.

Humanomics (Smith and Wilson 2019) offers moral sentiments—gratitude, resentment, and fellow-feeling—as a potential explanation of this sort of behavior. Individuals have emotional responses to the actions of others. If your action benefits me, I feel grateful. Thanks for holding the door open as I entered the building. If it harms me, I feel resentment. Why did you cut me off in traffic just to drive 5 miles an hour under the speed limit? And if you have occasion to feel gratitude or resentment, I can understand and (albeit partially) feel such responses on your behalf. When we see someone act kindly (cruelly) toward a stranger we feel good (bad). When I see you in a situation that would elicit resentment were I in your place, I feel resentment on your behalf. It is not just the outcome of an interaction that matters to me—a state of the world that I rank higher or lower—but also how you and I play the game. You matter.

I first read *Humanomics* as an attempt to resolve the conundrum raised by Vernon Smith in “The Two Faces of Adam Smith” (1998). In that article—which I take a key step along the path to humanomics—Smith connects the results of laboratory experiments to *Das Adam Smith Problem*. This supposed problem is in reconciling *The Wealth of Nations* with *The Theory of Moral Sentiments*. The former (allegedly) a treaty about self-interest, the later about fellow-feeling. In the lab, individuals exploit the gains from trade far more than mid-20th century economic theory would predict when testing the supply and demand model of impersonal markets. But they also cooperate far more than standard theory would predict when engaged in instances of “personal exchange” (Smith 1998, p. 10).

The role that moral sentiments might play in personal exchange is probably obvious. In an ultimatum game, I am offered a potential monetary windfall. We are told that it can be split, and that if you accept the split we both get what I propose. You would feel gratitude towards me for splitting it, and perhaps resentment if I keep it all. Through my powers of fellow-feeling, I can anticipate and participate in your emotional responses. So I offer a relatively even split. Close enough that no one is offended. The way I play the game takes you and your interests into account. Tuism in action. If tuism weren't in play, I would offer you the smallest amount and you would accept.

But, in my reading of *Humanomics*, sentiments also play a role in impersonal markets. Specifically, moral sentiments underwrite the property relations that in turn underwrite market exchange. Following Adam Smith's discussion in *Moral Sentiments*, *Humanomics* argues that rules of justice, including property, are grounded in our capacity for resentment. I craft a spear. You come and take my spear. This isn't like

you just took a rock I had used and then left on the ground. I feel resentment, because I made this spear with the intention of using it in the future. My resentment might motivate conflict. Other members of our community also see the interaction and feel my resentment. If we can settle on a rule that prevents such interactions, we as a community probably have a better chance at survival. From these sentiments—plus language and perhaps some other human capacities (Wilson 2020)—we have a story about how the concept of property might emerge and spread. We develop customs about what is mine and what is thine that accord with our moral sentiments and also permit our social group to survive and even multiply.

Hence my challenge to my graduate students. That’s right, it’s psychopath time. Recall:

“For a psychopath, every exchange is a Coasean² bargain. Explain.”

First, Coase. The central point of his “The Problem of Social Cost” (1960) is that external costs are reciprocal. (I’m sticking with costs for ease of exposition. Symmetric arguments apply to benefits.) Adapting an example from Anderson (2004), imagine that I am a respectable academic who needs to wake up very early in the morning to write about important topics like social ontology. You, a pop music aficionado, move in next door. You prefer vinyl records played over your expensive speakers, with silly “smart” lights that pulsate and change colors in time with the music. Unfortunately for me, you like to listen to music late into the night, when I need my beauty sleep if I am to write about the emergent properties of social structures and their nature as reproduced interdependencies in the morning. I politely ask you to turn the music down, and you say no. Listening on your headphones just isn’t the same. So I take the matter to court and ask a judge to issue an injunction against you playing your music past my totally reasonable 8:30 PM bedtime.

The fundamental Coasean point is this: no matter who the judge rules in favor of, something is given up. Either I give up the use of some evening hours in our location for quiet rest or you give up the use of those hours in our location for listening to music. Let’s further assume that, because articles on social ontology contribute so much to social welfare, rest is the higher value-added activity. If the judge gets it right, problem solved. Blackstone and Pareto lie down together, justice and efficiency kiss, all is hunky dory.

But what if the judge gets it wrong? What if he rules in favor of you listening to music? Property rights and efficiency are at odds with one another. What can we do to remedy the situation? Well, even if the property system gets it wrong, I can bribe you. I can pay you not to play music through your speakers past 8:30 PM. I can know in my heart of economist hearts that the existing property distribution is wrong and still do my best to make us both better off. You prefer the money to your ill-gotten music time, and I prefer rest to the lesser amount of money another lawsuit might cost me. This is a Coasean bargain, where exchange eliminates an external onerous cost and restores the concordance between property claims and efficiency. The cost is no longer external precisely because both parties agree that they are better off after the bargain.

But what about social and political thinkers who think economic efficiency is a defective moral standard, or at least doubt that it is the only relevant moral consideration? Consider the historical practice of manumission. Few today would hold that the right to hold people in slavery is a legitimate one. But we may still count it as a moral gain if the slave or a third party can buy his freedom from his enslaver. I invoke this example because it highlights that a Coasean bargain can feel very much like a bribe. We may lament that the bribe must be paid because we do not recognize the legitimacy of the enslaver’s claim, but the bargain may still make the enslaved person better off.

Another example I use in class, again with a non-efficiency moral standard: morning coffee is a human right. And not the microdoses of espresso that I get offered in Europe. Proper American drip coffee should be mine upon waking. Sometimes I am not at home and cannot provide it for myself. So I venture out and find a coffee shop. They have drip coffee at hand and should give it to me. Unfortunately, most archaic property systems does not recognize my legitimate claim upon said coffee. The property system is

wrong. But while I have every right to violently seize the coffee from you, several considerations stay my hand. It could be that, even if could overpower you, you might inflict an injury on me in the process. Or I might anticipate that social or legal sanctions that follow from my seizing the coffee will outweigh the benefit. Given these circumstances, it is cheaper to bribe you to give to me what is already rightfully mine. I give you a few dollars, and you relinquish my captive coffee.

If the prior paragraph makes me sound less like a principled human rights advocate and more like, well, a psychopath, perhaps you are open to humanomics. Psychopaths “lack empathy, guilt or remorse, are callous, and have shallow and deficient affect” (De Brito et. al. 2021). In humanomics terms, they lack or have a lower capacity for fellow-feeling. And if humanomics is correct that fellow-feeling plays an important role in the development of rules of just conduct, they would have a harder time recognizing the normative force of those rules. A pure psychopath would be capable of recognizing the likely *consequences* of rule-breaking, but would accord the rules no justificatory power apart from those consequences.

To the extent that this account is correct, it means that psychopaths can identify mere possession: you have that thing. It’s yours because you or a system of social sanctions have the force to make taking it costly. But psychopaths would struggle to grant normative *recognition* of ownership: that thing belongs to you. I shouldn’t take it. Ownership is grounded in the capacity for fellow-feeling with others. While non-psychopaths engage in Coasean bargains when property claims are ambiguous or in the process of contestation, a psychopath might treat all property rights as contested and therefore all exchanges as Coasean bargains.

The purpose of these Coasean thought experiments is contrastive. To understand what humanomics is, it may be helpful to understand what it is not. It is not psychopaths bribing one another for coffee. And while I have focused on rules of property, the account is generalizable. Moral sentiments allow us, in repeated interaction, to converge upon rules of just conduct across all sorts of different social domains. For obvious reasons, the rules of property are simply the most well studied sorts of rules by economists of all stripes, and in this regard humanomists are no exception.

THE QUESTIONS

Assuming my rendition of *Humanomics* is roughly accurate, note an asymmetry in the application of sentiments in personal exchange and impersonal markets. In personal exchange they govern play of the game. In impersonal markets, they only govern the formation of the rules of the game. But the play of the game can still be successfully modeled as non-tuistic. Indeed, in most experimental setups of impersonal markets—whether a double oral auction or pit trading—the rules of property and exchange are set by the experimenter rather than emerging from the interactions among the participants. Not coincidentally, relaxing this assumption in the lab played an important role in the development of humanomics. But nonetheless, noting the asymmetry articulated above raises an important question for humanomists:

(Q1) Given that humans have a capacity for fellow-feeling, what are the features of markets that make non-tuistic action morally permissible to buyers and sellers? What puts the “impersonal” in impersonal markets?

If sentiments are so powerful at predicting human behavior, it seems odd that there is a well-studied environment where they only shape it indirectly, however foundational property rights are. Perhaps an answer to this question already exists, but I have yet to uncover it in my reading of the humanomics literature. In essence, I want humanomists to circle back to their earlier observations about how well supply and demand models of impersonal markets perform and reconcile them with their newer view of personal exchange.

Perhaps a humanomist would push back against the idea that buying and selling in competitive markets is non-tuistic, even on the level of price determination. But that would just create a different version of the puzzle:

(Q1A) *Why do models of non-tuistic behavior predict tuistic behavior well in competitive markets but not in personal exchange?*

Recall that moral sentiments also give rise to rule-following. So Q1 is connected to what I take to be the general question that currently defines the frontier of humanomics as a research program:

(Q2) *What prompts individuals to determine which rules we see as relevant in this or that situation?*

Kimbrough (2022) recognizes the importance of this task. He argues that providing “a general account of the process by which people identify the rules that apply to a particular context” (p. 41) is vital to the success of any social scientific research project that takes norm- or rule-following seriously.

Economists know—or at least, used to know—that explaining social phenomena by varying tastes or preferences is lame. “Why did pirates fly the jolly roger?” “Because they liked it.” “Why doesn’t the U.S. Navy fly the jolly roger?” “They prefer the stars and stripes.” It might turn out that such an explanation is correct. But without a theory of how tastes and preferences vary, there is no generalizable social scientific contribution to understanding. We are left with mere description.

The same problem could apply to rule-following explanations of behavior. “Why do diners tip more in the United States than in Europe?” “Because they are following different rules.” This explanation seems entirely plausible, but it has merely redescribed the behavior. Instead of “tipping” it is “following a norm about tipping.” This is not a criticism, as humanomists are well aware of this danger (Kimbrough 2022), but it does raise a question:

(Q3) *How can accounts of rule-following behavior avoid devolving into mere description of behavior or tautologies?*

Humanomists have leveled exactly this sort of critique against a standard practice in behavioral economics. Behavioral economists have tried to account tuistic behavior in the lab by positing ‘other-regarding’ or ‘social’ preferences. Individuals might be averse to inequality or value fairness or reciprocity (Smith and Wilson 2019, p. 29 footnotes; Kimbrough 2022). Maximizing utility just means (a) ranking states of the world and (b) acting in accordance with that ranking. So why not include matters of distribution or the actions of other individuals in the ranking?

To illustrate the problem with this approach, Smith and Wilson (2019, pp. 50-54) quote a passage from Fehr and Schmidt (1999), but change “inequity aversion” to “enviousness.” The passage remains exactly as comprehensible as it was in the original. But that should be a problem, unless we think enviousness and inequity aversion are the same thing. Rather than having provided a theory of inequity aversion and tested that theory, Fehr and Schmidt have noticed a deviation from purely non-tuistic behavior and labeled it rather than explained it. Their empirical tests only confirm that the behavior is non-tuistic, not what causes it to be.

Wilson (2008, 2010) develops these sorts of criticisms in more detail, and his *Meaningful Economics* (2024) extends them to both mainstream non-behavioral economics and even radically subjectivist economics of figures such as Ludwig von Mises. The fundamental point that I take from Wilson’s argument is that explaining choices in terms of their intended outcomes leads economists into circular arguments when explaining behavior. Why did you choose that? Because I preferred it. What does it mean that you preferred it? It means that I considered it more choiceworthy.

In conversations about these concerns, I have observed two typical responses. One response is to engage in what we can call the psychology two-step. Economists often speak colloquially about choices “giving us utility.” But this is a psychological account of choice at odds with both the typical mainstream theory and the radical subjectivist one. Utility is nothing more than a ranking or a map of choices.

The second response is to cop to the tautological character of economic theory and—correctly, in my view—note that it furnishes no predictions in itself. Rational choice theory and radically subjectivist praxeology alike rely on “auxiliary hypotheses” (Zanotti and Cachnosky 2015), such as the idea that leisure is a good (sometimes rendered “the disutility of labor”), in order to say anything about what patterns of behavior emerge. The tautologies are the bones of economics: they inform how we move, but without the muscles of empirical assumptions we’re not going anywhere.

Notice that both of these responses implicitly admit the need to address the content of motivations, not merely their structure, to generate any testable predictions. The auxiliary assumptions approach typically defaults to a sort of folk psychology or folk sociology. This approach has its value. I use it in the classroom when I explain the “pink tax,” where women’s hygiene products cost more than men’s. Women typically have far more discerning and specific tastes in personal hygiene products than men. This makes their demand for such products more inelastic and therefore more susceptible to price discrimination.

The above account is perfectly plausible. It leaves plenty of questions unanswered, like *why* women might be more discerning in their hygiene product tastes. And the conjunction of hypotheses can in principle be tested against other theories, such as widespread discrimination. But even if we calculate the elasticity of demand we have not shown that women’s demand is more inelastic *because* of their superior (or pickier) ability to distinguish gradations of quality in deodorant and shampoo. That part of the story is still leaning on our folk intuitions, so it is not scientific. It relies on the theorist’s own impression of what motivates people rather than any systematic account of or evidence for that motivation.

The psychological two-step approach suffers from this same problem. It does not test its modification of utility functions—how do we know whether this behavior is driven by inequity aversion rather than envy?—but rather takes deviation from non-tuism as evidence for its modified utility functions. It is folk psychology in scientific drag.

That leads to my final two questions.

(Q4) Why not stick with folk psychology?

One response to the charge that our economic accounts lean heavily on folk psychology is: so what? Why does all of economics need the pretension of being a science? We can get pretty far by assuming that people generally want more consumption goods, value some leisure time, and tend to rate present goods and wealth more highly than future goods and wealth. Any or all of those propositions may be non-scientific, but why does that matter?

We might even be able to maintain our scientific aspiration for certain questions. How did the Republic of Georgia’s Rose Revolution affect GDP per capita? If we take the humanomics critique seriously, someone answering this question would have to dance around any discussion of the mechanisms involving human motivations. But dance they could and still answer the question.

Perhaps some forms of scientific knowing simply are off-limits to economists. And maybe we shouldn’t pretend otherwise. What does being scientific in this particular sense buy us that makes taking the humanomics project on worthwhile? Is 18th century moral philosophy such an improvement over 21st century folk psychology that we should substantially rewrite economics?

(Q5) What constraints does humanomics place on how economics conceives of the objects of choice?

Many of Wilson’s methodological criticisms of mainstream, behavioral, and radically subjectivist economics stem from all of them equating the objects of choices with outcomes. To choose A is to prefer A to B and to prefer A to B means nothing more than that would choose A over B. But what sorts of things A and B can even be varies a great deal from one account to another. Are sentiments and/or rule-following hope-

lessly incompatible with preference satisfaction as a model of action, or is there some category of A's and B's that allows them to be combined?

In the mainstream and most behavioral accounts, A and B are states of the world and thus outcomes. In consumption theory they are bundles of goods to possess or purchase. In production theory, bundles of inputs. In a dictator game, a distribution. But what about behavioral models where the utility function includes compliance with norms or evaluate the chooser's own contribution to others' payoffs rather than just the final distribution? Are these modeling strategies just as vulnerable to the criticisms that humanomics has leveled against other common approaches?

In radically subjectivist economics, the objects of choice are typically conceptualized as *plans*. (Lachmann 1971, p. 20) Plans are complexes of means and the ends they seek to achieve. Object of choice A is not "a gallon of milk" but rather "a trip to the store to buy a gallon of milk." Does the addition of means create space for radical subjectivists such as Austrian economists to take on key components of humanomics as is, or would doing so require an overhaul of core Austrian theories?

Finally, consider the possibility of rules as objects of choice. Economists typically don't frame rules that way since we are used to thinking of rules as budget lines, *constraints* on choices. But, as noted above, saying that individuals follow rules does not tell us which rules they follow. In some situations we may have to choose between two conflicting rules (c.f. Kimbrough 2022, p. 41-42). Note that this is different from norm compliance as an argument: these are decisions over sets of rules rather than a decision about how rule-abiding to be. Gaus (2011, Ch. 9) argues that standard utility theory can accommodate deontic concerns via a sort of two-stage procedure where we evaluate rules according to normative commitments and then weigh our obedience to those rules against how the consequences of actions advance our purposes or values. Would choices between which rule to apply allow rational choice and humanomics to happily coexist? Or would the subjectivist emphasis on means create a wedge by which rules could become part of the object of choice?

CONCLUSION

Humanomics presents an important challenge to economists' comfortable insistence on the utility theory that emerged in the middle decades of the 20th century. Most importantly, humanomics points out the ways in which economists *inconsistently* defend their preferred theory and method. The profession as a whole freely switches back and forth between psychologizing and purely formal interpretations of utility. The behavioral economics move to introduce "psychology," far from breaking out of the two step, has instead conflated folk psychology with utility maximization in attempt to wrap theorists' intuitions—some of which carry a distinct ideological valence—in the mantle of science.

But as I tell my graduate students excited about delving into Mises, Hayek, Kirzner, Buchanan, or the Ostroms: for most social scientists, theory is a cost and insight is a benefit. Even the most sophisticated and trenchant foray into theory and—even worse—methodology needs to offer higher than equilibrium rates of return. My suspicion is that the benefit of humanomics is worth the cost of giving up on some common ways of thinking and speaking, but I have yet to get "TMS II.ii.1" tattoo.

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NOTES

- 1 I omit subtitles so as not to cost the reader 1d6 sanity.
- 2 Pronounced "cozy inn."

Humanomics and Rational Irrationality: Why Moral Sentiments May Make Voting Biases Worse

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Abstract: The growing literature in “humanomics” provides a nuanced way to understand and predict human behavior by including both self-interest and other-regarding sentiments. Recent literature has begun to connect humanomics with public choice economics, but the concept of “rational irrationality” is underexplored from the humanomics perspective. In the theory of rational irrationality, voters rationally hold systematically biased beliefs because (1) their vote is highly unlikely to be decisive and (2) the feedback mechanisms from voting ineffectively discipline the biased views. Thus, voters widely accept mistaken ideas, such as underestimating the benefits of the market system, overlooking the economic benefits of interacting with foreigners, misunderstanding the nature of conserving labor, and being overly pessimistic about current economic conditions. This paper makes a novel theoretical argument that the combination of humanomics and public choice theory implies that the pathologies of rational irrationality are—or are likely to be—even more socially detrimental than the standard theory would predict. In other words, the assumptions of humanomics exacerbate the biases of rational irrationality in voting. Future research should examine the empirical reality of these theoretical claims.

Keywords: Humanomics, Moral Sentiments, Public Choice, Voting, Rational Irrationality, Cognitive Biases

1. INTRODUCTION

The “humanomics” approach combines insights from Adam Smith’s two books, *The Wealth of Nations* and *The Theory of Moral Sentiments*. *The Wealth of Nations* focuses on the self-interested nature of humans and how people engage in the division of labor, specialization, and mutually beneficial exchange to become more prosperous (A. Smith 1982a). From that foundation, subsequent economists have developed more elaborate theories of human behavior and market functioning. However, economists have long neglected Adam Smith’s (1982b) other book, *The Theory of Moral Sentiments*, which argues that humans are motivated by fellow-feeling and make decisions based on moral considerations. Nobel Laureate Vernon L. Smith and Bart J. Wilson (2019) pioneered the humanomics approach to merge the insights from Adam Smith’s two major works, allowing economists to bridge the gap between self-interest and empathy. Thus, real-world humans have complex, multifaceted motivations that must be factored into economic analysis.

The literature in humanomics is growing, and recently, scholars have begun to apply the insights from humanomics to public choice economics (Thomas and Thomas 2025; Mitchell, Nesbit, and Wagner 2025; Yonk et al. 2025; Martin and Swisher 2025). Public choice economics applies the assumptions, theories,

and methodologies of economics to the political realm. Public choice has been called “politics without romance” because it assumes that political actors, including voters, special interest groups, politicians, and bureaucrats, are rationally self-interested (Buchanan 1999; Tullock 2004). An underexplored topic at the intersection of humanomics and public choice economics is the concept of “rational irrationality” in voting. This paper asks the following question: How does a humanomics perspective illuminate or refine our understanding of rational irrationality?

Economist Bryan Caplan (2001, 2007) developed the theory of rational irrationality as an extension of the logic of rational ignorance. From the traditional public choice perspective, voters are assumed to be rationally ignorant about political candidates and public policies because individual voters have an infinitesimally small probability of being decisive in electoral outcomes. The opportunity cost of becoming informed about candidates and policies is higher than the expected benefits, so voters act rationally by paying little, if any, attention to politics. Caplan extends the logic of rational ignorance by arguing that voters are more than just rationally ignorant. In fact, voters hold systematically biased beliefs about politics and public policies, making them rationally irrational. Voters incur low personal costs for the beliefs they hold when they go to the voting booth due to a lack of direct feedback. Thus, voters face weak incentives to critically evaluate their beliefs or avoid biases, leading to socially unproductive policies. Caplan emphasizes four kinds of rationally ignorant biases in his book *The Myth of the Rational Voter*: antimarket bias, anti-foreign bias, make-work bias, and pessimistic bias. As Caplan (2007, p. 18) argues, “In real-world political settings, the price of ideological loyalty is close to zero. So we should *expect* people to ‘satisfy’ their demand for political delusion, to believe whatever makes them feel best” (emphasis in original).

There is little theoretical or empirical research at the intersection of humanomics and rational irrationality in the public choice literature. This paper’s unique contribution is to provide a preliminary step in theorizing the implications of this combination. This paper argues that a humanomics approach to public choice implies that the pathologies of rational irrationality are—or may likely be—even more socially detrimental than standard public choice would predict. In other words, if voters are rationally irrational and they are motivated by moral sentiments, then the biases of rational irrationality might be worse than previously expected. In terms of antimarket bias, voters may view profits and market-driven outcomes as exploitative or harmful rather than socially productive, and sympathetic feelings to “losers” in market dynamics may exacerbate antipathy toward markets. In terms of anti-foreign bias, voters may increasingly marginalize foreign people because they are sympathetic to their fellow in-group citizens, rather than far-away outsiders. In terms of make-work bias, voters may support policies that protect inefficient industries to “save jobs” because losing one’s job is unfair, but artificially making work reduces overall economic productivity. In terms of pessimistic bias, negative feelings are often much more strongly motivating (see A. Smith 1982, pp. 34-38), and voters’ pessimistic bias becomes stronger when they perceive the salient economic hardships around them.

Caplan’s critique of how rationality is portrayed and operationalized through institutions is similar to the humanomics approach pioneered by Vernon Smith and Bart Wilson. In particular, Wilson’s (2024) conception of human conduct includes not only the descriptions of observable behavior but also the normative component of human choice. Caplan uses survey data to demonstrate that there are biases in voting, but a more humanomics approach leads us to explore the reasons why those biases might exist in the first place—namely, our moral sentiments. Social scientists, therefore, must take Caplan more seriously after thinking about the connections between rational irrationality and moral sentiments.

This paper is only a preliminary step in applying a humanomics approach to rational irrationality. Future research should elaborate on the theoretical claims and also empirically examine them. If the theoretical claim is true that voters’ rational irrationality is made worse due to their moral sentiments, then there are some damning implications about collective decisions made through voting. The formation of public policy via popular elections and referenda may have more pathologies than otherwise assumed. Political economists and political scientists should factor this into their normative and positive analyses of democratic systems.

This paper proceeds as follows. Section 2 reviews the main arguments of humanomics, public choice economics, and rational irrationality. Section 3 combines the insights of humanomics and rational irrationality to argue that cognitive biases associated with voting may be even more pathological when moral sentiments are factored into the analysis. Section 4 expands on the implications of this research.

2. HUMANOMICS, PUBLIC CHOICE, AND RATIONAL IRRATIONALITY

In the vein of Adam Smith's *The Theory of Moral Sentiments*, Vernon Smith and Bart Wilson (2019, p. 29) observe that "human beings spontaneously and mutually sympathize." Further, V. Smith and Wilson (2019, p. 11) argue, "The core message we develop from *Sentiments* is that humans are other-regarding in their personal interactions because we learn to follow rules of conduct that permit us to live in the company of our fellow human beings. Such rules are situation-sensitive to the effect of our actions on the benefits and hurts of others, as well as to our own self."

The purpose of the humanomics approach is to improve understanding and predictive power when analysts factor in individuals' complex motivations, influenced by both self-interest (the focus of traditional economics) and other-regarding behaviors (rooted in moral sentiments). The neoclassical framework of utility maximization may be a useful approximation to understand human behavior, but it lacks nuance. As V. Smith and Wilson (2019, p. 5) assert, "If the modern economist espouses naked self-interest as the foundation for economic decision-making, she does so incompatibly with the founder of the discipline and generally with the genius of the Scottish Enlightenment." In short, modern positivism has "de-anthropomorphized behavior and, in doing so, foreclosed the feeling-thinking-knowing theme in *Sentiments* as an accessible path to understand human conduct" (V. Smith and Wilson 2019, p. 36).

Thus, the humanomics approach is focused on explaining "how [Adam] Smith's more elaborate psychological and physiological framework of feeling informs how we think about insights in modern economics. Behavioral economics is an explicit modern attempt to reintegrate feeling into economic models" (V. Smith and Wilson 2019, p. 27). The goal of incorporating Adam Smith's insights on moral sentiments into economics analysis is to better "explain and generate testable predictions for why people do what they do" (*ibid.*).

The concept of humanomics is relatively new, and a growing number of scholars are refining and extending the approach (see Shughart, Roy, and Yonk 2025). Empirical evidence, both real-world and experimental, shows that humans cooperate more often than traditional neoclassical models predict. There is no need to reject the utility-maximization concept that underpins traditional neoclassical economics, but a humanomics approach can be a helpful complement to traditional economic models. By incorporating social, cultural, and psychological dynamics, a more nuanced understanding of human experience can be used to explain and predict social phenomena, especially phenomena that are not easily explained or predicted by mainstream economic approaches.

Public choice economics is ripe for incorporating the social, cultural, and psychological dynamics that humanomics has to offer. Thomas and Thomas (2025) argue that if the humanomics approach improves predictions of behavior in markets, it can also help us better understand human behavior in politics. Thomas and Thomas logically conclude that analyzing behavior in the political sphere must include both self-interested and other-regarding motivations. For instance, in terms of voting, individuals choose to vote largely because of social norms and the desire for social approbation, not because a vote will be decisive in an election. Another example is rent-seeking, which is common in nearly all democratic societies, but we observe less rent-seeking than might otherwise be expected because of moral constraints on blameworthy actions. Additionally, because real-world actors blend self-interest with moral justifications, political coalitions are stronger than a traditional economics approach might expect.

In a similar vein, Yonk et al. (2025) explore how a humanomics approach might improve the policymaking process. By identifying the motivations of morally cognizant and fellow-feeling humans, the formation and evolution of public policy will be more accurate and realistic. For example, Yonk et al.

highlight the case of blood donation in the United States. With few exceptions, the medical blood supply is legally required to be given by uncompensated volunteer donors. A question arises regarding why people donate blood if they cannot be directly compensated. With a humanomics approach, we see that people's decisions are, at least in part, influenced by sentiments such as praise-seeking and reciprocity, as well as avoiding shame. Blood donors appear to be motivated by the beneficence described by Adam Smith, even when they incur costs in terms of time and physical discomfort.

Public choice scholars are often concerned with lobbying, as one of the most common forms of rent-seeking. Mitchell, Nesbit, and Wagner (2025) examine how humanomics improves our understanding of the relationships necessary for successful lobbying. Successful lobbying is frequently based on a long-run relationship between the lobbyist and the individuals being lobbied. In standard public choice, lobbying is little more than a quid pro quo exchange between buyers and sellers of political privileges. However, a humanomics approach to lobbying sees that money buys access, leading to stronger relationships. Such relationships tend to influence policy over time.

Martin and Swisher (2025) use a humanomics approach to expand on the expressive voting literature by leveraging the importance of identity voting. Most voters are rationally ignorant and lack consistent policy preferences. Alternatively, voters are mainly motivated by social identities rooted in socially shared moral sentiments. Empirical evidence indicates that identity is the most influential factor in voting, and by using standard public choice's focus on issue voting, public choice scholars may not be properly understanding phenomena associated with voting. Martin and Swisher assert that public choice economists have not taken the theory of expressive voting seriously enough, which a humanomics approach allows them to do. In this view, elections are emotional moral theater in which politicians compete for votes by appealing to individuals' expressive commitments to various social identities.

Turning now to rational irrationality in voting, Bryan Caplan (2001, 2007) first developed the concept. He argues that individuals can and do rationally hold biased beliefs about politics. Unlike the private sphere, in which individual decisions directly affect the chooser, collective choices through voting have a disconnect between what the voter chooses and what the outcome is. This disconnect means that there is a weak disciplining mechanism that allows voters to learn and adjust. The costs of those biased beliefs are borne collectively. Low personal cost means that people face little incentive to critically evaluate their beliefs or avoid biases. Unlike in markets, where poor decisions can lead to direct financial losses, political decisions are insulated from individual accountability, enabling voters to prioritize emotional or ideological satisfaction over accuracy. The disconnect between voters' choices and the actual outcomes means that there are weak feedback mechanisms to discipline those choices. This leads to the perpetuation of mistaken, biased beliefs. In short, Caplan suggests that distinct biases enter into public policy because the public has little incentive to behave like an expert in rationally evaluating these biases.

Caplan's conception of rational irrationality is congruent with Vernon Smith's (2003) ecological rationality. Traditionally in economics, economists have used the terms rationality in its "constructivist" sense, meaning that it is based on explicit reasoning and complete information. Ecological rationality, on the other hand, does not necessarily conform to formal logic or deliberate calculation. People act rationally largely because they make decisions within an "ecology" of rules and norms that have evolved and adjusted over time. Since ecological rationality is institutionally contingent, certain institutions with perversities may yield irrational behavior. Thus, institutions of voting have little penalty for indulging in economically misguided views, so voters can continue to hold such views.

The four biases that Caplan highlights begin with antimarket bias, meaning a skepticism toward markets. Many voters either distrust markets or fail to understand how decentralized exchange improves standards of living. Voters with antimarket bias undervalue the ability of markets to coordinate and improve society, and they exaggerate perceived harms from market interactions. Profits and price signals are not seen as tools to guide resources to their most valued uses. Instead, profit is viewed as evidence of exploitation or moral failure. The widespread opposition to outsourcing is just one manifestation of antimarket bias. Economists share widespread agreement about the concept of comparative advantage,

meaning that outsourcing tends to lower costs and raises productivity. However, the opinion of voters systematically deviates from economists, and voters attribute outsourcing with job loss and corporate greed.

Second is antforeign bias, meaning a belief that economic interactions with foreigners, including through trade, migration, or investment, pose a threat to domestic well-being. With this bias, voters tend to view economic exchange as a zero-sum game. In other words, trading with foreigners comes at the expense of domestic workers and companies. This bias leads voters to exaggerate the dangers of foreign competition, ignoring the reality of mutually beneficial exchange. Many voters blame international trade and immigration for job losses and wage stagnation, even though there is widespread agreement among economists that trade and immigration generally increase prosperity. One example of this bias is opposition to free trade agreements. Many voters fear that trade harms domestic employment. Economists counter this argument with evidence that international trade contributes to long-term economic growth and improved standards of living.

Third, make-work bias is the belief that the health of an economy is best measured by the number of jobs it supports rather than by the value those jobs create. This way of thinking confuses means with ends. Employment is a means to the broader goal of producing goods and services that people value. When voters and policymakers prioritize job creation for its own sake, the ensuing interventions prop up unproductive industries or obstruct innovations. As a result, resources are misallocated, slowing economic growth and reducing overall well-being. A common example is the support for subsidies or protectionist measures designed to “save jobs” in declining sectors, even when those policies hinder efficiency and suppress higher-value employment elsewhere.

Fourth and finally, pessimistic bias is the belief that the economy is performing worse than it actually is, and the future is likely to be worse than it is now. This bias leads voters to emphasize current difficulties and sensationalist headlines. Economists often try to highlight the broader, long-term trends of progress. Although short-term disruptions and localized struggles clearly occur, a broader perspective sees the overall trajectory of higher productivity and higher standards of living. Despite the general upward trend over decades, many voters continue to express the belief that the economy is in decline, and they yearn for the days when things were “great.”

3. WHAT HUMANOMICS MEANS FOR RATIONAL IRRATIONALITY

In *The Myth of the Rational Voter*, Caplan cites Adam Smith and Vernon Smith in several places. However, Caplan focuses only on Adam Smith’s *The Wealth of Nations*, not *The Theory of Moral Sentiments*. Also, Caplan only cites Vernon Smith’s work on rationality and experimental economics because the subfield of humanomics was fully articulated after Caplan had published *The Myth of the Rational Voter*. Caplan (2007, p. 29) sees his arguments regarding rational irrationality as aligning with some of Adam Smith’s insights: “Many of the most famous economists of the past, like Adam Smith and Frédéric Bastiat, obsessed over the public’s wrongheaded beliefs about economics, its stubborn resistance to basic principles like opportunity cost and comparative advantage.” Caplan (2007, pp. 37-38) brings up one of those wrongheaded beliefs that Adam Smith tried to correct, namely the bias against foreigners and foreign trade. Additionally, Caplan (2007, p. 44) invokes Adam Smith when discussing pessimistic bias: “Adam Smith famously ridiculed such attitudes with a one-liner: ‘There is a great deal of ruin in a nation.’ His point, which economists often echo, is that the public lacks perspective. A large economy can and usually does progress despite interminable setbacks. While economists debate about *how much* growth to expect, public discourse thinks in terms of stagnation versus decline” (emphasis in original). Thus, Caplan’s arguments about rational irrationality could be further extended and refined by incorporating Adam Smith’s other insights from *The Theory of Moral Sentiments*, just as Vernon Smith, Bart Wilson, and their associates have tried to do.

Thomas and Thomas (2025, p. 229) made a preliminary but brief attempt to tie humanomics to rational irrationality. They argue,

Ultimately, the discussion of voting based on Smith and Wilson's humanomics way of thinking has much in common with Bryan Caplan's conception of rational irrationality. [...] Human sociality, beyond simply shaping individual preferences, is an important factor in explaining choices in the voting booth. Like Bryan Caplan's account of rational irrationality, expressive accounts of voter behavior also overlap somewhat with our humanomics explanation.

Both Caplan's (2007) invocation of Adam Smith, as well as Thomas and Thomas's (2025) brief discussion of rational irrationality, indicate that there are underexplored insights. Given that moral sentiments tend to reinforce in-group sympathy, Caplan's description of irrationality seems to follow a process that can be described as rational, exogenously. Thus, by laying out more explicitly how a humanomics perspective refines our understanding of rational irrationality, economists can better understand and predict the behavior of voters. It is argued here that a humanomics approach to public choice suggests that the pathologies of rational irrationality are even more socially unproductive than standard public choice would predict. In other words, if voters are rationally irrational and they are motivated by moral sentiments, then the biases of rational irrationality are likely to be more pervasive than Caplan's original argument suggests.

Below is a discussion that elaborates on Caplan's four biases by augmenting those arguments with insights from humanomics. In terms of antimarket bias, voters tend to distrust the logic and outcomes of voluntary exchange. From a humanomics perspective, this bias is not simply a matter of ignorance. People often feel an intuitive discomfort toward the impersonal nature of market coordination. Market outcomes are driven by dispersed knowledge, prices, and the profit-and-loss mechanism. Thus, markets function as a spontaneous order that operates because of human action but not because of human design, similar to Adam Smith's invisible hand of the market (see Hayek 2014; Kirzner 1997).

The functioning of a spontaneous order is counterintuitive to many people, and the mechanisms of the market often appear morally neutral, if not morally dubious. Because markets operate without conscious direction, average voters may perceive that markets are divorced from values like empathy or fairness. Alternatively, voters may view public policies that purposefully intervene in markets as a morally important alternative to the spontaneous order of the market. Policymakers can frame market interventions as moral projects, such as protecting workers or limiting corporate greed. When policymakers cater solely to deeply held moral instincts of voters, such policies may yield negative unintended consequences that harm the very people they aim to help. When voters perceive that the spontaneous order of the market is immoral and policy interventions are moral, voters are unlikely to see the relevant trade-offs of a policy. Additionally, the regular workings of markets, which include nearly constant adjustments to changing conditions, may disappoint voters who do not understand the social benefits of such dynamism. What is more readily clear is the pain that markets can cause, including job losses or rising prices. Frequently, voters mistakenly attribute perceived social problems to corporate greed or capitalist exploitation, instead of the complex, decentralized processes that drive economic adjustment. Since voters have strong senses of empathy and justice, they erroneously call for intervention as a way to blame the cause of harm and seek a remedy to that harm. The concerns over empathy and justice can distract voters from understanding the importance of market signals, which play a crucial role in innovation and long-run growth. Thus, antimarket bias emerges partially from a moral impulse that misapprehends the market system's mechanisms that are socially beneficial but relatively opaque.

One example of this logic is the empirical evidence of many low-income individuals expressing strong support for minimum-wage laws, despite being among those most likely to bear the costs of such policies (Horpedahl 2019). This pattern is consistent with antimarket bias. Individuals may prefer to believe comforting or morally satisfying ideas about policy, even when those beliefs are false, because the personal cost of being wrong in the political realm is virtually zero. Casting a vote or sharing an opinion is unlikely to alter outcomes, so there is little penalty for indulging in economically misguided views.

With anteforeign bias, voters tend to view international trade, immigration, and foreign engagement as threats to domestic well-being. From a humanomics standpoint, this bias arises from the structure of human moral psychology. Humans are fundamentally social creatures who are shaped by moral sentiments. The closer a social connection is to a person, the more that person has a sense of benevolence, empathy, and justice. We have empathy for human suffering on the other side of the world, but that empathy is much weaker than our feelings toward our family and neighbors. As Adam Smith (1982b, pp. 219-227) argued in *The Theory of Moral Sentiments*, we naturally feel the joys and sufferings of those near to us more intensely than those of strangers, let alone foreigners. In other words, human morality is socially proximate.

This fact appears to lead to systematic misjudgments because voters feel a strong sense of loyalty to their national community. As such, they may resist policies that benefit foreigners, such as trade liberalization or open immigration. However, even though free trade and immigration do generally benefit “outsiders,” they also deliver broad domestic gains. Thus, the combination of antimarket bias and antforeign bias can lead voters to choose policies or politicians that unintentionally decrease innovation, increase consumer prices, and harm economic growth. The perception that outsiders are a threat to social cohesion or cultural identity can outweigh the more abstract benefits of economic efficiency. Supporting protectionist policies, for instance, is a low-cost way for voters to signal their solidarity with local workers and express their patriotism. This moral signaling may be emotionally meaningful to many voters, but such policies undermine long-term prosperity. Understanding how networks of global trade and migration are socially beneficial is outweighed by the moral considerations of in-group versus out-group. Thus, the resistance to globalization often stems from moral concerns about group identity and moral responsibility. By using a humanomics approach, economists can better see the logic of these concerns, while encouraging institutions that expand the moral imagination beyond artificial national boundaries.

Relatedly, moral sentiments might work within groups (endogenously) but might not work between groups to set the policy that will govern the aggregate collection of groups. Public policy is an arena of contestation, and the antagonism that arises between groups reveals the ugly side of humans’ moral sentiments. In other words, anti-foreign bias is an extreme form of a moral sentiment toward the out-group. One of the underlying reasons for an anti-cosmopolitan worldview is because humans are (to some degree) pro-parochial within their moral psychology. This is similar to Hayek’s (1988) distinction between the intimate order and the extended order. In small, intimate groups, like families and communities, our sense of morality depends on strong personal bonds and mutual obligations. V. Smith and Wilson’s (2019) work indicates that people punish others even when it is costly for them because their sense of justice dictates that they have a moral obligation to correct anti-social behavior. However, the broader extended order of a market society is dependent on abstract rules and anonymous interactions. The intimate order and extended order function differently and have different moral frameworks. Humans have developed moral sentiments that allow us to cooperate surprisingly well with people who share specific commitments in common; however, the moral sentiments of the intimate order do a poor job of guiding us in the extended order. Thus, part of the cause behind rational irrationality is that voters apply the moral framework of the intimate order to the extended order, and they lack the feedback mechanisms to discipline their misapprehension. When people apply the moral framework of the intimate order to the extended order, anti-foreign bias and pro-parochialism will be a persistent problem in terms of setting policy at any aggregate level.

Make-work bias is the inclination to support policies that increase employment, even when those jobs contribute little to economic productivity. From a humanomics perspective, this bias is more than just a misunderstanding of economic efficiency. At its core, it reflects how individuals interpret work through the lens of moral identity and social recognition. Humans generally perceive employment as more than a means to earn income. Many forms of work give people a sense of dignity and belonging. Employment signals to oneself and to others that one is a contributing member of the community. As Adam Smith (1982b, p. 114) argued in *The Theory of Moral Sentiments*, a man “desires, not only praise, but praiseworthiness or to be that thing which, though it should be praised by nobody, is, however, the natural and proper object

of praise.” In this way, policies that preserve or create jobs, regardless of their productivity, carry symbolic weight far beyond their measurable outcomes. Employment often provides moral standing of being respected and respectable, whereas unemployment can threaten both self-worth and social legitimacy.

Thus, when voters support make-work policies, they are acting on faulty economic assumptions partially, or largely, because they are attempting to affirm a moral vision in which human dignity is honored through participation in work. This moral logic helps partially explain why even economically inefficient policies, like subsidies for declining industries or public works programs, can command broad support. Voters may see these policies as ethical commitments to care for their neighbors, particularly those visibly struggling with joblessness. When individuals see hardships firsthand, their sympathetic sentiments are provoked. By contrast, the broader gains from the “creative destruction” of the market in terms of greater productivity and technological innovations are harder to observe and connect to our moral imagination (see Schumpeter 2008). In this light, make-work bias is both an error in economic logic and an instance of moral reasoning guided by what is visible and emotionally resonant. Voters may rationally support such policies not because they maximize output, but because they symbolize solidarity and affirm the social value of the individual. In a society where many fear being left behind, policies that prioritize employment offer a powerful narrative that everyone deserves to be praised and praiseworthy. Abstract metrics of efficiency are much less salient concerns.

With pessimistic bias, voters tend to believe that economic conditions are worse than they truly are and that they are likely to deteriorate further. From a humanomics perspective, voters do not just make mistakes in evaluating economic indicators; they also have moral sentiments about perceived injustices and hardships. As Adam Smith (1982b, pp. 69-73) observed, the human moral psychology places more weight on negative moral sentiments, like grief or fear, than positive ones like gratitude or admiration. Our natural sympathy engages us with people experiencing economic misfortune. When we hear the “plaintive voice of misery,” even from afar, we find it difficult to remain indifferent. Smith remarked that such suffering “forces us almost involuntarily to fly to [the sufferer’s] assistance” (A. Smith 1982b, pp. 36-37). Assuming Adam Smith is correct, it is not surprising that voters are often more responsive to narratives of economic decline than to data showing long-run improvements in living standards.

Caplan discussed pessimistic bias in conjunction with other thinkers, such as David Hume (1987, p. 464), who wrote, “The humour of blaming the present and admiring the past, is strongly rooted in human nature, and has an influence even on persons endued with the profoundest judgment and most extensive learning.” Hume highlights that humans have a propensity to venerate the past and vilify the present. By combining the insights of Hume and Adam Smith on people’s moral sentiments, voters are likely to overemphasize current economic struggles. Voters may also want to signal their concern for justice for the vulnerable. Additionally, pessimism unites individuals around perceived threats, strengthening group cohesion and justifying collective action. Thus, the belief that economic decline is inevitable may be inaccurate from a large-scale perspective, but it can serve as a compelling narrative that sustains identity and moral purpose. In this way, pessimistic bias is a manifestation of deeper human concerns regarding our sympathy with the suffering and our desire for communal belonging.

4. CONCLUSION

The arguments in this brief paper are not final or settled. Instead, they are an invitation for future research. Scholars of Adam Smith could help refine the theoretical connections between a humanomics approach and rational irrationality by systematically reviewing *The Theory of Moral Sentiments* for more direct connections. Additionally, empirical scholars should test the theoretical claims with real-world evidence. Surveys, experimental data, and case studies can help illuminate the extent to which moral sentiments systematically shape public opinion and democratic decision-making. A humanomics approach encourages scholars of political economy to conceptualize voters as morally driven, socially dependent beings. The

humanomics approach does not undermine insights from public choice economics; it has the possibility to enhance and refine our theoretical frameworks.

Scholars, policymakers, and citizens do not have to approve of how moral sentiments work in political decision-making in order to realize that moral sentiments deeply influence political decision-making. If the arguments in the paper are correct, or at least broadly true, then the primary normative implication is that collective decision-making via voting is likely to be worse than public choice economists may have thought. As such, democratic governments should do less at the aggregate level because the problem of moral sentiments is unlikely to be rooted out. There may be a case for constraining the scope of state decision-making and expanding the scope of alternative institutional arrangements with more direct feedback mechanisms. For example, markets and voluntary civil society associations are likely to have more direct feedback on decision-making than large-scale political voting. If a business fails to satisfy its customers, they stop buying. If a civil society group no longer meets the needs of its members, they leave or stop donating. In both cases, the signal is clear, and the consequences are relatively quick. In democratic political systems, voting happens relatively infrequently, policy outcomes are separated from voter intent, and electoral signals are ambiguous. By looking to alternative institutional arrangements, moral sentiments and self-interest can align to improve human flourishing. If more decision-making were made outside of political voting, the problems of rational irrationality would be less severe because the feedback mechanisms would be tighter between cause and consequence.

Even if many decisions were taken out of the political realm through majoritarian voting, one additional implication is that institutional rules should be designed to minimize the effect of moral sentiments that distort the outcomes of public policy in socially harmful ways. Tweaking institutional rules to “correct” for the “irrationality” of average people is the project of many behavioral economists (see Thaler and Sunstein 2009), but many economists in the public choice tradition, like Caplan and V. Smith, would be somewhat skeptical of that claim for both epistemic and incentive-related reasons. In other words, constructing top-down governance institutions to “nudge” people in the “right” direction away from their moral sentiments is fraught both normatively and positively. However, there may be opportunities to limit the scale and scope of decisions that can be made through political voting and to reform governance institutions, which may improve the policymaking process in light of the complications that a humanomics approach introduces. Perhaps institutions can be designed in such a way to incorporate learning about moral sentiments to produce better outcomes, which may take the form of polycentric governance systems that incorporate bottom-up self-governance in the private sphere (see V. Ostrom 1997; E. Ostrom 2005).

This paper’s preliminary theoretical synthesis of humanomics and Caplan’s rational irrationality suggests several questions for future research or application. First are some questions about normative political theory. What are the implications of moral sentiments on how we view democracy in the first place? If we cannot assume that people will function in the extended order in a way that we recognize as pro-social, are there alternatives that we need to explore? For instance, recent scholars have discussed the roles of expertise in governance, but it is not clear whether rule by experts would be better in a humanomics framework than majoritarian democracy (Brennan 2016; Keech and Munger 2015; Lofthouse and Schaefer 2025). Second are questions of practical policy creation. Since public policies are inevitable, how might we design governance institutions so that we are not ruled by people’s baser sentiments and bad behavior in the public forum? How might governance institutions balance the authority that policy gains from a democratic process with the quality of the policy produced in that context? Third are questions about further connections between public choice economics and the humanomics approach. How does the application of humanomics to public choice clarify our understanding of the limits of institutional design and setting up the “correct” incentives in governance systems? What work needs to be done to integrate humanomics with the more conventional behavioral economists (such as Thaler, Kahneman, Sunstein, etc.) as they apply to the formation of public policy? In summary, the combination of humanomics and public choice economics leaves us with many fascinating questions and open avenues for future research.¹

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NOTES

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The Future of Meaningful Work

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Abstract: This paper explores the ways in which capitalism both enables and frustrates individualism and the pursuit of self-realization. I discuss the tensions between personal authenticity and the pursuit of well-paying jobs, and the claim that the best way of dealing with the increased uncertainty caused by economic disruption is the more wide-spread adoption and teaching of Sarasvathy's entrepreneurial mindset.

A million-year prejudice stares back at him. ... He sees the conflict within them: tradition against progress, the known past against the unknown future.

—Adrian Tchaikovksy, *Children of Time*, p. 318.

INTRODUCTION

In *The Communist Manifesto* Marx and Engels (1848) argued that one of the great achievements of capitalism was to bring self-interested motivations out in the open. The capitalist merchant doesn't pretend to provide you with goods and services out of altruism, and the capitalist employer doesn't pretend to hire you out of the goodness of their heart. As the famous Adam Smith quote goes:

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 own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens (*Wealth of Nations*, Book I, Chapter 2).

Marx and Engels argued that, as merchants became more prominent in social life, the hypocrisy of kings and aristocrats, pretending to rule over us out of benevolence and sacred duty, had become increasingly transparent, as everyone had become increasingly more accustomed to the logic highlighted by Adam Smith.

In his critique of capitalism, sociologist Daniel Bell (1976), expands the picture painted by Marx and Engels, arguing that not only self-interest, but the focus on utilitarian rationality and calculation, initially developed for the profit maximization calculus of capitalist firms, has slipped into the broader culture. This, Bell argues, has had two distinct effects, one on politics and another on people's understanding of their own personal lives. In the political realm, it has given rise to a new form of legitimization for the

social order in terms of consent and welfare, leading to a move toward democracy. But, on a more personal level, it has led to

a distinctive culture and character structure. In culture, this was the idea of self-realization, the release of the individual from traditional restraints and ascriptive ties (family and birth) so that he could “make” of himself what he willed. In character structure, this was the norm of self-control and delayed gratification, of purposeful behavior in the pursuit of well-defined goals. It is the interrelationship of this economic system, culture, and character structure which comprised bourgeois civilization (Bell 1976, p. xvi).

The idea that you are responsible for who you are is, indeed, quite new. We’ve never built societies on individuality until very recently. All societies before us have been based on norms of adequacy, communal unity and respect for authority, combined with highly repressive institutions for assigning people specific social-economic roles. Sons would generally follow in their fathers’ footsteps, and daughters would be bartered away for their father’s gain. There would be little choice of personal identity.

Historian Jacques Le Goff, a leading expert on Medieval Europe, described how people used to think about what keeps society together, and about the origin of all different social roles, in the following way:

The duty of medieval man was to remain where God had put him. To rise above your status was a sign of arrogance, to fall below it was a shameful sin. People had to respect the social order wanted by God, in accordance to the principle of hierarchy. Built on the model of celestial society, human society had to reproduce in every detail the hierarchy of angels and archangels described in the works of 4th century Eastern monk Pseudo-Dionysius the Areopagite, and later translated into Latin (my translation from the introduction to Le Goff 1987).

By contrast, life under capitalism (i.e. in a society organized by commercial ties and competition, and experiencing continual disruption, rather than built on autarky and stable power hierarchies), brings *both* a lot more wealth and material opportunities, *and* more serious responsibilities. Only a few hundred years ago, your place in life would’ve been established at birth, and you wouldn’t have probably even thought of contesting it. Today, you can become so many things, but you are the one responsible for this most serious choice.

The demise of the old religious rationalization of social and political order also means that we, as a collective, have a greater choice and responsibility regarding the society we’re building, and each of us, as individuals, have a greater choice and responsibility about the particular persons we decide to become. As Buchanan and Tullock wrote in the *Calculus of Consent*:

Constitutional democracy in its modern sense was born as a twin of the market economy. With the philosophers of the Enlightenment we share the faith that man can rationally organize his own society, that existing organization can always be perfected, and that nothing in the social order should remain exempt from rational, critical, and intelligent discussion. Man’s reason is the slave to his passions, and recognizing this about himself, man can organize his own association with his fellows in such a manner that the mutual benefits from social interdependence can be effectively maximized (Buchanan and Tullock 1962, p. 304).

The drive to personal betterment has always resided within human nature, but it has never before been allowed to take hold over our institutions and cultures. At the individual level, someone’s quest for personal meaning is tied to their success in fulfilling what they perceive to be their potential, and to the best ways of expanding this potential. Perceived stagnation leads to ennui even if they’re stagnating in a very comfortable position.

The internal legitimacy of capitalism comes from its promise of being a great enabler of growth, both personal and economic. As such, the key *internal* questions are: (1) How can as many people as possible *learn* how to take advantage of the opportunities the system creates? and (2) How can we *adjust policy* to enable as many people as possible to take advantage of such opportunities? I see question (1) as important, if not more important, than question (2), while most people writing about capitalism focus almost exclusively on various policy questions. I want to focus here more on the neglected question. Related to question (1), and a possible internal critique of capitalism is the following: (3) To what extent capitalism actually delivers on its promise for economic and personal growth, not just for a few, but for all? As such, the successes and failures of capitalism are concerned with fulfilling its most radical liberational promises, i.e. whether it successfully provides all individuals the means and opportunities of becoming the best they can possibly be according to their own wishes, and with whether alternative systems, or varieties of “tamed” capitalisms, could satisfy those promises better.

Similar to how Vernon L. Smith and Bart J. Wilson (2019) argue that economics needs a more expansive concept of the economic agent, in order to more fully account for moral behavior, I argue here that to fully understand people’s attitudes to capitalism and the market society, we need a broader concept of agency that includes the vision people have about their own personal identity. This is important for understanding the trade-offs between authenticity and money making. Wilson (2024) argues that we have strong empirical evidence of the inadequacy of the strict utility maximization model, and I argue here that Saras Sarasvathy’s account of entrepreneurship provides a fairly well elaborated alternative (Sarasvathy 2001, 2008; Sarasvathy and Venkataraman 2011; Sarasvathy and Dew 2013; Read et al. 2016; Dutta and Packard 2024). This alternative provides a better understanding of how people deal with uncertainty, and how they switch between a search for better means for achieving their goals and a search for new goals given the resources and social connections at their disposal. The most controversial aspect of Sarasvathy’s work is the claim that people can be taught to think more like entrepreneurs. I don’t try to evaluate this claim here, but, instead, I argue that *if* she is correct about this, such teaching could be very useful for helping people discover the best paths for meaningful work, i.e. the best way of thinking about the trade-off between authenticity and money-making.

PERSONAL AUTHENTICITY IN A MARKET ECONOMY

Capitalism is built on answering our drive of becoming more than we currently are, the call to become the best we can possibly be. It provides opportunities for growth more than any other previous system. But the market system also creates pressures upon each of us as if it has a *very specific idea* about what the “best you” is supposed to be. This is, of course, anthropomorphizing the system to a, perhaps, unwarranted degree. Think of it as a metaphor of the internal pressures toward efficiency. The system as a whole tends toward efficiency (Stigler 1992; Leeson 2020), which means that it creates specific pressures on each individual and organization within the system, as if the system has a mind and desires of its own about who each of us should become. As far as the market system is concerned, “best you” means the most productive you. “Be the best you can possibly be,” capitalism whispers to you, nudging you, and literally paying you hard cash to become the most productive possible version of yourself.

What the market system does is match what makes *society* richer and more efficient with a *personal* promise. If you choose the path that makes you more productive, you will be paid more. That’s the promise. A promise that some might see more as a temptation.

As philosopher William Irwin (2015, p. 65) put it, “Capitalism does indeed make the temptation ever-present to try to find satisfaction and fulfillment in money and things that money can buy, distracting people from potentially more fulfilling, satisfying lives.” However, he adds that “Capitalism may have alienating tendencies, but they can be minimized and overcome” (p. 66). Is this actually the case, and if so, how? I argue that modern capitalism and modern technology makes self-actualization, *in principle*, easier

than ever, but, at the same time, capitalism also seems to promote a particular type of culture that goes *against* personal self-fulfillment.

This is also the source of capitalism's great power—the source of its ability to outcompete other economic systems, as well as its capacity to undermine all traditional social and political systems from within. These traditional systems require us to stay in our place. That's why they fail to reach for the stars. They are attractive only to the least ambitious and most scared. I don't say this as an insult. Most of us are not particularly ambitious or courageous. But, under our current market system, our fears are not allowed to rule or to seriously constrain the ambitious and the courageous. This is why all of us have to periodically deal with the “creative destruction” spawned upon us. This tension is always with us in the policy arena, with those scared of the unknown always asking for more precautions (Thierer 2016).

Should we be more precautions? Why aren't our fears allowed to rule? The reason is that every time that happens in a society, that society loses ground to others, and is eventually forced to mend its ways. When many people become as productive as they can be, the output of society as a whole dwarfs what other systems can generate. The system that does this the best will simply outcompete the others. However, this does *not* necessarily mean that the most productive system will also be the one with the happiest inhabitants.

The drive to ever-increasing productivity also has an important *moral side-effect*. What capitalism wants from each of us is to become the best servants of our fellow human beings—that's where the money is coming from, from other people willingly paying us to give them what *they* want or need. What's the best you can possibly do? You are earning most money when you are developing your comparative advantage, as economists say. Although it's better to put it the other way around: your comparative advantage is the set of skills you can develop to earn the most money.

This lays out before each of us a fairly specific path for personal development, which may or may not be entirely consistent with what we would *like*. Don't be selfish, learn how to be of use to others. According to the logic of the market system, your life has meaning and value if you see yourself as a means to an end—to *other peoples'* ends. Immanuel Kant was wrong. You should not see yourself (or your fellow human beings) as ends in themselves. We are all means to each others' ends. Is that really so?

The better you are at serving others, or creating things and organizations that deliver what others want, the more money the market system will send back to you. “The consumer is always right”, and it wants you to be in a certain way. The system makes claims not just about what you should do, but also about the person you should become. And you may or may not like what it asks of you.

The greatest temptation that capitalism brings before us, a key difference from the more traditional cultures, is the permission to be whoever we want. But we will be judged for our choices. Not judged in any moral or religious terms, but in the simplest financial terms. You will be rich or poor. To many that is the worst kind of judgment. You may become whatever beautiful creature you want, but others may well choose to not pay to employ you.

Who are you? You could become so many different people. *Choose the one that will make most money*, capitalism whispers in your ear. The rejection of this temptation, the refusal to define yourself as that person that could make the most money, is part of what generates the anti-capitalist resentment. You think you know who you “truly” are, and, as it often happens, the system doesn't value that person as much as you do. The only thing left is to rage against the machine.

But if you feel this way, the self-actualization culture described by Daniel Bell, which he saw as a *consequence* of capitalism, has already captured you. What you have is just another version of individualism, only more rudderless and subjective. Postmodern individualism. It's individualism without optimization, without the cult of productivity and efficiency, and, importantly, without the orientation toward others. Maybe it's a better version of individualism, as it is even more radically subjectivist, but it relies on a somewhat dubious assumption—it assumes you already know who you “truly are”, and you already know what “the best person you can be” looks like. But don't lie to yourself: you don't actually know this. This is where at least part of the anxiety comes from—you are afraid you will aim higher than you can actually achieve,

and you'll be shown to be less than you've hoped. One way out of this anxiety is to deny the system the capacity to evaluate you. But that also means you might set your bar too low. Perhaps the market is pushing you to become a lot more than your current feelings can even begin to guess. Many of us are actually too timid and modest about what we can actually achieve. The market may believe in you more than you believe in yourself because the market knows more than you do. Or conversely, the market may try to discourage you from taking a particular path because it knows more than you.

Economist Friedrich Hayek has argued that “competition is a discovery procedure” (Hayek 2014, ch. 12), rather than merely an allocative process based on already-existing information. My suspicion is that this idea might apply even to the discovery of our own identities. The search within the labor market (for that particular economic role that enables you to become as productive as you can be) might be better equipped to help you discover “who you truly are” than your under-informed and unreliable introspection. The market aggregates more knowledge than your introspection.

Capitalism is a system that tries to shape you to become the person that best serves the desires of others. This is perceived by many as corrupting and inauthentic. You should be who you “really are”, not what others want you to be. You should have the moral integrity of not apologizing for who you are. You shouldn't “sell out”. But you don't necessarily have to.

As James Buchanan put it, “the free market offers maximal scope for private, personal eccentricity, for individual freedom in its most elementary meaning” (Buchanan 1975, p. 24). This radical tolerance that sits at the core of the system cannot be denied. Unless they are regulated and prevented from doing so, markets will deliver whatever *some* people are willing to pay for. Markets create a space for “personal eccentricity” because many things can be profitable even if they satisfy only the wishes of very small minorities. Markets don't cater to the median voter, they cater to anyone who can pay. Not everyone, of course, thinks this is a good idea. For example, distributist Catholic author Hilaire Belloc describes this as “the dreadful moral anarchy against which all moral effort is [should be] now turned” (Belloc 1912, p. 52).

This being said, the greatest wealth in the market system is obtained not by those catering to small scale eccentricities, but to those who satisfy mass consumption. Capitalism enables you to stay eccentric, if you so choose. In other economic systems, eccentricity has no possibility of survival. But even capitalism doesn't reward eccentricity all that well. It enables it, but it doesn't encourage it. And, on the margin, all of us might prefer to be slightly more eccentric than we currently are, and, as such, we feel we are in a constant fight against the system.

The flip side of this is: Do you have the moral and personal resilience to plow through with your so-called authentic life even when others don't appreciate and value it as highly as you do? Ayn Rand's hero in the *Fountainhead*, an architect called Howard Roark, is unwilling to compromise even if this leads him to complete ruin and destruction. Like most Rand's characters, Howard Roark is a super-hero. How many of us have the personal strength to never compromise?

MEANINGFUL WORK

The question of happiness and what makes people feel they have meaningful lives has a very long history in philosophy, religion, and psychology (Haidt 2005). I'm going to simplify things a little and say that happiness and meaning are the result of a combination of two things: (a) feeling useful to others and (b) having a sense of personal growth. In other words, we have (a) a source of external validity—usefulness to others—, and (b) a source of internal validity—a sense of authenticity and personal growth. A failure on either of these two dimensions (or on both) leads to some form of dissatisfaction with life (fig. 1).

Such personal unhappiness can also lead to unfavorable attitudes toward capitalism because in a capitalist system usefulness to others is approximately measured by your income. If your work and skills do not help you earn a lot of money, it is partially because few are willing to pay for the products or services that your skills can produce (while also being partially due to luck).

Keeping true to oneself and pursuing personal growth in a direction that feels authentic, while, nonetheless, experiencing the sense that few find value in what you are producing (or maybe even no one), leads to misanthropy. You are not the problem, it's everyone else. This is a fairly common attitude among artistic types who do various weird things, that they think are highly valuable and profound (and some of them maybe are!), and are upset when society at large fails to appreciate (and financially support) them. Similarly, scientists will sometimes get upset if you suggest that spending billions on a new particle accelerator might not be the best priority for public funds. Academics in general often tend to fall in the misanthropy quadrant, as the highly self-directed nature of their research promotes authenticity but lessens the necessity to serve broader societal needs, since their employment is not typically contingent on direct usefulness to society. Teaching is the main aspect of their work that *can* move them to the meaningful work quadrant (as helping students brings a direct sense of usefulness), but many academics actually hate teaching.

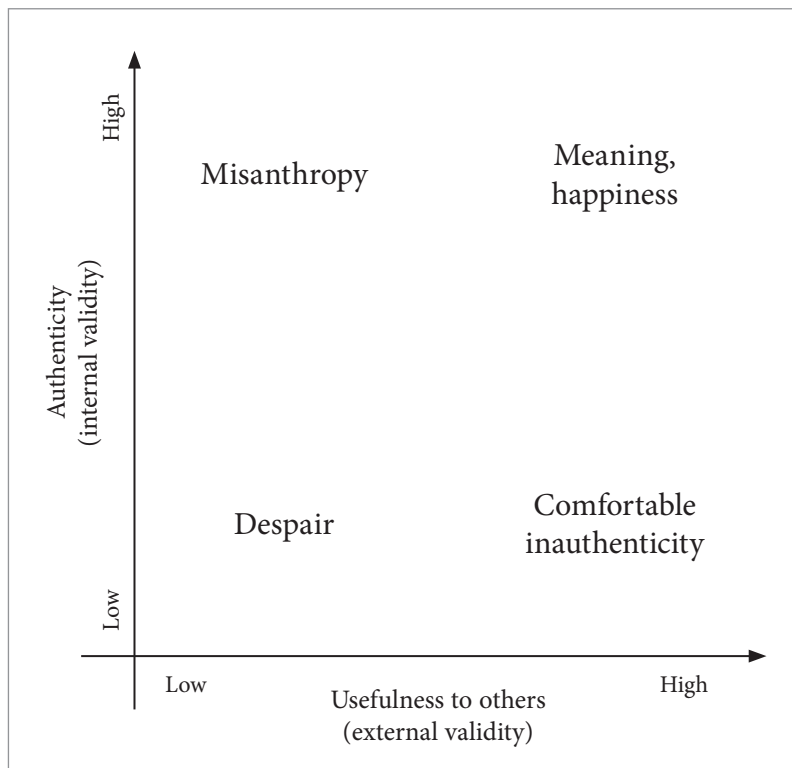


Figure 1: Happiness and meaning

This type of misanthropy, perhaps in milder forms, is far from being restricted to artists and scientists. It is fairly common for people to have a sense of entitlement that is at odds with what they manage to actually earn in the market. Feeling that you deserve better and that you should be able to get more without sacrificing who you are. Feeling that the only way to get ahead in this world is by some sort of uncomfortable compromise of either your values or beliefs. These are fairly common feelings.

The comparative systems question is which other social, economic and political arrangement (perhaps some modified form of capitalism?) would do better than the form of capitalism we currently have? Some misanthropes are clearly deluded and narcissistic, but maybe not all. Maybe there is indeed significant social value that our current system fails to appreciate. In the same way that our current financial institutions have gaps in their capacity to discover and fund certain types of ideas, i.e. our current system of

capital allocation is far from perfect, it may also be the case that the version of capitalism we currently have could also be improved in its ability to *allocate labor*.

Which institutional system is best at enabling people to maximize both their internal and external validation? Capitalism does have a significant appeal in this regard over more centralized systems (like socialism, in the extreme) or over more collectivist systems (like traditional societies in which the social pressure to conform is intense). In order to succeed in a capitalist system you don't need generalized approval. You only need a few paying customers. You can make a living even if the vast majority of people are indifferent (or even actively hostile) to what you're offering. As pointed out by Kevin Kelley, to make a decent living in United States, you only need 1,000 "true fans" willing to pay you \$100 dollars per year.

The internet makes it possible to seek such supporters far wider than before. In other words, it is now possible to be successful with *extremely niche* products. This is the logical, extreme, end of Adam Smith's point about the connection between specialization and trade—the larger the extent of the market, the more specialized one can become. The modern communication, transportation, and financial infrastructure brings the extent of the market in the range of hundreds of millions, if not billions. It is not surprising that the degree of specialization (i.e. successful niche products) this network generates is extreme.

I see two key issues here: the problem of unfulfilled expectations, and the problem of uncertainty.

First, people often want more than merely *making a living*. The issue is whether one's sense of entitlement matches the reality of one's success. Capitalism aggravates this issue. Success in the market system is a power law, meaning that there are a few extremely successful (and rich), and a very long tail of only moderately successful. It is unavoidable that some fraction of those moderately successful will be envious of the far more visible people at the top, and that a fraction of the barely successful will be envious of those comfortably successful. How many thousands of mediocre economists think that "Acemoglu is really not that good", or maybe even that they are better economists than him? How many thousands of mediocre guitarists think that "Slash is overrated", or maybe even that they are better than him? How many fancy restaurants think they have better food than McDonald's or Taco Bell? I venture to say that this kind of situation occurs in every field, and it is part of the reason why we insist on the distinction between "true value" (as evaluated by expert opinion, often based on various arbitrary criteria) and financial success (i.e. popular opinion).

This power law aspect of success in the market system is tied to the mass-production nature of capitalism: capitalism *both* enables extreme niche products to succeed, *and* showers the greatest rewards on the products and services with the largest mass appeal. As far as prior probabilities go, any creator in the capitalist economy will end up with some niche product (if successful at all), but maybe they were hoping for mass appeal. Perhaps they were confused by the heroic stories of other successful people or businesses. The story of many of the most successful artists and entrepreneurs indeed involve unreasonable degrees of perseverance in the face of external skepticism and failure, but, of course, all these stories are examples of survivorship bias and not recipes for reproducible success.

This, in turn, raises the issue of the opportunity cost of being the creator of niche products. You might be able to lead an authentic life doing what you truly like—producing a niche product enjoyed by only a few, and enjoying relatively small earnings in return—*or* you can give up that dream and become a regular employee in a firm that is more successful at satisfying mass consumption. This moves us from the upper left quadrant in figure 1 (misanthropy) to the bottom right quadrant (inauthenticity). The phenomenon of "bullshit jobs" (Graeber 2018) is related to this—people will do their jobs, but not be particularly enthused by it, and not feel a great deal of meaning for it. Such jobs may pay well (i.e. have value from an outsider's perspective), but, nonetheless, feel useless from an insider's perspective.

This is not necessarily a new problem. One can argue it has been with us from the early days of capitalism and industrialization. For instance, Cowen (2004) notes the following:

Standards of living do rise from industrialization. But I look at many of my rural Mexican friends. They could earn somewhat higher wages in factories, but they prefer to paint ceramics at home. It is more fun and they control their time to a large degree.

In the case of such artisans, they eschew some larger possible material gains in favor of authenticity. This kind of choice is open to everyone, but, ironically, although capitalism is fundamentally individualistic, the social environment of advanced economies often creates a kind of social pressure in favor of whatever *pays* the best, at the expense of what *feels* the best. If so, the phenomenon of “bullshit jobs” is more a feature of this materialistic culture attached to capitalism, rather than a feature of the economic system itself.

Can we really separate the materialistic culture that thrives under capitalism from capitalism itself? I think so because modern globalized capitalism also enables people like Mexican artisans to prosper more than ever (Cowen 2002). This happens because (a) they have access to far more potential customers than before, and (b) global supply chains have lowered the costs of many of their inputs. For instance, Cowen (2002) describes how the availability of cheap, industrially produced yarn has generated an explosion of creative designs in traditional, hand-made textiles. In the past, the artisans spent most of their time hand spinning the yarn, which left them with relatively little time to actually weave. Today, they use industrially produced yarn and spend all their time weaving and creating new designs. Such people may still be able to earn more money by working in a factory, but that is not their choice.

We can find many examples highlighting this tension between the opportunities for the success of niche products and the desire for mass appeal. I would say that the more authentic path is usually taken by entrepreneurs who embrace a particular niche identity, and, as such, do not aim for mass appeal (although they may occasionally achieve it). This keeps them in the meaningful work quadrant in fig. 1, as “usefulness to others” need not mean usefulness to everybody. For instance, the opportunities for independent (non-Hollywood) movie studios are now greater than ever. Angel Studios in Utah, producing Christian movies, and A24 in New York, producing horror movies, are two rather different examples of specialized products that don’t aim for an universal audience, but are, nonetheless, highly financially successful.

I describe below the case of entrepreneur Pieter Levels, who I see as a high-tech version of the Mexican artisans. I think that maybe the future of capitalism involves a partial move toward the artisan mindset, valuing personal authenticity more and diminishing the social pressure to earn the highest possible income. The reason for this prediction/hope has to do with the growing range of uncertainty.

UNCERTAINTY AND THE ENTREPRENEURIAL MINDSET

Let me return to the issue of uncertainty. Many (most?) people are not ready for a world of extreme specialization, because extreme specialization also implies constant churn and disruption.

The mental model of the past is now increasingly broken: (1) train for a particular field, developing a set of specific skills, and (2) use those skills for the rest of your life, typically spending many years hired by the same firm (changing employers only a few times during one’s life and only within the same field of work).

We can think of this as a *managerial mindset*: form a purpose (for your professional life) as a teenager or in your early 20s, and select the best means to achieve it according to the pre-existing experience of others, while assuming minimal disruption and uncertainty along this path from means to goal.

Creative destruction has always been a problem for the managerial mindset. But the much larger extent of the market we have now, with the associated increased specialization, means that disruption is far more common. The maturation of the internet as a tool for facilitating commercial networks, and the development of various automation and AI tools that enable smaller teams to achieve more, further increase the churn and, hence, the uncertainty in the system.

Aiming to consciously optimize your career path, with the ultimate goal of maximizing wealth, is a fool’s errand when uncertainty and churn become the rule. Instead, one needs to prioritize flexibility and

maintain many open options at all time. This also means that creating an identity based on the expectation of a single career or of a too specific future achievement is a dangerous thing. It didn't use to be that way because the world used to be less dynamic. The idea of finding a *vocation* is increasingly irrelevant if not already counterproductive.

The question is how one can build a sense of self and self-worth that spans across many possible occupations and that will not be too affected by various occasional occupational failures. If you succeed at this, you will be freer to aim for what's currently outside your reach, because the potential failure will sting less. Ambition for the sake of the potential cool stuff you can make, and not because you chose an identity that depends on it.

People affected by economic disruption, and who lack a more entrepreneurial mindset, risk moving from the “comfortable inauthenticity” quadrant in figure 1 to the lower left quadrant, which I've labeled “despair”. That's a situation in which one feels both useless to others (as partially evidenced by a diminished income) *and* stagnant in terms of personal development. Left-leaning authors will often connect this kind of issue with inequality and fairness (e.g., Wright 2019), which they see as the key social problem, emphasizing, for example, the randomness involved in the costs and benefits of economic disruption. Even if one disagrees with the point of view that successful entrepreneurs don't fully deserve their gains because of the role that luck plays, one can still agree that those suffering from disruption cannot really be blamed for their misfortune, given the fundamentally unexpected nature of creative destruction. Furthermore, even if one is not particularly concerned with inequality, one can still be concerned with the psychological problem of “despair” (Case and Deaton 2020). And while someone can't be blamed for being a victim of creative destruction in the first place, can they be blamed for staying that way for too long, i.e. for not finding ways out?

The managerial mindset can trap people in the despair quadrant, if the disruption was large enough to affect one's entire field of work significantly and escape necessarily involves changing fields. The managerial mindset implies that the efforts involved in switching fields are larger than they often are, and offers few guidelines for taking advantage of new (and previously unfamiliar) opportunities. Identifying with a particular vocation has the same negative effect.

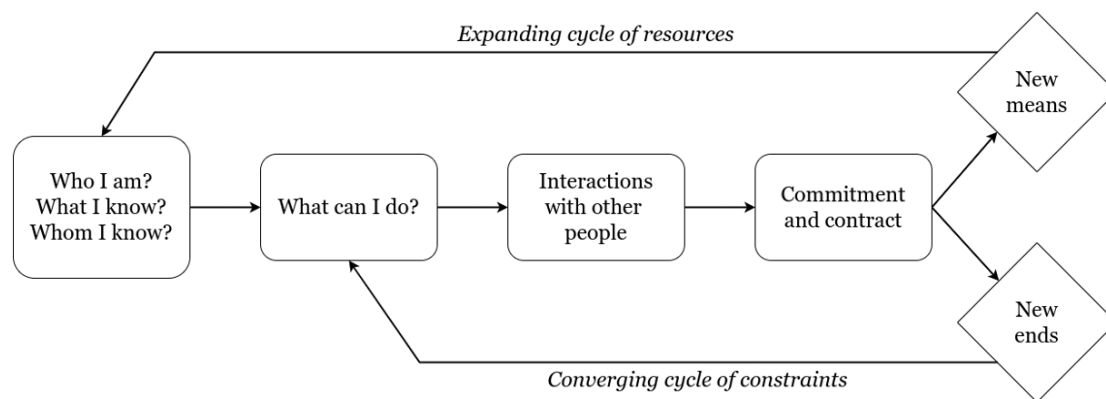


Figure 2: The entrepreneurial mindset (adapted from Sarasvathy and Dew 2013)

Saras Sarasvathy's studies of how real world entrepreneurs think have revealed that they perceive uncertainty as a *resource to be tapped*, because their plans are built to be flexible and open-ended (Sarasvathy 2001, 2008; Sarasvathy and Venkataraman 2011; Sarasvathy and Dew 2013; Read et al. 2016). This entrepreneurial mindset “begins with a given set of means and allows goals to emerge contingently over time from the varied imaginations and diverse aspirations of the founders and the people with whom

they interact” (Sarasvathy 2008). Everyone should be better trained into this way of thinking about the world. Figure 2 describes this way of thinking.

I see Sarasvathy as the anti Daniel Bell. Bell thought that capitalism taught people to replace their reliance on community and social norms with a reliance on individualism and instrumental rationality, where everything is understood as a means to an end. This way of thinking, going backwards from set goals to rationally chosen means, is indeed vulnerable to uncertainty. Sarasvathy refers to it as managerial thinking—as opposed to the entrepreneurial mindset (fig. 2). A manager of an established business indeed has some set goals, and any form of disruption and uncertainty is a problem to be minimized.

The entrepreneur, by contrast, starts from the available means (including their social network) and builds toward a multitude of possible goals. As also explained by Dutta and Packard (2024),

action primarily focuses on what the entrepreneur already has to work with—their identity, networks, knowledge, and the collaborative gathering of any and all means possible—to facilitate more and better possibilities With these means already at hand, the entrepreneur imagines ends that they might pursue

The entrepreneur goes back and forth between expanding the resources available in the pursuit of particular goals, and expanding the range of achievable goals, given the currently resources. These resources, importantly, include not only material resources but also (a) knowledge (technical knowledge, as well as knowledge of the desires, needs and capabilities present in their social environment) and (b) commitments that the entrepreneur is able to obtain from various other people and organizations.

For the entrepreneur uncertainty is a *resource*: Because nothing can be perfectly planned in advance and in all detail, they have to trust that some *good* surprises will happen along the way, helping them achieve at least some of their goals. Uncertainty should thus also be seen as a pool of potential good surprises, and not just as a potential monkey wrench in one’s plans.

While Daniel Bell thought that capitalist rationality was the same as the managerial mindset, Sarasvathy argues that people can be taught to think more like real-world entrepreneurs, and less like managers. If this educational program becomes successful, the biggest internal source of illegitimacy for capitalism would diminish. Capitalism is in fact a great system for enabling the realization of many potential goals. When your plans are disrupted, you should see that as a sign that maybe you should move on to new things, and take advantage of the multitude of opportunities the system always presents in front of you. But this only works if one maintains the entrepreneurial mindset of always keeping a multitude of options open. This goes against the idea of pursuing a single career, a single vocation, one single path in life, and building a personal identity out of that one path.

How can the entrepreneurial mindset be better taught? Dutta and Packard (2024) offer several important suggestions. Because the key aspect here is one’s attitude to uncertainty, the issue is connected to that of trust. Dutta and Packard (2024) discuss several sources of trust, which in turn, can be used by the entrepreneur as their starting point—as their social resources that could enable different pursuits, and which can be used to gradually bring in more stakeholders. They argue that “rather than beginning with the normal process of trust-building instigated through *cognitive-based trust*” (i.e. Bell-style rationality based on mutual interest), “entrepreneurs can kickstart their resource accumulation efforts by bringing those with pre-established *responsibility-, identity-, and especially affect-based trust*” [emphasis added], as ways of building commitments in earlier stages of the converging cycle of constraints described in fig. 2.

An extreme case of the entrepreneurial mindset at work, and of the opportunities available in today’s world, is Pieter Levels (Friedman 2024). He has created dozens of successful startups, as a solo worker, often while traveling around the world. These startups are various apps and websites that offer specialized (usually paid) services, and which he was able to code relatively fast by himself. How is this even possible? Just as the work and creativity of traditional hand weavers has been greatly enhanced by the availability of industrially made yarn, the work of high-tech artisans like Levels is now possible thanks to pre-existing

platforms. For example, financial transactions are easy with services like Stripe or PayPal, hosting services and managing bandwidth are provided by Amazon and others, AI models can be built on Replit, etc. Numerous platforms exist now, which facilitate highly specialized entrepreneurial activities, including in the realm of physical goods. On Amazon alone there are about 2 million independent sellers, generating 60% of the sales on the website, and earning an average of \$250k per year (Clark 2021; Toogood 2024).

Levels estimates that, of all the ideas he has implemented, only about 5% earn him a profit (Friedman 2024). This is why the managerial mindset doesn't work—you cannot predict in advance which idea will be successful. Levels describes his work process like this: (1) find a problem in the world, (2) implement a minimal solution to the problem as a way of discovering whether enough people might be willing to pay for the solution (given the costs of supplying the solution), (3) advertise on social media, (4) consolidate the commercially viable solutions into actually good products to keep early customers, attract new ones, and build reputation. What Levels *doesn't* do, but which most successful entrepreneurs do in addition to the previous steps, is (5) hire people to build a team that can expand the business from its early success, and/or (6) sell the business to a larger company that has more resources to reach even higher levels of mass adoption. In other words, tapping into the expanding cycle of resources in fig. 2.

As far as the discussion about happiness and meaning is concerned, notice how Levels reliably stays in the upper-right quadrant of fig. 1. He is constantly searching for services that people will find useful (and are willing to pay for), while at the same time keeping himself constantly learning new things. He has a baseline knowledge of coding, but his workflow is so radically adaptable that it isn't a liability (e.g. if AI makes knowledge of coding obsolete would only make his life easier). An important question for the future is whether more people can be taught the entrepreneurial mindset, perhaps using examples like Pieter Levels, but also the more traditional steps of expanding a successful startup.

Unlike Levels, most entrepreneurs don't stay solo. In the interview with Friedman (2024), Levels notes that managing people is a different type of skill, which becomes essential if one is expanding the business. As such, he *automates* everything as much as possible, instead of hiring people, which is possible for the type of services he's building, but would not be possible in general. Dutta and Packard (2024), by contrast, focus more on the social aspect of entrepreneurship.

From the point of view of the future of work, especially in the context of rising disruption and long-term uncertainty, the key question is: Can we teach people entrepreneurial mindset? Saras Sarasvathy has argued that this mindset is similar to the scientific method. Most people don't naturally think like scientists, but they can, nonetheless, be taught how to become scientists, and even as non-scientists they are aware of the methods of science. Similarly, it might be possible to teach people to think less in terms of optimizing the means for a set goal, and more in terms of thinking about the variety of goals that can be tried given one's available resources, including one's social network.

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The confluence of humanomics and neuroeconomics on economic cooperation

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I. CONCEPTUAL FOUNDATIONS: SYNTHESIZING HUMANOMICS & NEUROECONOMICS THROUGH SHARED MENTAL MODELS

Douglass North asserted that “The process of sustained economic growth that historians believe began between 1750 and 1830 radically altered the manner and standard of living of Western men and women.” And Deirdre McCloskey (2016, 2021) claims that all of this was caused by the spread of bourgeois ideas and free markets. Indeed, entrepreneurial thought and free markets continue to drive economic development worldwide. While traditional neoclassical economic models are highly useful for describing and analyzing what markets *do* and *how* they function, they lack a causal explanation of *why* they operate as they do. Human beings cause markets to work. Entrepreneurial drive and initiative originate in the human head. Human beings formulate ideas and muster the ingenuity to bring them to fruition, often by cooperating and collaborating (co-laboring) with others.²

The purpose of this paper is to investigate the interrelationship of the 1) ideational, 2) moral and 3) neurobiological foundations of economic cooperation. We proceed on the basis that the mind and the *brain* are distinct, but inextricably connected, phenomena. Although they are different, they coexist in the human head. Therefore, when studied, these phenomena should be conceptualized accordingly. In the words of Caroline Leaf (2021), the human *mind* and *brain* are “characterized by a triad of thinking, feeling, and choosing. When you think, you will feel, and when you think and feel, you will choose. These three aspects always work together.”³ We suggest that human cooperation and collaboration involve 1) “shared intentionality” (sometimes known as *we* intentionality), 2) “shared learning and knowledge,” 3) empathy (fellow feeling), and 4) “social contagion.” Accordingly, we synthesize insights from the emerging areas of *humanomics* and *neuroeconomics* to explore the philosophical and cognitive causes underlying economic cooperation. Centering on the human mind, humanomics incorporates aspects of moral philosophy, social learning, and experimental analysis to examine the causes of human behavior. Centering on the brain, *neuroeconomics* studies the neurobiology underpinning human behavior. We employ Arthur T. Denzau and Douglass C. North’s (1994) “shared mental Models” (SMM) framework as a conceptual bridge between the two areas of humanomics and neuroeconomics to analyze the ideational, moral and neurobiological foundations of human cooperation (see *figure 1*).

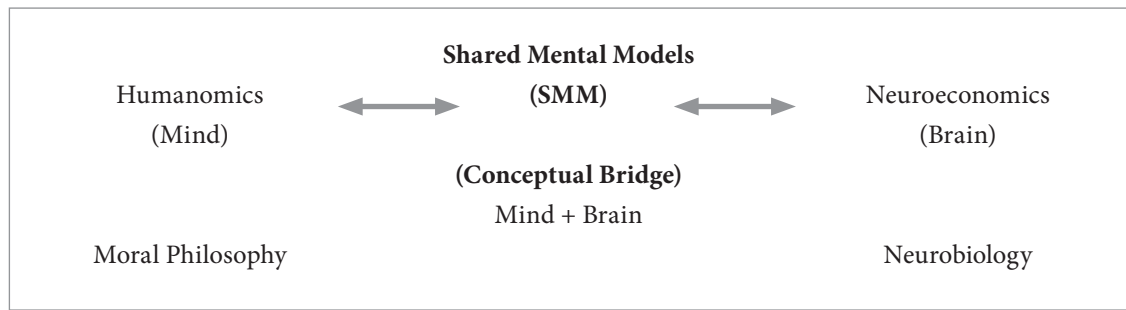


Figure 1

Let us continue with a brief conceptual explanation of the ideational, moral, and neurobiological foundations of human behavior. *Ideational foundations*: The ideas we hold in our heads inform our conceptions of what is rational and what is not. Our ideas are not formed in a vacuum, but rather, reflect the cultural and environmental social contexts in which we live and operate. We never see the world as it *is* objectively. Instead, we perceive it through cognitive filters or what Denzau and North (1994) refer to as *mental models*. In its 2015 *World Development Report* entitled *Mind, Society, & Behavior*, The World Bank Group reveals that:

Mental models include categories, concepts, identities, prototypes, stereotypes, causal narratives, and worldviews. Without mental models of the world, it would be impossible for people to make most decisions in daily life. And without shared mental models, it would be impossible in many cases for people to develop institutions, solve collective action problems, feel a sense of belonging and solidarity, or even understand one another (pp. 63-64).

The mental models that human beings use to interpret reality are neither axiomatic nor universal as traditional neoclassical MAX-U approaches often assume. Instead, mental models are cognitive constructions that reflect our highly varied human experiences. Human behavior is, in part, a reflection of the moment and environment in which it occurs, reflecting the current temporal, spatial, and environmental context. Human conduct, on the other hand, comprise past actions that have helped shape one's character (Wilson 2025). When examining the reasons why particular social systems develop, operate and evolve—especially questions centered on why markets work— one must consider both human behavior and human conduct.

2) *Moral foundations*: Human beings share ideas, experiences, and feelings with others. They often demonstrate feelings of respect and empathy towards one another. In his 1759 masterpiece, *The Theory of Moral Sentiments*, Adam Smith suggested that human beings possess *dual natures*. The first is self-love and the other is fellow feeling. Self-love manifests when it advances and protects *one's parochial interests*. Fellow-feeling (often operationalized as empathy) manifests when one demonstrates concern for the interests of family members, neighbors, and even strangers. Those "dual sentiments," which exist simultaneously in our heads, underlie our desire to cooperate and indeed, collaborate (co-labor) with one another. The emerging field of humanomics emphasizes the importance of ideas, moral sentiments, cultural norms, and cooperative behavior in driving productivity, wealth, prosperity, and overall well-being. The writings of Adam Smith, Vernon Smith and Bart Wilson have been advancing the study of humanomics to redirect the focus of economic inquiry on ideas, emotions, norms, values, and social phenomena that motivate human behavior. According to Bart Wilson (2024), "[t]he origins of our actions—ideas—do indeed matter. They make us human. Moreover, they make the principles of economics—trade, the division of labor, and property—possible." Wilson continues, "As a positive science, the study of economics can classify the moral sentiments that prompt human beings to act, the meaningful actions that human beings take, their

values, and the purpose of their actions” (p. 36). Accordingly, Wilson suggests that “[w]e can [and indeed should] be twenty-first century students of Adam Smith who study economic activity in both its origins and consequences. Meaningful economics is a science of economics that retains the human mind” (p. 37). According to Wilson, the humanomics framework “puts human feeling on an equal footing with knowing, thinking and wanting, which makes economics all at once ethical, psychological, sociological, and anthropological” (p. 41). Wilson (2024) emphasizes that if economics is to remain relevant to our lives, it must rediscover the whole human being.

3) *Neurobiological foundations*: Neuroeconomics is a multi-disciplinary area of research that draws on insights from psychology, neuroscience, economics, and anthropology to explore the neurobiological causes of human cooperation and collaboration. Research by Van Bavel, Pärnamets, Reinero, Packer (2022) explores “How neurons, norms, and institutions shape group cooperation”; Houser and McCabe (2009) study experimental neuroeconomics and cooperative behavior in a game-theory setting; Paul Zak studies the role of the oxytocin on morality, trust and cooperation in the lab and the real world; Deldoost, Khosrowabadi, Kamiński (2024) explore the underlying neuropsychological processes associated with social contagion and how it influences economic cooperation. By drawing together concepts from humanomics and neuroeconomics using Denzau and North’s conceptual SMM framework, we hope to gain improved understanding of why human beings cooperate in free market systems to the extent that they do.

This paper builds upon three related research projects published by Denzau, Roy, and Minassians (2016) and Roy and Denzau (2020, 2024), which examine the connections between humanomics, mental models, and social cooperation. Earlier work conducted by Deldoost (2024) and Yonk (2024) independently supplements Roy’s research. The authors’ collective contributions are synthesized to provide fresh conceptual insights on *why* markets work. In section II we examine the limitations of MAX-U by exploring markets as cognitive constructions that stem from our human nature as social creatures; section III explores the “The confluence of the humanomics of ‘the mind’ and the neuroeconomics of ‘the brain’ on social cooperation in the market”; section IV explores the neuropsychological influence on social contagion and conformity and trust on social cooperation. We conclude by examining how humanomics is making a transformative contribution to the field of public choice.

II. MARKETS ARE COGNITIVE CONSTRUCTIONS DRIVEN BY HUMAN SENTIMENTS

Until the 1930s, the economic study of human behavior encompassed moral and normative dimensions. The rise of positivist thought in economics, which was solidified by Lionel Robbins, Paul Samuelson, and Gary Becker, among others, marginalized the study of ideational and moral causes of human behavior (McCloskey 2021; Wilson 2024). Consequently, modern economics largely ignores the fundamental “human” element in its causal analysis by reducing the study of human behavior to utility functions that measure our preferences and choices in relation to resource scarcity. Bart Wilson (2024) lucidly explains that “Lionel Robbins shifted the focus of economics from the study of wealth or economic welfare to examining how individuals make choices under conditions of scarcity. It was a long road from 1932 until his definition of economics achieved near universal acceptance among economists. But by the bicentennial of the publication of Adam Smith’s *An Inquiry into the Nature and Causes of The Wealth of Nations*, scarcity had clearly supplanted the nature and causes of the wealth of nations as the fundamental problem of economics” (p. 29).

Contrary to the assumptions of MAX-U, humans are not robotic utility maximizers. The concept of MAX-U, so revered in traditional economics, is “erected upon the granite of self-interest” (Stigler 1975, p. 237). Contrary to popular myth, the concept of “self-interest” itself was not promulgated by Adam Smith (Wilson 2024). Adam Smith astutely observed that human beings are social creatures who seek meaning in their lives by making connections and building bonds with others. Traditional neoclassical economic models tend to understate the complexities shaped by cultural and moral influences on human behavior. Smith and Wilson’s humanomics approach suggests that human beings engage in a process of self-reflec-

tion and cognition that evaluates not just whether their utility was maximized but whether their behavior was deemed, in Smithian terms, to be “praiseworthy” by others. Such social approval-seeking behavior, as we shall see, is embedded in social *conformity* and *contagion*. Smith describes that process of cognition as “the man within the breast,” “The Impartial Spectator.” Vernon Smith and Bart Wilson’s laboratory experiments reveal that what individuals view as appropriate ways of behaving are both context-dependent and often constrained by the bounds of propriety.

Through their experimental analysis, Smith and Wilson (2019) came to realize that “human feeling, thinking, and knowing about what a good action is also maps outcomes onto actions” (p. 63). Moreover, MAX-U’s one-size-fits-all notion of universal rationality does not account for wide variations in human norms and cultures. Culture, a phenomenon that is a characteristic of human societies, encapsulates norms, notions of fairness, familial and societal obligations and shapes group identities (Tomasello 2009). All those concepts affect human behavior and must be accounted for in meaningful and relevant economic analysis. Smith and Wilson (2019) conclude that the assumptions economists hold regarding the predictive power of Max-U models are insufficient and suggest that something more is needed. While traditional neoclassical, positivist-based approaches have furnished us with an abundance of models in the MAX-U vein, they have offered little in the way of meaningful theory-building, resulting in the advancement of economics as an observational *human science* (Wilson 2024).

At its core, MAX-U models often misconstrue what markets are ontologically. Markets are much more than revealers of relative scarcity and instruments of price signaling. Although among the important roles they serve, markets are fundamental builders of social capital. They bring people together and, in doing so, act as a societal glue. Without them, democracies and even other systems would collapse. At their core, markets are cognitive constructions shared (mental models) that extend from human propensities that are internal to the mind and the brain. Successful voluntary market transactions reflect cooperative social behavior that is embedded in *shared intentionalities* aimed at positive-sum outcomes.

Legitimate and sustainable economic agreements (market equilibriums) are reached through a “meeting of the minds” between buyers and sellers, producers and consumers, entrepreneurs and investors—humans in any case. Markets are complex social processes that promote social learning, discovery, and innovation in ways that best facilitate human flourishing and prosperity. They are dynamic systems of an emergent order that reflect properties of both human rationality and sociality. Woven into market processes, therefore, are elements of both predictability and spontaneity. While exhibiting periods of stability, they are frequently characterized by ubiquitous novelty and uncertainty that are sometimes punctuated by periods of great instability and even devastating crises. Innovations and breakthroughs in human knowledge and understanding about the world, therefore, cannot be planned with any reliable precision. And yet, making practical use of such knowledge is impossible without intentional thought and deliberate action. Learning and knowledge creation are advanced most effectively when humans interact and, indeed, transact with other human beings. Through social engagement and market transactions, human beings often (though not always) arrive at positive-sum outcomes. Indeed, failure (which can be painful and costly) on both the personal and collective levels is essential for social learning. The experience of pain and suffering often causes humans to fundamentally change or alter their beliefs and patterns of thought, leading to new ways of doing things—behavioral change. The desire to avoid further pain and suffering often cause people to learn from past mistakes, resulting in mental model shifts and scientific revolutions—paradigm shifts. Again, all of this happens in the human head.

Ideas, McCloskey (2016), argues, are what drive human beings to prosper. The ideas espoused by enlightenment thinkers helped transform people’s understandings of the meaning and purpose of what human beings ought to do with their lives. The so-called Great Enrichment (McCloskey 2016) was characterized by a radical shift in shared mental models. That said, meaningful economic inquiry should be devoted to understanding *why* that shift occurred and *why* the spread of bourgeois ideals has continued to transform the human condition across the continents, most notably in places like India and China over the last four decades. During the Scottish Enlightenment, scholars like Adam Smith understood

correctly that successful market arrangements were the result of human capacity for moral agency, forming complex thoughts and ideas, and developing sophisticated ways of communicating them to others. Accordingly, they focused on the values, thoughts, and feelings that motivate human action. Economies exist because human beings think and communicate with one another in unique ways. Frank Knight (1997/1924) asserts that: “the relationships between people differ greatly from the relationships between inanimate objects, and thus a different approach to their study is necessary” (p. 483).

MAX-U models ignore much of this. Therefore, it is hardly surprising that they are unable to account for much of human cooperative behavior in the real world. According to Wilson (2024), “[w]e need meaning-making feelings, as against the screw-you machinery of noncooperative game theory, to understand the economics of human intercourse” (p. 41). Indeed, Kevin McCabe, Stephen Rassenti, and Vernon Smith (1998) reveal that cooperation occurs with much greater frequency than the standard models tend to predict. When exploring why markets work, researchers must accurately conceptualize our dual natures. In his essay on “The Two Faces of Adam Smith”, Vernon Smith (1998) explains that: “[t]hese views are not contradictory if we distinguish impersonal market exchange and personal exchange” (p. 2). Vernon Smith’s (1998) experiments found that behaviors in both settings stem “from a self-interested propensity for exchange in markets and friendships” (p. 2). Accordingly, Vernon Smith and Bart Wilson (2019) suggest that “while neo-classical analysis works well for studying impersonal exchange in markets, it fails to explain why people conduct themselves the way they do in their personal relationships with family, neighbors, and friends.”⁴ Moreover, Smith and Wilson (2019) found that we often exhibit feelings of empathy and engage in cooperative behavior in many impersonal (anonymous) interactions, including financial ones. Feelings of empathy cause humans to connect emotionally with one another and help forge social bonds between them. The bonds are forged through contagion, conformity, and interpersonal trust, which, as we will explain, are the foundations of cooperation and what *enables* markets to function and operate effectively. Smith and Wilson’s work is compelling because it provides us with an epistemological foundation for testing Adam Smith’s belief that human cooperation stems from our ability to reveal concern for ourselves and others simultaneously. Therefore, social cooperation appears to be a function of both rational self-interest and human empathy. While other species exhibit social connections and behavior, human beings appear to be rather unique in their ability to exhibit fully evolved moral sentiments. The sentiments that underlie human cooperative behavior stem from the interplay between human biology and culture. Understanding *why* this is the case requires a more profound exploration of the foundations of human decision-making (Wilson 2024). One must account for philosophical, behavioral, and neuropsychological phenomena.

III. THE CONFLUENCE OF THE HUMANOMICS OF “THE MIND” AND THE NEUROECONOMICS OF “THE BRAIN” ON SOCIAL COOPERATION

Human beings have a perpetual desire for both personal and social betterment, both on a material level and an existential one. Indeed, something is embedded in our heads that causes us to desire to better ourselves and improve our surroundings, often desiring the same for others. Human beings exhibit both biological and psychological propensities for social connections that animate learning, listening, teaching, and passing on cultural norms, practices, and beliefs. Such behavior is often carried out intentionally to help others flourish. Human beings share their emotions and desires with others through complex communication, both verbal and written. Techniques, such as storytelling and a persuasive form of speech known as “sweet talk”, have proven to be particularly effective in bolstering economic activity. According to Deirdre McCloskey (2016), nearly a quarter of national income is generated as a direct result of “sweet talk.” McCloskey (2021) reminds us that Adam Smith “spoke often of ‘the faculty of speech’ and did consider meaning in all his writings” (p. 9). Written and oral speech enables humans to bargain, negotiate, reach settlements, find economic equilibriums, and even collaborate to achieve common aims and purposes. Persuasive speech, often ignored in the so-called “dismal science,” is a vital component in the economy.

McCloskey (2021) shares Adam Smith's own words with us in support of her assertion: "The offering of a shilling which to us appears to have such a plan, is in reality offering an argument to persuade one to do so as it is for his interest" (Smith 1978, 1982/ 1762–1763, 1766. Report of 1762-3 vi. 56, p. 352).

Bart Wilson (2024) suggests that if economics is to remain relevant, we must start by posing interesting questions that focus on *why* human beings seek to enrich their lives by making choices they believe will add meaning and purpose. Indeed, our penchant for creating value and ascribing meaning to people, relationships, things and events is what makes us "human" and therefore, should be placed at the center of economic inquiry. That conclusion is not new. Adam Smith (1776) believed that human beings are social creatures who seek to add value to their lives by engaging, and indeed exchanging, with others. Smith (1776) argued that human nature is imbued with a "certain propensity" to "truck, barter and exchange one thing for another" (p. 25). Bart Wilson suggests that it comes from within. We agree wholeheartedly. Accordingly, we argue that that propensity is the result of the confluence of two inextricably related phenomena that co-exist within our heads—namely the mind and the brain.

If the mind and the brain are to be treated as distinct yet interrelated phenomena, then it would be useful to draw on insights from two distinct, often discrete, emerging areas of study—namely, neuroeconomics and humanomics. Neuroeconomics synthesizes aspects of cognitive neuroscience (a branch of neuroscience and psychology) and economics. Vernon Smith and Bart Wilson assert that human beings are moral agents and, therefore, values are at the core of economics. Deirdre McCloskey (2021) points out, however, that an exclusive focus on the brain that ignores the role of the mind in attempting to understand human behavior is akin to trying to comprehend "Jascha Hefetz violin playing by a closer and closer study of his arm muscles" (p. 23). Thus, it might appear on the surface that the two approaches offer mutually exclusive explanations. However, Zak's work explores how the biochemistry in our brains' immersive experiences and sharing these experiences with others through storytelling is highly complementary with humanomics. Let us now examine the conceptual connection between the neural and cognitive processes that social contagion and conformity influence on cooperative behavior and decision-making.

IV. THE NEUROPSYCHOLOGICAL INFLUENCE ON COOPERATION

Historically speaking, studies on how neural mechanisms affect decision making have been limited. In recent times, however, growing numbers of studies have begun investigating biology as a contributing factor to social conformity and contagion and how these social phenomena are related to what Adam Smith referred to as "fellow feeling" (sometimes referred to as other regarding sentiments.) The growing field of humanomics explores the human consciousness as well as the desires, aspirations, and temporal awareness that are generated within the human mind; neuroeconomics studies the connection between social interaction and biochemical reaction within the brain; mental models are a conceptual heuristic that synthesizes cognitive (brain) science and human social psychology (mind) to explain how humans process ideas, feelings, and experiences to interpret the world around them; they are internal (to the mind) representations of external realities. Humans process a wide variety of sensory data that is accumulated from our daily interactions and experiences, that are processed in our heads through cognitive filters or mental models in ways that help us formulate interpretations.

Paul Zak's groundbreaking work examines how the sharing of cognitive knowledge contributes to voluntary forms of cooperation. His findings suggest that human beings are natural cooperators because fellow feelings, or empathy, are woven into our neurobiology. Studies utilizing advanced neural imaging technology disclose that the ventral striatum part of the brain is stimulated in a manner that causes a sudden release of oxytocin when individuals exhibit altruistic social behavior. Zak has identified oxytocin as "the trust molecule." Zak's research is inspired directly by Vernon Smith's experimental work on moral sentiments, which explores the connections between morality, empathy, and interpersonal trust. Zak suggests that human empathy (fellow feeling) and trust (belief in others) are causally connected. The more people believe they have in common, the more likely they are to empathize with one another and, in turn,

develop deeper trusting relationships. Denzau and North (1994) note that: “[i]ndividuals with common cultural backgrounds and experiences will share reasonably convergent mental models, ideologies and institutions. Individuals with different learning experiences (both cultural and environmental) will have different theories (models, ideologies) to interpret that environment” (pp. 2-3). In other words, people with common backgrounds and those who engage in mutual experiences often develop emotional bonds that lead to sympathetic perspectives or similar ways of thinking. Common experiences help shape shared understandings and meanings in particular ways; they help cultivate SMMs among groups of people. Building social connections can cause people to think differently about costs and benefits associated with cooperative behavior. When we empathize with others, we tend to seek mutually beneficial outcomes. The cost-benefit calculus tends to change from one in which individuals attempt to maximize their self-interest exclusively to one in which both parties consider the interests of others as well.

Zak argues that if empathy allows us to connect with others, then sufficient levels of trust must be developed between participants. Effective communication is an essential element in the trust-building process and in helping participants “get on the same page,” reaching shared understandings and meanings (shared mental models) over aims, goals, and purposes. Initiating dialog or sharing information and feelings involves risk. Reaching consensus and devising mutual strategies and approaches to address shared problems and concerns requires a willingness to listen and share our ideas and beliefs with others. In so doing, we expose who we are and make ourselves vulnerable to others.

Zak has been studying the powerful influence of personal storytelling and shared immersive experiences in creating interpersonal empathy, in ways that contribute to cooperative behavior. Accordingly, Zak’s work in this area is highly sympathetic with Deirdre McCloskey’s analysis of the importance “sweet talk.” Zak (2014). When we share our personal experiences with others, we are, in essence, entrusting them with a part of ourselves, we expose our emotions, beliefs, and identities. Such demonstrations of “trustworthiness” trigger the release of the oxytocin molecule, which we referred to earlier. This empathy-causing molecule, also known as the “trust molecule” or the “moral molecule,” enables us to connect with others, including strangers, on an emotional level. Zak (ibid.) asserts that stories help place us in the lives of other people in ways that change our brain chemistries. In the workspace, developing personal connections and associations helps boost empathy for others, which in turn can add meaning to the tasks we perform and deepen a sense of common purpose among teammates and business partners. Data gathered over the course almost two and a half decades by Zak reveals that a shared sense of added meaning to the work that individuals experience when collaborating with others in pursuit of a common purpose can lead to higher performance and better results. In other words, when human beings “make work personal,” productivity (under the right conditions) can be increased.

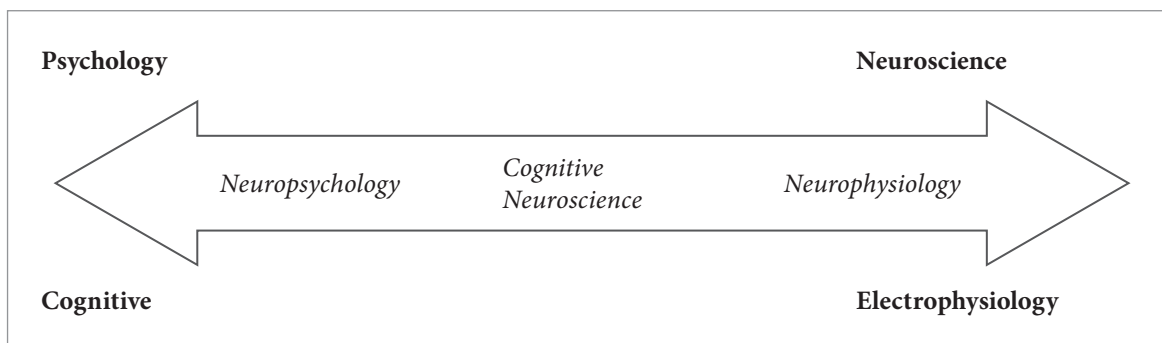


Figure 2. Cognitive-electrophysiology spectrum modified source. Cohen, 2014

Recently, neuroeconomic science has begun to study how social conformity and contagion influence cooperation. Social contagion is a complex and multifaceted area of research that explores how neurological processing, interpretation, and responses to social information and social influences affect how individuals comprehend their social environments (Frith & Blakemore 2006; Hunt et al. 2012; Parr 2010; Pfeiffer et al. 2013; Rote and Smetana 2011; Shany-Ur and Rankin 2014). Conformity and contagion are two types of social influence that are very similar (Wheeler 1996). Both involve adopting beliefs, feelings, values, and behaviors that align with the opinions of others. Consequently, both have a profound impact on shaping various types of social behavior (Levy 2008; Xie et al. 2016; Zheng et al. 2021). In a paper entitled “Exploring the Neuropsychological Basis of Behavioral Contagion During Learning about Another Agent’s Social Preferences: Evidence from an ERP Study,” Deldoost et al. (2024) sought to better understand the functions of imitative behavior in humans as well as explore the underlying neuropsychological processes associated with social contagion. Using real-time EEGs, Deldoost et al. identified specific neural patterns that emerge during moments of social contagion, providing a clearer understanding of how conformity influences decision-making at the cognitive level. They found that social contagion led to a significant number of participants changing their personal preferences. The block diagram in Figure 3 illustrates the preprocessing of raw EEG data and calculating ERP steps. Deldoost et al. (2024) observed a P300 component in the midline and right posterior areas of the brain during the time window of 200-350 milliseconds following the presentation of a stimulus. The scalp map distribution provides evidence that the temporo-parietal and parieto-occipital regions of the brain are critically involved in processing information, specifically related to conformity and other-regarding information.

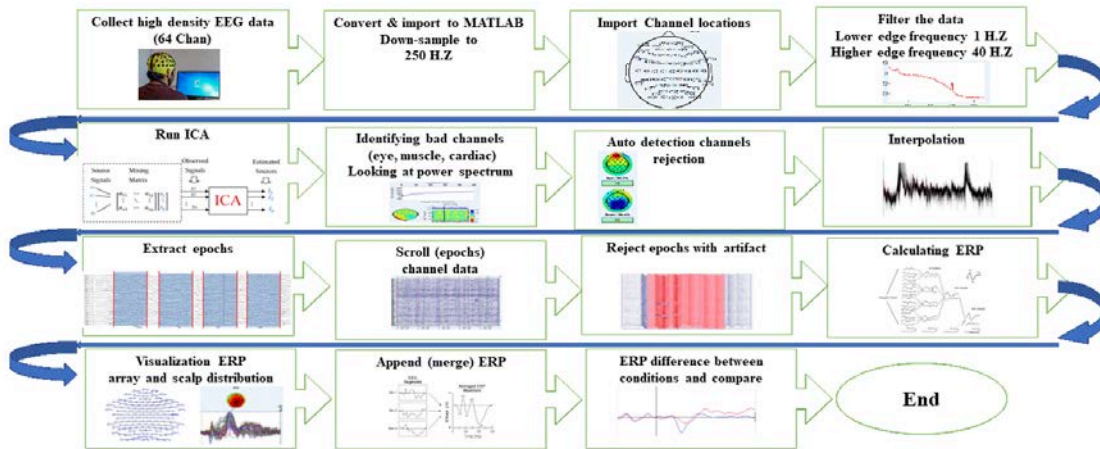


Figure 3. EEG/ERP data preprocessing pipeline

It appears that social cooperation is woven into the DNAs of our brains. Accordingly, human biological propensities to make social connections leading to cooperative relationships seem to be a contributing *cause* behind why markets work in ways that successfully bolster economic productivity and innovation, which, in turn, enables humans to flourish.⁵ Human behavior reflects both rational self-interest as well as moral sentiments (empathy or fellow feeling). By indulging both human desires and behaviors, free markets can facilitate social cooperation that, in the right institutional and environmental environments, can lead to human flourishing. When humans voluntarily cooperate through free market exchanges, they face potentially costly risks. Such risks, however, are often mitigated by human sentiments of trust and trustworthiness. The process is greatly assisted when human beings form shared identities and develop common purposes that are based on shared social experiences and stories. Exploring the connection between humanomics and neuroeconomics allows us to test the veracity of (a) Adam Smith’s beliefs regarding human moral sentiments and social cooperation (b) provide clear, repeatable scientific evidence

that accurately describes human behavior (in the lab and in the real world) by reflecting the interplay between rationality and sociality.

V. CONCLUSION: CONTRIBUTIONS TO BETTERING ECONOMICS AND PUBLIC CHOICE

Emphasizing the importance of humanomics need not imply a wholesale rejection MAX-U. That said, it is essential to note that Max-U models are often incomplete because they tend to overlook or discount the impact of varying cultural contexts on outcomes. (Denzau and North 1994; Denzau, North, and Roy 2006, 2007; Denzau, Minassians, and Roy, 2016; Roy and Denzau 2020; Smith 2003, 2020).

Recently, a group of public choice economists, political scientists, and political economists came together to honor Nobel laureate Vernon L. Smith and his colleague Bart J. Wilson’s joint contribution to humanomics. A special issue of the *Public Choice* journal was published in March 2025, emphasizing the idea that “economics needed to reclaim an appreciation for insights of the arts and culture” (Schraeger 2021) to make the “dismal science” more meaningful and relevant to the human experience. This special issue featured the works of Vernon L. Smith, Michael C. Munger, Diana Thomas and Michael Thomas, as well as Jordon K. Lofthouse and two of the present authors, just to name a few.⁶ Collectively, the participating authors outline an empirical and normative research program that emphasizes the virtues of free-market capitalism and how they are interwoven with the public choice research agenda. In doing so, they presented a compelling and convincing argument for why economics must incorporate the study of human meaning, understanding, and experience into its methodological analysis if it is to remain a relevant and important area of inquiry that serves the greater good.

Exploration in this vein continues. Roy and Yonk are commissioning a special symposium of papers devoted to humanomics from researchers representing different disciplines—political science, economics, history, philosophy, computer science, and various other fields—that explore the importance of emphasizing the protection and expansion of human values in AI systems and models. Contributors reflecting a broad array of disciplinary backgrounds and perspectives will explore the use of W. Edwards Deming’s System of Profound Knowledge (SoPK)[®] (1994, 2000) as a conceptual framework for studying how AI models can be improved. Current research suggests that there is a pressing need to enhance AI relevance for effective human-AI collaboration. Deming’s SoPK involves using an interdisciplinary framework that synthesizes insights from philosophy (theory of knowledge), statistical variation, systems theory, and psychology to help uncover the deeper causes behind *why*, thereby enabling better achievement of dynamic innovation and breakthroughs in human knowledge and understanding. Perhaps, without realizing it, systems thinkers like Deming were trying to teach us the art of humanomics.

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NOTES

- 1 Corresponding author: royr@suu.edu
- 2 Michael Tomasello asserts that collaboration (co-labor-ing) is a unique form of human social behavior that is distinct from mere cooperation. When people collaborate, they work together in pursuit of a joint goal or aim. The goal or aim is shared mutually in the heads of the collaborators. Collaboration involves shared intentionality, sometimes known as "we" intentionality.
- 3 (<https://www.mindbodygreen.com/articles/difference-between-mind-and-brain-neuroscientist>).
- 4 From abstract that appears in Smith and Wilson 2019.
- 5 The claim that free markets work effectively has been well-studied and documented (Faria & Montesinos 2009; Roll and Talbotm 2003; Lawson, Murphy and Williamson 2016; Esposto and Zaleski 1999).
- 6 The Full Special Issue can be found here: <https://link.springer.com/article/10.1007/s11127-024-01222-9>

Humanomics, Envy, and Social Behavior

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Abstract: This paper critically examines Vernon Smith and Bart Wilson’s two-parameter model of “enviousness” in their humanomics framework, specifically challenging their concept of “advantageous envy.” Through phenomenological analysis grounded in classical definitions of envy from Aristotle and Adam Smith, as well as descriptive accounts of envy within the philosophy of emotion, I identify seven essential characteristics that define envy’s structure and demonstrate that Smith and Wilson’s second parameter violates envy’s most fundamental feature: the perceived position of inferiority. By systematically examining Helmut Schoeck’s cross-cultural evidence, I show that purported examples of advantageous envy fail to support their theoretical claims. The analysis reveals that proposer behavior in ultimatum games likely reflects pity or fear of envy rather than genuine envy, generating distinct empirical predictions for future research. This critique preserves Smith and Wilson’s valuable integration of moral philosophy and mathematical modeling while clarifying the theoretical foundations necessary for the humanomics framework’s continued development in experimental economics.

Keywords: Humanomics, Envy, Ultimatum Game, Moral Sentiments

INTRODUCTION

The ultimatum game presents one of experimental economics’ most persistent puzzles. In this two-player game, a proposer offers to split money with a responder, who either accepts (both receive their shares) or rejects (both receive nothing). Standard economic theory predicts that proposers should offer the minimum amount, and responders should accept any positive offer. Yet, experimental evidence consistently shows that proposers typically offer 40-50% of the total, while responders frequently reject “unfair” offers.

Vernon Smith and Bart Wilson’s humanomics framework represents a significant advance in the explanation of these results. In *Humanomics*, Smith and Wilson (2019) develop a two-parameter model of enviousness for ultimatum game behavior. Their model posits that responders experience “disadvantageous envy” when they receive less than proposers, while proposers experience “advantageous envy” when they receive more than responders. This bidirectional conception, grounded in Helmut Schoeck’s (1970) comprehensive study, enables Smith and Wilson’s model to capture both sides of ultimatum game interaction.

However, close examination reveals significant problems with the second parameter’s application to experimental behavior. Recent laboratory evidence suggests asymmetric responses between parameters,

which indicates that psychological processes that underlie proposer and responder behavior fundamentally may be different. If the second parameter does not represent envy, then the model's predictive capacity requires substantial revision.

My thesis is that Smith and Wilson's use of "advantageous envy" creates problems in the application of their humanomics model to experimental economics, which suggests that these shortcomings should be addressed to enhance the model's explanatory power. Rather than merely a minor conceptual quibble, the revision is essential for humanomics' continued development as a progressive research program.

My analysis herein proceeds through several stages. First, I examine Smith and Wilson's two-parameter model to show how their framework explains observed experimental patterns. Second, I establish phenomenological foundations to analyze envy's nature in experimental behavior. Third, I present the strongest interpretation of their model through examination of Helmut Schoeck's supporting evidence. Fourth, I demonstrate that "advantageous envy" does not align with envy's essential properties. Fifth, I show how the pity-envy distinction affects ultimatum game predictions. Finally, I propose alternative interpretations of the second parameter that more accurately capture psychological mechanisms that underlie proposer behavior, which improves the model's explanatory power.

THE CHALLENGE TO TRADITIONAL ECONOMIC THEORY

During the past four decades, experimental economics has challenged the fundamentals of traditional rational choice theory. Since Werner Güth, Rolf Schmittberger, and Bernd Schwarze introduced the ultimatum game in 1982, economists have struggled to explain consistent deviations from standard economic models. In this sequential game, two players are assigned roles: proposer and responder. The proposer receives money (typically \$10 in experiments) and must offer to split it with the responder, who can accept or reject. If accepted, both receive their shares. If rejected, both receive nothing.

Standard economic theory makes clear predictions as to the actions of each role player. The proposer, who knows that the responder ought to accept any positive offer, should offer the minimum, which typically is \$1. The responder should accept any offer greater than zero. These predictions yield a unique sub-game perfect equilibrium wherein the proposer offers \$1 and the responder accepts. However, robust experimental evidence consistently refutes these predictions. The empirical findings are striking: (i) virtually no offers above \$5 are made; (ii) 60-80 percent of offers are either \$4 or \$5; (iii) almost no offers below \$2 are made; (iv) low offers frequently are rejected, and rejection probability decreases as offers increase; and (v) these patterns hold even for high stakes.

These results, and their persistence across varied experimental conditions, suggest that traditional economic theory fails to capture essential features of human behavior and motivation. As Colin Camerer observed, "The data falsify the assumption that players maximize their own payoffs as clearly as experimental data can" (2003, p. 43).

THE HUMANOMICS SOLUTION

The ultimatum game evidence generated numerous theoretical responses. Economists developed social preference models, fairness theories, reciprocity frameworks, and inequality aversion models. Although these approaches explained specific results, they often lacked unified theoretical foundations and relied upon post hoc utility function modifications. As Smith and Wilson observe, these economists' reactions were "explanations without a support framework of social theory" that emerged as responses to surprising findings rather than independent theoretical developments with broader predictive power.

Smith and Wilson's approach in *Humanomics* (2019) was much more than merely another ad hoc modification; rather, they developed a comprehensive theoretical framework grounded in Adam Smith's *Theory of Moral Sentiments* (1759). Their key insight was that human economic behavior cannot be

understood without accounting for moral sentiments that fundamentally shape the ways that individuals experience and respond to socio-economic situations.

Smith and Wilson's theory of "enviousness" represents sophisticated integration of moral psychology and mathematical models. They define enviousness as "self-centered aversion to differences in outcomes"; the definition captures psychological discomfort that individuals experience when they face inequality, whether advantageous or disadvantageous. This definition deliberately is "self-centered" because it focuses on the gap between one's own payoff and another's payoff, and avoids concerns about overall distributive justice. Their model incorporates two key parameters. The first, α , represents "disadvantageous envy"—discomfort when a person is worse off than others. The second, β , represents "advantageous envy"—discomfort when a person is better off than others.

Smith and Wilson's model rests upon several key assumptions. First, individuals possess aversion to unequal outcomes, regardless of relative advantage or disadvantage. Second, individuals generally suffer greater discomfort when they experience disadvantageous inequality versus advantageous inequality; this second assumption captures loss aversion within social comparisons. Third, individuals derive no positive utility purely from financial superiority over others, which rules out persons who inherently like being better off. This third assumption implies an upper bound to costs that individuals would incur to diminish advantageous envy. Conversely, no such bound exists for costs to alleviate disadvantageous envy. This asymmetry becomes crucial to understand different behavioral patterns between proposers and responders.

MODEL BENEFITS AND THEORETICAL ADVANCES

The enviousness theory provides compelling accounts for observed experimental patterns. For responders, disutility from disadvantageous inequality explains their rejection of low offers considered to be comparatively unfair. When they face a \$2 offer that allows the proposer to keep \$8, responders experience significant disadvantageous envy that may outweigh positive utility from monetary gain, with the concomitant result that an offer below certain levels is rejected despite positive value. For proposers, the model explains generous offers through advantageous envy. Proposers anticipate that their retention of disproportionate shares will create their own discomfort from advantageous inequality. Thus, proposers are motivated to offer significant shares at or near 50% even when smaller offers might be accepted. As a result, proposer advantageous envy constrains exploitative behavior, which leads to observed generous offers.

Smith and Wilson's approach represents at least two significant advances beyond previous explanations. First, mathematical formulation demonstrates explanatory power. Their theory of enviousness accounts for major stylized facts: no offers above \$5, high acceptance rates for \$5 offers, and high rejection rates for very low offers. Predictions align closely with experimental observations, which provide superior explanations compared to rational choice theory. Second, unlike ad hoc utility modifications or "fairness" appeals, their model provides a systematic framework that is grounded in Adam Smith's moral sentiments theory. The enviousness model offers unified explanation for both proposer and responder behavior, and thus avoids separate theories for each role.

Despite these advances, careful examination reveals potential concerns regarding the second parameter of advantageous envy. Empirical evidence from over 40 years of ultimatum game results suggests asymmetric responses between disadvantageous and advantageous envy, which indicates that the psychological processes that underlie proposer and responder behavior, respectively, may fundamentally be different. If scrutiny of the second parameter's theoretical foundation calls into question the model's explanatory power and its applications to other experimental contexts, this parameter may benefit from substantial revision.

SCHOECK AND THE SEARCH FOR ADVANTAGEOUS ENVY

The architecture of Smith and Wilson's theory enables us to probe a crucial phenomenological claim: does the second parameter (advantageous envy) deserve the label "envy"? Smith and Wilson ground their theory upon Helmut Schoeck's influential book, *Envy: A Theory of Social Behaviour* (1969). Schoeck's comprehensive study offers broad historical, cultural, and theoretical analysis of envy and details its potentially destructive social consequences. Simultaneously, it advances the thesis that envy, when appropriately "domesticated and canalized," serves as a critical precondition for social coexistence and civilizational progress.

Smith and Wilson draw upon Schoeck's framework to support their claim that individuals "experience envy if they are worse off [...] and they also feel envy of others if they are better off." This interpretation suggests that envy operates bidirectionally, i.e., not only do people envy those who have more, but people who have more also experience envy directed toward those who have less. This bidirectional interpretation, if correct, would provide strong empirical support for their second parameter and establish their model on solid anthropological foundations.

Smith and Wilson's heavy reliance on Schoeck is evident in their assertion that there are "numerous examples" in Schoeck's book that support their second parameter, although they fail to specify which examples are pertinent (2019, p. 51 fn. 7). Such reliance necessitates systematic scrutiny of evidence purportedly drawn from Schoeck's cross-cultural analysis. If their second parameter lacks support from their primary scholarly source, then their model's theoretical foundation becomes questionable.

Unfortunately, systematic examination of Schoeck's extensive work reveals a striking absence of clear examples to support their advantageous envy parameter. Throughout Schoeck's analysis that spans diverse cultures and historical periods, several examples initially appear relevant to the notion that objectively better-off individuals might envy objectively worse-off individuals. However, Schoeck consistently explains these cases through alternative mechanisms that do not involve envy directed toward those in inferior positions.

Schoeck's reference to the voluntary poverty movements among medieval nobility and their modern counterparts—wealthy young people who adopt proletarian lifestyles—might, at first blush, arguably demonstrate advantageous envy. Yet, Schoeck explicitly attributes these phenomena to envy-avoidance, guilt, idealism, and resentment against one's own class rather than genuine envy of the poor. When upper-class individuals join revolutionary movements, Schoeck notes that "invariably there is the factor of envy-avoidance and its parallel, the bad 'social' conscience, the nagging sense of guilt" (Schoeck 1970, p. 224). He explains that wealthy young people who express discomfort with capitalism are "too well off to be able to take themselves as an example" (p. 213). Thus, Schoeck seems to believe such actions by the upper class reflect guilt rather than envy.

Schoeck's most promising example to support the second parameter describes social dynamics in a Jamaican village studied between 1950 and 1951. This mountain village was inhabited by independent, competitively-minded villagers whose primary motives included "the accumulation of money and land." Despite stable economic conditions in which "about 80 per cent of the inhabitants earn a tolerable livelihood," the study revealed a remarkable psychological pattern: "No matter how 'independent' (wealthy) a person might be, he generally believes that everyone else, no matter how obviously poor, is better off and has accumulated more money" (p. 48). This passage describes objectively wealthier individuals who express negative comparative judgments about objectively poorer individuals, and initially appears to provide exactly the evidence Smith and Wilson need. At face value, this example would represent clear evidence of advantageous envy, wherein the better-off envy the worse-off, precisely as Smith and Wilson's model requires.

However, closer analysis undermines the usefulness of the Jamaican village example as evidence to support advantageous envy. The text reveals that wealthier individuals harbor *delusional* beliefs about others' actual economic standing, and this delusion leads them to *perceive* themselves as comparatively

worse off than poorer individuals. Therefore, rather than an illustration of envy directed from a position of recognized advantage, the Jamaican village example demonstrates features consistent with traditional understanding of envy, to wit: (1) envy can be intertwined with significant cognitive distortions regarding social reality; and (2) envy is grounded fundamentally in *perceived* disadvantage relative to the envied party, irrespective of objective facts. The envy originates precisely from the *belief* of being in a worse position. Although this scenario aligns with disadvantageous envy (perhaps intensified by delusion), it fails to provide evidence for the second parameter that Smith and Wilson require.

Here is the conclusion from the foregoing: even the strongest possible case (Jamaican village) from Schoeck's comprehensive cross-cultural analysis fails to yield convincing evidence for advantageous envy, and such failure raises fundamental questions about the empirical foundation of Smith and Wilson's second parameter. If extensive documentation of envy across diverse cultures and historical periods cannot produce clear examples of objectively better-off individuals who envy objectively worse-off individuals, this dearth of evidence suggests that the phenomenon may not exist with sufficient frequency or clarity to justify its inclusion in experimental economic models.

THE PHENOMENOLOGICAL METHOD AS ANALYTICAL TOOL

To address these empirical and theoretical challenges, my analysis employs a phenomenological approach, i.e., a methodological framework that examines the first-person subjective experience of moral sentiments as they actually occur in human consciousness. Phenomenology provides a rigorous philosophical method to analyze the internal structure of experience: how sentiments arise, what triggers them, how they direct attention and action, and how they feel from the perspective of the subject who experiences them.

The phenomenological approach offers several analytical advantages that make it particularly suitable to refine Smith and Wilson's model. First, it integrates subjective, agent-relative considerations within a well-developed philosophical literature, which provides methodological rigor for examination of the internal structure of moral sentiments.¹ Second, it directly contrasts with behavioral approaches that focus primarily on neurobiological causes and external behavioral manipulation; in so doing, it aligns with Vernon Smith's distinction between "moral sentiments" and purely behavioral explanations. Third, as Bart Wilson emphasizes in his 2024 work *Meaningful Economics*, mental phenomena "cannot be reduced to the objects of the physical world" (p. 62). In sum, phenomenology's analytical advantages provide a framework to distinguish between mere behavioral responses and meaningful action guided by moral understanding. It avoids the sort of theorizing or philosophizing that divert attention away from predicating something about an actual substantive, e.g., a person.

Finally, and most importantly for my analysis, phenomenology provides an authoritative philosophical framework to understand why asymmetries between different moral sentiments theoretically would be significant. Through examination of the intentional structure of emotions—how they direct consciousness toward their objects, and what kinds of objects they can have—phenomenology may illuminate whether different inequality responses stem from the same underlying sentiment or whether they represent distinct psychological phenomena.

THE SENTIMENT/PASSION DISTINCTION

Before we analyze specific moral sentiments, it is essential to clarify what is meant by examination of envy as a sentiment rather than merely as a passion. Smith and Wilson themselves draw this important distinction when they differentiate "enviousness" (the passion that dominates the mind) from the "sentiment of envy." Their analysis builds upon Adam Smith's careful distinctions between passions, sentiments, and affections. They observe, "[t]he thinking of a sentiment is the link between the feeling of a passion or emotion and the actions we are thus prompted to take for Y having done Z" (2019, p. 25). This formulation suggests that the cognitive component inherent in sentiments mediates the transition from affective states

to resultant action. Such distinction is particularly relevant because the sentiment, by Smith and Wilson's own account, explicitly links to the action tendencies that are required to explain empirical findings in ultimatum games.

Envy can manifest across different psychological levels: as a transient passion, as an enduring sentiment, or as a stable personality trait. Existing philosophical analyses argue persuasively that the sentiment of envy is the primary trigger of action tendencies necessary to account for experimental behaviors. Furthermore, sentiments frequently are invoked as motives to explain others' actions, and the category of sentiments encompasses a psychological range broader than specific emotions that constitute their manifestations.

Sentiments exhibit longer duration than moods but generally are less stable than personality traits. They represent integrated psychological structures that combine feeling with cognitive evaluation. This integration of affect and cognition enables sentiments to motivate coherent patterns of action over time, which makes them particularly relevant to understand economic behavior patterns that persist across different contexts and repeated interactions.²

The distinction between sentiment and passion is crucial for the analysis herein, because different moral sentiments—envy, pity, fear—have different cognitive structures and, therefore, they have different behavioral implications. A passion may be fleeting and context-dependent, but a sentiment represents a more stable evaluative stance that can guide behavior across various situations. An examination of Smith and Wilson's "advantageous envy," requires us to determine not merely the emotional response that occurs but also the underlying sentiment structure that best explains the observed cognitive and behavioral patterns.

The sentiment/passion framework enables us to ask more precise questions: Does the discomfort experienced by advantageously positioned individuals reflect the sentiment of envy (with its characteristic cognitive structure of perceived inferiority and hostile action tendencies)? Or, alternatively, does it reflect different sentiments such as pity (with its structure of concern for others' welfare) or fear (with its structure of anticipated threat and defensive action tendencies)? The answers have important implications for both theoretical understanding and practical applications of Smith and Wilson's model.

THE SEVEN ESSENTIAL CHARACTERISTICS OF THE SENTIMENT "ENVY"

To evaluate whether Smith and Wilson's "advantageous envy" parameter genuinely captures envy proper, we must examine envy's essential phenomenological structure. Building upon classical definitions from Aristotle's *Rhetoric* and Adam Smith's *Theory of Moral Sentiments*, a comprehensive phenomenological analysis reveals seven essential characteristics that define the structure and experience of envy.³

The first characteristic is that envy fundamentally is predicated upon the envier's occupation of a perceived position of inferiority (regardless of whether this perception is veridical) relative to a rival who is perceived to possess or embody a superior good, state of affairs, or quality that the envier positively evaluates. Although envy commonly is understood as longing for another's possessions, its specific psychological basis lies more precisely in the subject's sense of inferiority due to perceived incapacity to attain a rival's positively-valued state of affairs. As Henri de Man (1929, p. 72) articulates: "We always envy what we do not have. This is why we try to be like those we envy because of their dissimilarity and hate because of that envy." This first characteristic is crucial because it establishes that envy necessarily involves a sense of disadvantage from the envier's perspective. Such a foundational requirement immediately calls into question any notion of "advantageous envy"—how can someone who perceives themselves as better off experience the sense of inferiority that defines envy's core structure?

The second characteristic is that envy presupposes perceived equality or comparability between the envier and the envied rival, and we might call this relation the "proximity principle." As Schoeck (1970) notes in his extensive anthropological analysis, envy typically develops among those who view themselves as equals and is usually directed only toward persons with whom it has been possible to compete. The

proximity principle helps to explain why envy often is most intense within similar social groups, professional contexts, or communities wherein meaningful comparison is possible.

The third characteristic is that envy manifests in distinct forms commonly categorized as either “benign” or “invidious,” although genuine envy invariably incorporates a hostile attitude toward the rival; such hostility may remain latent or unexpressed. Although so-called benign envy may appear closer to admiration (consistent with Max Scheler’s (2010, p. 42) analysis), the defining feature that distinguishes envy from mere emulation is this underlying hostility, i.e., the desire not simply to possess what another has, but to see them deprived of their advantage.⁴

The fourth characteristic is that envy frequently becomes entangled with perceptions of injustice and related moral emotions such as indignation and resentment. Although resentment fundamentally is a response to perceived wrongs, envy can incorporate blame when enviers attribute their distress to the perceived ill will or unfair advantage of the rival. Such incorporation creates complex affective states that blend envy with moral indignation, particularly when another’s superior position is framed as fundamentally unjust or undeserved.⁵

The fifth characteristic is that envy frequently involves distorted cognitions, including delusional beliefs regarding the rival’s responsibility for the envier’s perceived shortcoming. This distortion involves the “causal delusion” in envy, as identified by Schoeck (1969, pp. 17-18), which is the envious person’s conviction that the envied person’s prosperity is somehow to blame for the subject’s deprivation. Max Scheler (2010, p. 30) suggests that this delusion includes misinterpretation of one’s “factual inability to acquire a good [...] as a positive action against our desire.”

The sixth characteristic is that envy is associated intimately with Schadenfreude—the distinct pleasure experienced when the envied rival suffers a setback or diminution of their advantage. This correlation reflects envy’s essentially destructive, rather than constructive, motivation: the envier’s satisfaction derives not from improvement of their own position but, rather, from witnessing the rival’s decline. Schadenfreude can arise through various mechanisms that contribute to the rival’s misfortune, including impersonal forces or the envier’s own direct or indirect actions.

The seventh characteristic is that envy typically manifests indirectly through various vague or ambiguous expressions rather than overt declarations, i.e., the envious rarely, if ever, explicitly acknowledge their envy. This pattern reflects both the social opprobrium attached to direct expressions of envy in most cultures and the psychological pain of a public admission of a state of perceived inferiority. Consequently, envy most often appears through subtle criticisms, disparagement, feigned indifference, or the adoption of ostensibly legitimate moral emotions such as indignation or resentment. This indirect manifestation explains why envy often masquerades as moral critique or principled opposition, which makes it particularly difficult to identify and address in both individual and collective contexts.

HOW THESE CHARACTERISTICS EFFECTIVELY DIFFERENTIATE ENVY FROM OTHER SIMILAR EMOTIONS

The seven characteristics function as a comprehensive diagnostic framework that distinguishes envy from conceptually related emotions through specific combinations of features. Envy versus emulation is differentiated primarily by the third characteristic, i.e., envy involves underlying hostility toward the rival. Although emulation involves admiration of another’s achievements and pursuit of self-improvement to match them, envy fundamentally includes the desire to see the rival deprived of their advantage. This hostility explains why envy, unlike emulation, tends to discourage constructive action and, instead, fosters destructive impulses.

Envy versus greed is distinguished by the second characteristic, in particular envy’s requirement of comparability and proximity to a specific rival. Greed represents general acquisitive desire for more resources without any necessary reference to others’ holdings. Conversely, envy inherently is relational and

comparative, because it focuses specifically on the possessions of a particular rival rather than on accumulation of possessions per se.

The distinction between envy and jealousy centers on the first characteristic, in particular the perceived inferiority inherent in envy. Jealousy typically manifests as protective anxiety about losing something one already possesses (such as a romantic partner or social position), whereas envy stems from the painful recognition of a lack of something that the rival possesses.

Envy versus resentment reveals a more complex relationship, as reflected by the fourth characteristic. Although these two emotions can overlap, resentment primarily responds to perceived injuries or wrongs inflicted by others, whereas envy can exist without any wrongdoing simply because another possesses advantages. Pure envy focuses on the rival's superior position rather than on specific harmful actions.

The relationship between envy, on one hand, and indignation and righteous anger, on the other hand, is clarified by the seventh characteristic (indirect manifestation) combined with the fifth characteristic (distorted cognitions). Genuine moral indignation typically involves principled objections expressed openly, whereas envy often masquerades as righteous anger precisely because the latter is socially acceptable. Envy disguised as indignation reveals itself through its focus on the rival's undeserved advantages rather than on abstract principles.

Finally, envy versus admiration is distinguished by the sixth characteristic—the association with Schadenfreude. Admiration involves genuinely positive feelings toward another's qualities or achievements, and such admiration would produce disappointment if the admired person suffered setbacks. In contrast, envy generates secret satisfaction when the rival experiences misfortune, which reveals its true nature fundamentally to be destructive rather than appreciative.

The aforesaid distinctions demonstrate that although envy may share individual features with related emotions, it requires the specific convergence of perceived inferiority, proximity to rivals, underlying hostility, and tendencies toward indirect expression and cognitive distortion that collectively define its unique phenomenological structure.

A REEVALUATION OF SMITH AND WILSON'S THEORY OF ENVIIOUSNESS

Having established these seven essential characteristics and demonstrated phenomenologically how they effectively differentiate envy from other similar sentiments, we now can evaluate Smith and Wilson's theory of enviousness in experimental economics. The analysis strongly supports the conclusion that their first parameter—disadvantageous envy—genuinely captures envy proper when applied to ultimatum game behavior.

When a proposer offers an unequal split and the responder rejects it (foregoing monetary gain to prevent the proposer from receipt of a larger share than responder), the responder's behavior aligns closely with our phenomenological analysis. The responder occupies a perceived position of inferiority (first characteristic) through recognition that they would receive less than the proposer. The experimental context creates necessary comparability (second characteristic) between participants in the same game. The rejection behavior demonstrates underlying hostility toward the rival (third characteristic), specifically that the responder would rather see the proposer receive nothing than accept their own subordinate position. This hostile response often involves implicit judgments about fairness (fourth characteristic) and, simultaneously, the responder may engage in cognitive distortions about the proposer's intentions (fifth characteristic). The responder likely experiences satisfaction when both parties receive nothing (sixth characteristic), and typically frames rejection in terms of fairness rather than an admission of envious motivations (seventh characteristic).

Importantly, however, this phenomenological analysis reveals that Smith and Wilson's second parameter (advantageous envy) fundamentally is untenable as a characterization of envy proper. The parameter suffers from a phenomenological contradiction in that it violates the most essential structural feature that defines envy as a distinct moral sentiment, to wit: the perceived position of inferiority that constitutes

envy's psychological core. By definition, an individual who occupies an advantageous position and recognizes such advantage cannot simultaneously experience the sense of personal inadequacy and comparative disadvantage that grounds the envious response.

The aforesaid analysis is not merely a semantic dispute; rather, it identifies fundamental conceptual fuzziness in Smith and Wilson's theoretical framework. When someone objectively is better off and aware of their superior position, the psychological mechanisms that generate envy cannot operate. The phenomenological structure lacks the essential inferiority-based comparison that triggers envious sentiment. A wealthy individual observing poverty may experience discomfort, guilt, sympathy, or fear, but the individual cannot experience envy toward the poor because of the absence of the crucial psychological foundation—the painful recognition of their own comparative disadvantage—that makes envy possible.

The implications of these conclusions extend beyond terminological imprecision and strike at the heart of Smith and Wilson's theoretical architecture. Their model's explanatory power depends critically on the assumption that both parameters represent the same underlying sentiment that operates in opposite directions. If the second parameter cannot be characterized legitimately as envy, then their unified theory fragments into separate, potentially incompatible explanations for the behavior of proposers and responders.

Moreover, the mischaracterization involving the second parameter undermines the model's predictive validity. Different moral sentiments possess distinct cognitive structures, triggering conditions, and behavioral implications. Envy involves hostile action tendencies aimed at diminishing the rival's position and is associated with *Schadenfreude* when the rival suffers setbacks. But, if advantageously positioned individuals actually experience pity, guilt, or fear rather than envy, their behavioral responses necessarily follow entirely different patterns. Pity motivates behavior that helps others rather than hostile action. Guilt drives reparative behavior rather than rival-focused destruction. Fear generates defensive behavior rather than aggressive tendencies.

Smith and Wilson's mischaracterization of envy as a bidirectional phenomenon creates practical consequences for policy applications. If researchers assume that inequality aversion among advantaged persons operates through the same psychological mechanisms as inequality aversion among disadvantaged persons, they may design interventions that fundamentally misunderstand the motivational structures they seek to influence. In other words, the approach that addresses guilt-based responses is different than the approach that addresses envy-based responses.

The phenomenological analysis also reveals problems with the symmetry assumptions that underlie Smith and Wilson's mathematical formulation. Their model assumes that both parameters operate through similar relationships that differ primarily in magnitude. But, if the second parameter represents a different moral sentiment entirely, there is no theoretical justification for the assumption of parallel mathematical structures.

The stakes extend to Smith and Wilson's broader intellectual project. Their humanomics analysis represents an ambitious attempt to ground experimental economics in Adam Smith's moral philosophy through provision of a unified framework that explains economic behavior by means of moral sentiments rather than ad hoc utility modifications. Critically, their project depends on accurate identification and characterization of the relevant moral sentiments. If their theory mislabels pity as envy, then the entire theoretical edifice loses its philosophical foundation.

The phenomenological contradiction in "advantageous envy" thus represents not merely a minor terminological issue; rather, it raises fundamental questions about the validity and practical applicability of Smith and Wilson's influential humanomics framework. Resolution of these questions requires systematic phenomenological analysis to identify which moral sentiment truly underlies inequality aversion among advantaged persons; thereafter, the mathematical model can be reconstructed to reflect the true psychological mechanisms at work.

PITY AND FEAR OF ENVY AS ALTERNATIVE EXPLANATIONS

The foregoing phenomenological analysis suggests that the discomfort associated with those who are advantageously positioned stems not from envy but from moral sentiments that fundamentally are different than envy. Two compelling alternative sentiments emerge: pity, and fear of envy.

Pity (or its philosophical cousin, compassion) represents a moral sentiment with a fundamentally different cognitive and motivational structure than envy, i.e., it aligns closely with the way that advantaged individuals actually experience inequality. Pity involves recognition of another's suffering or deprivation combined with sympathetic concern for their welfare, which is unlike envy's self-referential focus on comparative disadvantage. The pitying individual experiences distress not because they feel inferior (as in envy) but because they perceive another's condition as unfortunate or undeserved. As Spinoza observed in his *Political Treatise*, humans are "so constituted that they pity the unfortunate, envy the fortunate" (2000, p. 35), which is a formulation that clearly distinguishes these two sentiments' directional orientations and different objects.

The motivational structure of pity generates behavioral tendencies that align precisely with observed proposer behavior in ultimatum games. Pity motivates ameliorative action; when proposers offer generous splits approaching 50-50, it reflects the ameliorative impulse characteristic of pity rather than the destructive impulse characteristic of envy. The proposer genuinely seeks to reduce the responder's relative deprivation, not to diminish their own advantage for hostile reasons. This analysis explains why advantageously positioned individuals often engage in charitable giving, progressive taxation support, or other redistributive behaviors.

Pity also explains the temporal dynamics of inequality aversion among the advantaged. Unlike envy, which tends to be persistent and obsessive, pity can be more situational and responsive to context. When inequality becomes salient—as in ultimatum games—pity motivates corrective action. This pattern aligns with experimental evidence that shows inequality aversion among proposers is context-dependent and can be manipulated through framing effects. Moreover, pity allows for gradual satisfaction through ameliorative action; envy, in contrast, tends to be self-reinforcing and difficult to satisfy. Proposers may experience genuine satisfaction when their generous offers amelioratively address the inequality.

The second alternative is fear of envy—specifically, the advantaged individual's anxiety that their superior position will generate envious hostility from the disadvantaged. This sentiment has received insufficient attention in behavioral economics despite its significant explanatory power for inequality-averse behavior among the advantaged. Fear of envy involves a sophisticated theory of mind operation wherein the advantaged individual models the psychological responses of disadvantaged others and anticipates negative consequences such as retaliation or social ostracism. Unlike pity's concern for others' welfare, fear of envy ultimately is self-protective because it seeks to avoid negative consequences for the advantaged individual. This anticipatory structure helps to explain several puzzling features of inequality aversion among proposers in ultimatum games who hesitate to make low offers due to fear of a responder's potential hostile reaction.

The cross-cultural prevalence of envy-avoidance behaviors provides strong empirical support for fear of envy as a distinct motivational force. As documented extensively in Schoeck's anthropological analysis, cultures worldwide have developed elaborate social mechanisms to avoid the appearance of excessive advantage specifically to prevent envious responses in others. From "evil eye" beliefs prevalent across Mediterranean and Middle Eastern cultures to institutionalized modesty requirements in traditional societies, humans consistently demonstrate sophisticated awareness of envy's destructive potential and the need to avoid provocation of it.⁶

In many societies, successful individuals go to extraordinary lengths to conceal their advantages, to downplay their achievements, or to engage in conspicuous redistribution specifically to avoid triggering envy. These behaviors align precisely with observations in ultimatum games, i.e., advantaged individuals

make decisions that reduce inequality not from genuine concern for others' welfare, but from prudential recognition that excessive inequality poses risks to their own position.

Fear of envy provides a game-theoretic foundation for inequality-averse behavior that pity cannot offer. Pity represents genuinely altruistic motivation, but fear of envy involves strategic calculation about others' likely responses to inequality. This strategic dimension explains why inequality aversion among the advantaged often appears calculated or conditional rather than purely altruistic. For instance, proposers in ultimatum games typically offer just enough to avoid rejection while keeping as much as possible for themselves. This pattern suggests strategic calculation rather than pure benevolence. The proposer solves an optimization problem by maximization of their own payoff and avoidance of the risk of rejection due to envious retaliation. Such behavior aligns with fear of envy's self-protective motivation rather than with pity's concern for others.

EMPIRICAL IMPLICATIONS AND DISTINGUISHING PREDICTIONS

The two alternatives of pity and fear of envy generate distinct empirical predictions that can help researchers determine which sentiment truly underlies inequality aversion among the advantaged in specific contexts. If pity drives the behavior, we should expect to see genuine other-centered concern manifested through: (1) willingness to help disadvantaged others even when there is no risk of retaliation; (2) positive emotional responses when others' conditions improve, regardless of personal cost; (3) consistent inequality-averse behavior across anonymous and non-anonymous contexts; and (4) stronger responses to others' absolute deprivation than to relative inequality per se. If fear of envy drives the behavior, we should expect to see strategic self-protection manifested through: (1) inequality-averse behavior primarily when retaliation is possible; (2) careful calibration of redistributive actions to minimize risk rather than maximize others' welfare; (3) stronger responses in contexts wherein envious reactions are more likely or more dangerous; and (4) behavior that focuses on avoidance of provocation rather than genuine assistance to others.

The phenomenological analysis thus reveals that Smith and Wilson's "advantageous envy" parameter almost certainly captures the operation of pity, fear of envy, or some combination of these sentiments rather than envy proper. This theoretical clarification not only resolves the conceptual contradictions in their model but also opens new avenues to understand the complex motivational structures that underlie economic behavior in contexts of inequality.

CONCLUSION

My analysis herein demonstrates that Smith and Wilson's theory of enviousness requires fundamental revision due to a conceptual contradiction in their second parameter. Their characterization of the discomfort experienced by advantageously positioned individuals as "envy" violates envy's most essential structural feature, i.e., the perceived position of inferiority that constitutes its psychological foundation. The phenomenological examination reveals that proposer behavior in ultimatum games most likely reflects pity (with its ameliorative, other-concerned motivational structure) or fear of envy (with its defensive, self-protective orientation), rather than genuine envy. These alternative interpretations resolve the conceptual contradictions and generate distinct empirical predictions for future experimental research.

The implications of this analysis extend far beyond ultimatum games; in fact, Smith and Wilson's broader project that grounds behavioral economics in Adam Smith's moral philosophy deserves reexamination and possible refinement. The differences inherent between various moral sentiments matter profoundly for both theoretical understanding and policy applications. If researchers assume that inequality aversion among the advantaged operates through the same psychological mechanisms as inequality aversion among the disadvantaged, they may design interventions that fundamentally misunderstand the motivational structures they seek to influence.

This critique serves not to diminish Smith and Wilson's valuable contribution but, instead, to clarify the theoretical foundations necessary for its continued development. Their integration of moral philosophy and mathematical modeling represents exactly the innovative synthesis that experimental economics requires. Correction of the conceptual problems with the second parameter, and simultaneous preservation of their insights about moral sentiments, allows future research to build upon their foundation to create a comprehensive framework to understand economic behavior. The ultimate result will serve both scientific knowledge and practical policy application.⁷

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NOTES

- 1 Early phenomenologists grounded this assumption in value realism. Brentano first claimed that intentional feelings reveal objective value qualities; Husserl extended this idea through his treatment of value as a kind of intuition; Scheler developed it into a hierarchy of ideal values. Later figures—Reinach, Stein, von Hildebrand—retained the core view that values are mind-independent and irreducible to natural facts. See Mulligan 1998, 2010, and 2017.
- 2 For a general overview, see Sander and Scherer 2009.
- 3 For useful overviews as to how envy has been treated by numerous philosophers, see Schoeck 1969 and de la Mora 1987.
- 4 This perspective is reinforced by the contention of D'Arms and Kerr (in Smith 2008) that emulation conceptually is distinct from the core structure of envy; this approach suggests that the concept of benign envy may function largely as a metaphorical expression that denotes a state of admiration mixed with desire, rather than a genuine variant of envy itself.
- 5 Both of these variants of envy, particularly when repressed, have been linked to the development of *ressentiment*, which is a more enduring state of embittered hostility (cf. Nietzsche 1994; Scheler 2010). However, *ressentiment* often is distinguished from envy by its pervasive and intense malice, which may be absent in simpler instances of envy.
- 6 There is a long-standing tradition that associates envy with the intangible and mysterious “evil eye.” For more on the historical, philological, and philosophical connection between envy and sight, see de la Mora 1987, pp. 11-13 and passim in the book.
- 7 Thanks to Kevin Mulligan for the discussion.

The Road to Humanomics

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Abstract: This paper argues that the standard neoclassical model of infrastructure provision, the benevolent social planner maximizing net social benefits, fails both as a description of and a normative guide for infrastructure investment. Using urban highway construction in postwar America as its case study, the paper argues that humanomics offers more insightful tools by focusing on the motives of the actors involved in the construction of urban highways. Highway boosters were motivated by objectionable visions of urban order, while freeway opponents frequently acted from praiseworthy concerns. Humanomics helps distinguish legitimate opposition from NIMBYism, and points toward a human-flourishing framework for evaluating infrastructure investment.

Keywords: humanomics, urban highways, social planner, moral sentiments

JEL Codes: B53, N92, R42

1. INTRODUCTION

How can we understand the historical provision of public goods? How much should be spent on public goods? Neoclassical economics has given answers to both of these questions in the form of a benevolent planner who seeks to maximize the social benefits generated by the provision of public goods, subject to the costs incurred in their provision. Such a model has been used to describe historical levels of spending, or to examine the efficiency of current levels of expenditures to provide recommendations to policymakers.

But this approach comes with its shortcomings. Using it as a descriptive explanation requires ignoring a lot of evidence on what actually drives infrastructure spending. And its recommendations are limited by the normative assumptions of utilitarianism, which economists are loath to explore. In this paper, I examine the strengths and limits of this model of public goods in the context of infrastructure provision, and more specifically the construction of urban highways in the second half of the 20th century.

I argue in the following that there are two main ways in which humanomics can contribute to our understanding of infrastructure spending, both positively (as a way to describe and understand historical levels of spending) and normatively (as a way to say what would be an optimal level of spending). First, humanomics helps to explain why some projects are taken up and why others are abandoned. It does this by giving a place to the humanities and other social sciences which have explored the narratives and motives that guided investments in urban highways, and those that guided the resistance to these high-

ways. These narratives and motives are important because they guide our judgment of the propriety or impropriety of the actions of others, and these judgments in turn guide our actions.

The second insight given by humanomics is connected to the failures of utilitarian models to explain deviations from optimal levels of spending. Explanations rooted in political economy, particularly in the idea of interest groups which concentrate benefits and are thus incentivized to mobilize, provide a handy tool to explain these deviations. These are valuable contributions. But these contributions also put economics in a bind, by characterizing any opposition to a project where social benefits seem to outweigh costs as shortsighted and self-interested. But can we really lump together the routine opposition to a new apartment building in a residential neighborhood with the revolts against urban freeways which destroyed entire neighborhoods and displaced hundreds of thousands of people? Intuitively, these seem like different types of oppositions. Neoclassical economics is unable to establish a useful distinction between the two.

Another way to put this is in the framework of the “bootleggers and baptists” model (Yandle 1983; Simmons et al. 2020). In the famous alliance between “baptists,” who are driven by their own conception of the public interest, and “bootleggers” who are driven by their self-interest, neoclassical economics, political economy and public choice are generally limited to explaining the motives and behavior of the “bootleggers.” Humanomics, drawing on Adam Smith’s insights, provides a framework beyond standard economic models by considering moral sentiments and socially constructed norms. Its explanatory power is on the motives and conduct of the “baptists.” This gives us the tools to separate NIMBYism from objections which are rooted in the human character of economic agents, and a way to evaluate infrastructure investment.

2. MAX-U MODELS OF PUBLIC GOODS, INFRASTRUCTURE INVESTMENT AND ROAD BUILDING

The modern neoclassical literature on public good provision conventionally begins with Samuelson (1954), who provided the foundational definition of a public good as non-excludable and non-rival. In this framework, a social planner trying to provide goods at socially optimal levels would choose a level of provision such that the marginal cost of producing the public good is equal to the sum of individuals’ marginal benefits derived from the consumption of the good.

This model has been used by transportation economists to study the provision of roads and other transportation infrastructures (Glaeser and Poterba 2021a, 2021b). The problem of the social planner is a simple maximization problem in which highways must provide some capacity and durability to carry travel by cars and trucks, under the constraints generated by maintenance costs and congestion costs, in addition to the initial capital expenditures (Winston 2021, p. 153).

What use is this model of a benevolent social planner providing public goods? One could think perhaps that it is a good description of the way that infrastructure spending *is* decided. Or one could argue that it is a useful guide to deciding how infrastructure spending *should* be decided. I address both claims in turn.

There is some evidence that economists believe that infrastructure is provided because a social planner is trying to maximize social welfare. A representative example from a Richmond Fed economist goes like this: “When Eisenhower pitched the interstate system to Congress, he justified the cost of the project as a national security measure, but *he knew the real value of the investment was the effect it would have on the U.S. economy in the short and long run*” (Phelps 2021). An entire macroeconomic literature is thus dedicated to producing evidence linking the provision of public goods and especially road infrastructure with increases in productivity (Aschauer 1989; Munnell 1990) and with multiplier effects (Ramey 2021), that justify the actions of “social planners” who build roads.

There is also some evidence that technocrats working within the relevant agencies use this model to determine optimal investment policies (see Sunstein [2024] for an extreme form of this argument). In the context of highways, within the Federal Highway Administration, the Highway Economic Requirements

System (HERS) operationalizes the key concepts of cost and benefit analysis to decide investment projects (FHWA 2020, Appendix A, “Highway Investment Analysis Methodology”).

However, most transportation economists seem to agree today that infrastructure spending is far from the theoretical optimum (Winston 2021, p. 151; for a different perspective, see Duranton et al. 2021). As a consequence, the model of a benevolent social planner is more often used as a benchmark with which to compare actual policies of infrastructure spending, a fiction that provides a goal economists can recommend to policy makers for what infrastructure spending *should* be. One clear result and recommendation that stems from this type of analysis, and which bears keeping in mind through our subsequent discussion, is that there can be no efficient investment without efficient pricing; simply put, if roads are provided without any effort to manage the subsequent demand, the investment will not solve the congestion problem that lies at the heart of road provision (Downs 1962; Duranton and Turner 2011).

But neoclassical economics is then faced with a new problem: “[d]espite the accumulating evidence, policy makers continue to eschew efficient pricing and investment” (Winston 2021, p. 151). Such failures of the model to convince policymakers that they should change their ways has spurred a large literature in public choice and political economy that seeks to explain why the gap remains between actual and optimal investment policies, by extending the utilitarian model to the determinants of policy choices.

For instance, in the case of transportation projects, Knight (2004) estimated large effects of common-pool incentives on lawmakers support for projects that benefit their districts, and a consequent large deadweight loss coming from the misallocation of resources to politically connected districts and the underprovision of public goods in other districts. Glaeser and Poterba (2021a, citing Brooks and Liscow 2023) have argued more recently that much of the inefficiency in infrastructure spending comes from the rise of infrastructure costs in the US, which can in turn be attributed largely to the “increasing cost of accommodating citizen’s complaints about the downsides of new highways” (Glaeser and Poterba 2021a, p. 212). They relate these costs to the “freeway revolts” which exploded in the 1960s and led, for instance, to an increase of costly “wiggles” in interstate trajectories (Brooks and Liscow 2023).

Recent research in urban economics has convincingly shown that freeways do create measurable costs for those communities which they dislocate (Brinkman and Lin 2024; Weiwu 2025). Within the max-U model, the reaction of those affected creates a typical political economy problem of dispersed costs and concentrated benefits:

neighborhood activists exert sway because new infrastructure really does create tangible and significant costs to them. Consequently, they bother to fight ... At the same time, the dispersed thousand or millions who will benefit a small amount from the project pay far less attention. The taxpayers who cover the added cost of abatement are even less attentive (Glaeser and Poterba 2021b, p. 225).

The max-U model, in its political economy flavor, here joins the evaluation of freeway revolts by urban planner Robert Moses, who argued that the main obstacle standing in the way of highway builders was “selfish and shortsighted opposition” (Moses cited in Mohl 2002, p. 19). In general, this is the evaluation of economists and planners who see themselves as representative of the public interest, defenders of the social benefits of infrastructure spending having to fight off shortsighted opposition, or in other words NIMBYs who refuse to bear the cost of necessary—implied, socially beneficial—change. Thus Phelps (2021) argued that “oftentimes, these revolts pitted city residents, who cared about the local quality of life, against city planners, who saw interstates as a key to growth.”

This model of infrastructure provision is problematic in at least two ways. First, new strands of research in environmental economics or in the distributional costs of urban highways have given the tools to measure environmental and social costs that were not considered during the construction period, even though they already existed. In a context of unstable costs and benefits, something else must guide the infrastructure choices of policymakers. Second, lumping all opposition to a project as shortsighted and

opposed to “growth” can be misleading. The motivations, both of planners and of opponents, are worth examining in detail. This is precisely where humanomics can be helpful: by furnishing a way to distinguish between good (praiseworthy) and bad (blameworthy) motivations, it can help us decide which projects are worth building, and which opposition is worth heeding.

3. A HUMANOMIC APPROACH TO URBAN HIGHWAY CONSTRUCTION

There is a large social science literature showing that highway planners were not motivated merely by expected social benefits when they chose their investment strategy, but by a desire to reshape cities according to a certain vision of urban order, which often overlapped with racist views. On the other hand, the motives of freeway fighters were often much wider than simple shortsighted opposition. Examining these motives is necessary to inform public policy, and the institutions that accompany it. After a brief summary of the humanomics framework, this section examines the role played by narratives and visions of the city in shaping the motives behind urban highways construction and the opposition to them.

3.1 *The Humanomics Framework*

A key observation of humanomics is that in the world of personal exchanges, the mapping between actions, outcomes and utility is sensitive to the particular context (Smith and Wilson 2019, p. 159). This observation came from experimental evidence at odds with the “max-U” model of choice, particularly in the case of “trust games” and “dictator games.” In both cases, participants strayed away from behaving “rationally,” either by trusting more or by punishing antisocial behaviors even at a cost to them.

Smith and Wilson have argued that Adam Smith’s *Theory of Moral Sentiments* can explain such results, because these actions “emerge naturally out of mutual fellow-feeling, thinking, and knowing” (Smith and Wilson 2019, p. 158). The key driver of this emergence is the “impartial spectator” who helps us judge the actions of others and of ourselves and lead us to reward or punish good and bad behaviors when they are properly or improperly motivated (Smith and Wilson 2019, p. 105). The context that influences our actions is the current set of judgments that we have learned through our social interactions, and that helps us construct an impartial spectator (Smith and Wilson 2019, pp. 98-102). Recent applications of this model to diverse questions of public policy include Paganelli and Simon (2022) and Yonk et al. (2024). Thomas and Thomas (2024) have also pointed out that our understanding of collective action through public choice could benefit from the insights of humanomics.

In other words, humanomics argues that the actions we observe can be praiseworthy or blameworthy according to whether they generate sentiments of approbation or disapprobation. These sentiments are adopted within a particular set of shared norms and narratives about propriety, which lead to our own actions of rewarding or punishing others. This means that we can illuminate some actions, such as infrastructure choices, by examining the insights from other social sciences into the motives that frame those choices (McCloskey 2021). Going beyond the benevolent social planner means engaging actively with other fields of study who have eschewed this fiction to look at the messy reality of actual motivations.

3.2 *Highways as a Source of Order in the City of Tomorrow*

Proponents of an urban system of limited-access highways, or ‘highway boosters,’ emerged almost concurrently with the invention of the car. As the urban historian Raymond Mohl has noted, the most common imagery they used was that of reconstructing central cities and “revitalizing” them (Mohl 2002, p. 41). From the 1920s, these dreams found their expression in feverish visions of futuristic cities where cars would fly unimpeded through the air amidst futuristic buildings.

A pioneer in this new genre was the Swiss-French architect Le Corbusier, who described in his 1929 book, *The City of To-morrow and its Planning*, how disorderly traffic in the city should be rationalized:

heavy goods traffic would be sent below ground, deliveries would be made at the ground floor of buildings, and the rest of the traffic would be sent on great arterial roads “built on immense reinforced concrete bridges 120 to 180 yards in width and approached every half-mile or so by subsidiary roads from ground level” (Le Corbusier 1987, p. 168). The approach of the city was a rhapsodic celebration of a newfound order, opposed to the congestion that was beginning to plague major cities: “Suppose we are entering the city by way of the Great Park. Our fast car takes the special elevated motor track between the majestic skyscrapers,” etc. (Le Corbusier 1987, p. 177).

Such a vision for cities found many proponents in the U.S. in the ensuing two decades. American planners, big-city mayors, public works officials and downtown businessmen dreamed of solving congestion woes, “reviving” the urban core, and ridding it of “slums.” The 1939 New York World Fair introduced this concept to the public with an interactive exhibit called “Futurama” where spectators were taken through a model city twenty years in the future, replete with elevated highways and suburban utopia (Fotsch 2001).

Books such as *Magic Motorways*, by the Futurama designer Norman Bel Geddes (1940), were published to prop up this vision of the future, and boosters found a powerful advocate in Thomas H. MacDonald, the director of the Federal Bureau of Public Roads. In 1947, MacDonald made “the case for urban expressways,” dismissing those that opposed them as retrograde, arguing that urban expressways were necessary to solve congestion and “save many cities from stagnation and decay” (MacDonald 1947, p. 92). As for the many urban dwellings that would need to be demolished to make way for the road, “routes selected for expressways, as they approach the center of the city, pass through ‘blighted’ sections where property values are low, and most of the buildings are of the type that should be torn down in any case, to rid the city of its slums” (ibid.).

Raymond Mohl has described in many works these visions of order, and how they related to the transformation of cities through the demolition of vast swaths of urban land, and the reconstruction of urban land around “‘logical areas’ such as residential neighborhoods and business districts” (Mohl 2002, p. 40). As highways were built, this vision remained central; the architect Lawrence Halprin mused in the mid-1960s that “...because of elevated freeways, vast panoramic views are disclosed which were never seen before We are in a brilliant kaleidoscope of motion which has enriched our lives and opened up whole new vistas of experience” (cited in DiMento and Ellis 2013, p. 2).

Echoes of this vision came to many cities, including Omaha, when the interstates were built downtown, south and west of the Creighton University campus. In 1961, the *Creightonian* reported the university president’s claims that the interstate would help the university, first by preventing “neighborhood deterioration which was occurring to the south of the university” (i.e., downtown) and second by putting the university in “an advantageous focal position in the middle of a high-speed highway in four directions” (Unsigned 1961). When construction began a few years later, the student newspaper argued that “when the highway is completed, Creighton’s campus will be nestled in a curve” (Cannon 1966).

The imagery mobilized by highway enthusiasts from the 1930s to the 1960s to boost the building of highways in the middle of cities did not rely much on the expected benefits to economic growth through productivity increases that are so central to the mainstream model of the beneficent social planner. It relied on a certain aesthetic and normative adherence to geometric order, as a solution to the modern ills of cities. Anything that did not fit that conception of order was fit for the federal bulldozer, and this included many poor neighborhoods quickly depicted as slums, more often on the basis of racial considerations than actual decay (Karas 2015, p. 14; Rothstein 2017). When we say that planners were on the side of “progress” we should be careful to qualify that what they meant by progress was not the benefits calculated *post hoc* in the neoclassical literature, but a futuristic view of the city that did not accommodate people’s plans to remain in their homes.

A humanomic approach, by pointing to the actual motives of highway boosters, helps us understand the development of highways and where they went wrong. The idea that urban highways would bring order and vitality to cities proved wrong, and the folklore of “majestic skyscrapers” was quickly replaced by a new vision of the ills brought by urban freeways: “the problem was that the freeway visions of the highway

technocrats and urban elites never fully accommodated the widespread negative popular reaction to the massive demolition of the physical city” (Mohl 2002, p. 41).

3.3 Defending Neighborhoods and Communities

We have already remarked that proponents of highways depicted their opponents as short-sighted, in the same way that the max-U model depicts them as reacting in a mechanical manner to the disamenities imposed on them. I will not deny that people who bear the cost of a new policy are going to be incentivized to fight against it. Yet at the same time I venture that most people would be inclined to see the “freeway revolts” which began in the 1960s as praiseworthy, or at least more praiseworthy than the NIMBYs fighting today against any new development in their neighborhoods.

Why this different judgment on our part? When we evaluate the actual motives of opponents to urban highways, we are struck more by their praiseworthiness than their selfishness. On the other hand, the motives of highway boosters seem at best to have been misguided, at worst to have been the instrument of spatial racial segregation.

Construction of the interstate system began in earnest with the passage of the Federal Aid-Highway Act of 1956. After years of lobbying, highway boosters had obtained what they wanted: a gigantic program of investment in the road infrastructure, not merely connecting cities but going through them, financed at 90% by the federal government through the proceeds of excise taxes on fuel and tires that would feed into the Highway Trust Fund (the remaining 10% was financed by the states). Federal and state highway officials had free rein to determine the location of highways and set to work quickly. While connecting cities with high-speed roads is unobjectionable, opponents arose as soon as they started digging through urban land.

In San Francisco, the construction of the Embarcadero Freeway on the waterfront even before interstate money began to be poured in had “enraged aesthetic sensibilities” (Mohl 2004, p. 678). Plans to extend it through the Golden Gate Park led to a movement in opposition that culminated with the withdrawal of the council’s support for the interstate, after opponents received the support of several newspapers. During the 1960s, the demolition of entire neighborhoods began to take a new meaning, when it turned out that a disproportionate share of the neighborhoods selected for the freeways were the urban ghettos inhabited by African Americans. These ghettos were not limited to southern cities and were also prevalent in northern cities where the combination of a huge postwar influx of southern African Americans and discriminatory housing practices limited the options of the newcomers (Rothstein 2017). In city after city, the construction of interstates served either to wall off the ghetto from the rest of the city, or destroy it altogether (Archer 2020).

For instance, in Nashville, an infamous “kink” was included in the trajectory of I-40 that made the highway go right through the heart of the black district, displacing 1,400 people, destroying hundreds of homes, churches and businesses, and cutting in half an academic cluster of black universities (Haynes 2020, pp. 40-41). In Miami, a cloverleaf was superimposed on the Overtown neighborhood, reducing an African American community of 40,000 to 8,000 by the end of construction in the mid-1960s (Rothstein 2017, p. 129). In Omaha, an interstate was planned a few blocks west of 24th street, the heart of the black neighborhood (eventually the interstate was demoted to a U.S. highway and its construction stopped at the northern border of the black neighborhood, after destroying hundreds of homes, businesses and churches; see Sasse 2020). In St Paul, even though in the 1960 census only 8,394 inhabitants were classified as African American (2% of the city’s population), “the road builders found them” and severed their neighborhood in half with I-94 (Mohl 2002, p. 25).

Even though freeways also affected white neighborhoods, minority neighborhoods were disproportionately affected, and a preponderance of evidence shows that highway planners were racially motivated (in addition to the references above, see the recent econometric research by Mahajan [2024], Weiwu [2024] and Valenzuela-Casasempere [2025]). Many of the freeway revolts that sparked as a consequence in the

1960s were not isolated revolts by NIMBYs but an integral part of the civil rights movement, as Mohl and others have argued convincingly (Mohl 2002, p. 37). For instance, Reginald Booker, who opposed the D.C. freeway that would have destroyed a staggering 200,000 housing units (Mohl 2002, p. 26) was also known for his place in the civil rights movement and his opposition to the Vietnam war (Simpson 2020).

The idea that building larger, faster roads would provide a solution to congestion and revive city centers is also a motive that is doubtful. Anthony Downs published his landmark paper on induced demand as early as 1962 (Downs 1962). There is plenty of evidence that many people were aware of the existence of this problem. City historian and social commentator Lewis Mumford, writing in 1958, had no trouble imagining the consequences of building more urban highways as a solution to the congestion problem: “in order to overcome the fatal stagnation of traffic in and around our cities, our highway engineers have come up with a remedy that actually expands the evil it is meant to overcome” (Mumford 1963, p. 238). There was no need to be Mumford or Downs to figure this out either; comments sent to Omaha’s *Evening World Herald* in 1958 also made the point: “the interstate leading downtown is costly and unwise. It will provide easier access to an area where there is not enough parking now. Why make it worse?”; and “In Omaha, somebody wants to run an expressway through the heart of the business section. That’s about all they need to kill downtown Omaha.”¹

Given the research which has recently demonstrated i) that without a policy of demand management, more capacity leads to the same level of congestion (Duranton and Turner 2011), and ii) that highways caused a large part of suburbanization and increased the decline of center-city neighborhoods (Baum-Snow 2007), it seems that the opposition to urban freeways was motivated by valid concerns that went beyond the local disamenities brought by freeways.

Thus, when we look at the motives of people who fought back, we are not struck first of all by their selfishness in trying to preserve their homes. On the other hand, the highway boosters, if we take their motives at face value, seem to have been completely unable to meet their objectives of decongesting the city center and reviving the city, in fact the opposite happened: “rather than resuscitating the central cities, the new freeway systems ultimately speeded suburbanization, promoted the decentralization of manufacturing and retailing, and deepened postwar urban decline” (Mohl 2002, p. 41).

4. A WAY FORWARD WITH HUMANOMICS

The max-U model leads to a gross misrepresentation of the development of infrastructure choices, by pitting planners and lawmakers who care about social benefits or even about their district benefits against narrow-minded opponents who care only about the immediate disutility generated by a project that affects them. In fact, decision-makers are motivated by a wide variety of objectives. In the framework of humanomics, some of these objectives are clearly blameworthy (racist motivations come to mind). On the other hand, opponents to freeways are driven by motives which appear sometimes praiseworthy (opposing more congestion or defending a community against discrimination). The contribution of humanomics is to bring in these motives in the evaluation of infrastructure choices by economists.

In this perspective, we can reevaluate the argument that shortsighted opposition is the main driver of today’s rising costs and of the difficulty to build more infrastructure, even when clearly beneficial. Following the wave of protests against urban freeways in the 1960s, a number of laws were adopted to institutionalize this opposition and make it more difficult to build infrastructure without consulting different interest groups. This empowered a movement of “not in my backyard” (NIMBYs) who use these laws to protest any development which they see as against their interest. Economists and commentators now argue routinely that this has gone too far, and a YIMBY movement has even recently emerged (Glaeser 2011; Klein and Thompson 2025).²

But is the issue really with the opposition itself? Or is the problem that the way in which opposition has been institutionalized is incapable of distinguishing between properly and improperly motivated opposition? Humanomics offers a way to separate them. When we examine the motives of opponents, we

should be able to determine if they are praiseworthy or blameworthy. Someone who opposes a project out of pure self-interest is unlikely to attract much praise. Someone who opposes a project out of praiseworthy concerns should get some heed.

This seems hard to do, especially for economists and technocrats who prefer the surer footing of calculable costs and benefits. And yet, when pushed a little, they recognize that these costs and benefits are not separable from moral values. Glaeser and Poterba thus recognize that the “cost-benefit framework is flexible and can accommodate a wide range of social values,” for instance by assigning group-based weights to different social groups before aggregating them into social costs and benefits. The problem is that their model stops short of giving any hint of the way in which we should choose the weights of the gains and losses of different groups: “of course, such group-based weights must reflect moral and political values, not economic estimates” (Glaeser and Poterba 2021a, p. 202). The technocrats who operationalize the cost-benefit model of investment decision find themselves in the exact same position: “How would an analyst value, for example, the loss of aesthetics from a row of trees being cut down to carve out additional lanes?” (FHWA 2020, A-11).

The fact that the loss of aesthetics is difficult to measure is not an argument to ignore this cost. If economics is unable to weigh moral concerns and efficiency concerns together, then it needs other social sciences that are willing to look at the process by which moral preferences are formed and expressed and how they affect an optimal solution. The humanomic approach can bring us out of the conundrums posed by the unassumed normativity of welfare economics, by providing a way to integrate together moral concerns and a desire for efficiency, something which was an integral part of Adam Smith's framework (Buchanan, 1976).

I cannot claim to have figured out this problem, but I believe that humanomics does point to a way forward, one that relies on centering human beings in the analysis. The question that should be asked is: what purpose is served by roads? The answer cannot merely be “economic growth” because growth is itself a means to human flourishing. If we accept that the goal of our economic system and our political organization should be human flourishing, then the construction of infrastructure such as roads should also be geared towards this flourishing. If the answer is that roads bring people closer to jobs and retail, then the question should perhaps be: why are people away from jobs and retail? An examination of zoning regulations may be more useful to solve this problem than the construction of more roads (Gray 2022).

Economists inquiring into moral and political values could also turn to the many writers who have suggested replacing the automobile with the human. Writers from Lewis Mumford (1963) to Jane Jacobs (1961) have indeed suggested as early as the 1950s, when urban interstates were first planned and constructed, that placing the human at the center of our deliberations concerning the optimal level of road provision would lead to very different choices.³

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NOTES

- 1 See the clippings at: <https://www.newspapers.com/article/evening-world-herald-ppl-knew-the-effect/164329414/>.
- 2 For an example of NIMBYism, see the Free Press investigation of West Hollywood’s NIMBYs, at https://youtu.be/pG8Ccbw_W6k.
- 3 I am grateful to the Menard Family Center for Economic Inquiry at Creighton University for research support. For stimulating discussions, I am also grateful to the participants in a colloquium on “The City as a Work of Art” at Creighton University, and to the participants in the June 2025 “Humanomics” conference. I am particularly grateful to Michael Thomas and Anthony Gill for detailed comments.

“A Message to You, *Homo-Economicus*”: 2 Tone and *Humanomics*

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Abstract: This paper, utilizing Vernon Smith and Bart Wilson’s *Humanomics* Framework, argues that economic theories often focus too much on wealth maximization because it downplays non-pecuniary aspects. To do this, the paper will focus on the founding of Jerry Dammers’ band, the Specials, the 2 Tone record label, and subsequently the 2 Tone movement and genre. I argue that the wealth maximization model cannot adequately describe Dammers’ desired social change. The standard *homo economicus* model cannot accurately capture Dammers goals. 2 Tone had important effects on politics in the UK (and more broadly) in the late 70s and early 80s, with its focus on racism and economic conditions. Standard economic theory, in focusing solely on wealth maximization, fails to explain what 2 Tone did and accomplished. Instead, moral sentiments, as expressed within Humanomics, help to fill in this gap left by stand theory.

1. (DAWNING OF A) NEW ERA¹

The skinhead revival was coming anyway when the Specials adopted that moddy, skinheady, Rude Boy look. The idea was to try and influence the revival, not to be racist and violent like the first time, and I think, amazingly, to a large extent it worked.

—Jerry Dammers (quoted in Rachel 2016, p. 246)

Moreover, this mechanism does not reduce simply to a form of constrained utility maximization but arises out of a relationship.

—Vernon L. Smith and Bart J. Wilson (2019, pp. 100-101)

Smith and Wilson (2019), in their book *Humanomics*, aim to realign economics with its authentic Smithian roots. The book essentially argues that economics has evolved with a disproportionate focus on Adam Smith’s *Wealth of Nations*, while neglecting crucial lessons from his *Theory of Moral Sentiments*. Building on their proposal to include the *Theory of Moral Sentiments* in economics, this paper discusses what this means for promoting lasting and positive social change around key issues like fighting racism. I argue that Smith and Wilson (2019) offer a framework that can better leverage economics to create a more accurate picture.

To illustrate this, I use the story of 2 Tone. 2 Tone was a music genre and record label started by Jerry Dammers, the founding member of the band The Specials, in the late 1970s in England. What makes The Specials and 2 Tone unique is Dammers' clear focus on racial equality and fairness over material gains. He aimed to become a famous pop star, but more importantly, he tried to use music and its social influence to combat racial injustice. I argue that the standard *homo economicus* model does not accurately describe or explain this motivation, and that the Humanomics approach might be a better way forward.

The remainder of the paper is laid out as follows: Section 2 will explain why *homo economicus* fails to explain certain behavior. Section 3 will explain why a *Humanomics* approach is a step in the right direction to fixing this. Section 4 provides evidence from individuals who lived through 2 Tone, including Jerry Dammers himself, and Section 5 concludes.

2. STEREOTYPE

Smith and Wilson (2019) argue that current economic theory is insufficient to explain certain human behaviors. Essentially, *homo economicus*, or Max U, models all behavior with too narrow a view of self-interest, at least in practice. Of course, individuals will make some, dare we say many, decisions based on a choice calculus that simply analyzes their "personal" wealth. Anyone could probably name countless examples of people acting this way!

The problem, however, is that many other examples contradict this, with the story of 2 Tone being one such example. As I will explain below, Jerry Dammers, the founder of 2 Tone, was not motivated in the way a *homo economicus* would be. So, why does current economics fall short?

Modern economics begins with the assumption that individuals are born into a world of scarcity; from there, they act to improve their situation. The economic problem, therefore, is how to allocate these scarce resources among competing ends (Robbins 1932). The model then describes individuals as maximizing their utility while making necessary trade-offs. This is a broad and simple model with considerable explanatory power and has even given economics a "predictive edge" over other social sciences (Vaughn 2021, p. 224).

The driving assumption of this model is "self-interest." This is not the same as the caricature of economics that has developed. In that caricature, self-interest is often equated with greed—a form of pure selfishness where one acts solely to pursue their selfish desires. This misrepresents what economists actually argue. Subjectivism is inherent in the model, especially regarding individual goals. The model views self-interest broadly, meaning that individuals have purposes and projects they want to accomplish. These "purposes and projects are not necessarily confined exclusively to those that will bring personal benefit in a narrow sense. It is perfectly within the scope of the self-interest assumption for individuals to want to improve the welfare of others rather than their own" (Vaughn 2021, p. 224).

The issue arises in practice. Our models tend to emphasize economic gains and, even, ignore non-monetary benefits. At least, economists typically downplay the importance of non-pecuniary goals. The problem is that subjectivism can be a challenge for economists who want to appear scientific, much like those in natural sciences such as physics (see Buchanan 1979). Therefore, "much of the debate between economists and those who accuse them of methodological imperialism, then, seems to revolve around the relative weights one observes people giving to pecuniary and non-pecuniary preferences and to what extent non-pecuniary preferences can be said to dominate individual choices" (Vaughn 2021, p. 225). Yet, even though economists recognize this issue, non-pecuniary gains like love, leisure, social status, and valuing the dignity of others are often missing from most models and economic theories. Economists aim for their models to predict behavior, but doing so requires understanding what people want. Usually, we simplify their desires by focusing only on monetary gains. Describing what a diverse group of individuals who value different things want, and then distilling those wants, is impossible. As a result, we default to modeling individuals as wealth maximizers.

Basically, most economists assume away non-pecuniary gains and focus on wealth maximization for simplicity. It may not be a stretch to say that wealth maximization is a fairly safe assumption in many situations, but the issue is that it isn't always true. Therefore, non-pecuniary goals can falsify predictions made by a model that emphasizes only wealth maximization.

Consider, for example, the traditional economic analysis of gift giving. The common view is that events like Christmas cause significant deadweight losses (Waldfogel 1993). The idea is that you don't know what people want and lack the incentive to maximize or economize as you would if you were buying for yourself. Consequently, gift giving leads to inefficiencies. The argument suggests we'd be better off just giving cash. However, when this story is explained in class, students often quickly point out why that's a terrible idea! Just try giving your significant other cash for your anniversary! Just make sure you have the couch ready to sleep on that night. While this advice may be efficient as described, it is ultimately unhelpful and doesn't truly explain what's going on.

Gill and Thomas (2023) demonstrate that the traditional story of gift giving in economics is incomplete, and they argue that a better economic analysis is achievable. They contend that Waldfogel's analysis is essentially a static model that overlooks long-term dynamic issues, which are not only generated by gift giving but also help explain the development of institutions and informal norms that gave rise to the human tradition of gift giving. By doing so, they present a more comprehensive picture that better captures individual motivations and show that buying your mother a Christmas gift does not harm the economy—in fact, it can be efficient over the long term.

This paper follows Gill and Thomas (2023) in arguing that 2 Tone, like gift giving, is another example of economic theory falling short of being truly predictive and descriptive of reality in situations where motivations differ from wealth maximization. The question now becomes, is Humanomics, with its focus on economic theory plus moral sentiments, sufficient to fill this gap left by modern economics?

3. DOESN'T MAKE IT ALRIGHT

Smith and Wilson (2019) argue that in the modern world, conflicts often arise between two different rule systems that guide human interactions. On the one hand, we have our intimate order, where we interact with those closest to us, such as family and friends. On the other hand, there is the extended order, where we deal with strangers. These require two different sets of rules for interaction. For example, we can't rely on benevolence in the extended order, but we can when interacting with someone close to us, like your father or mother. Likewise, it's probably not a good idea to treat your mother the same way you would someone in the extended order. Saying, "Take out the trash? What is in it for me?" is likely to cause trouble. In this section, I will explain why this distinction matters, why it is missing from the standard *homo economicus* model, and why Humanomics is an alternative that could fill that gap.

We live in different worlds simultaneously. As Hayek (1988, p. 18) noted,

Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions in order to live simultaneously within different kinds of orders according to different rules. If we were to apply the unmodified, uncurbed, rules of micro-cosmos (i.e., of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilisation), as our instincts and sentimental yearnings often make us wish to do, we would destroy it. Yet if we were always to apply the rules of the extended order to our more intimate groupings, we would crush them. So we must learn to live in two sorts of worlds at once.

Hayek (1988) makes a point similar to what Smith and Wilson (2019) ultimately argue. The rules of interaction will not only differ between the intimate and the extended orders but will also involve different motivations. Some of these motivations cannot be explained solely by the assumption of wealth maximization. Essentially, our analysis of the extended order is not suitable for explaining the actions within the

intimate order (and vice versa). Consequently, a theory like the *Humanomics* framework can help provide a more nuanced and accurate representation of the various types of action.

Smith and Wilson (2019) use experimental evidence to show that the standard *homo economicus* argument significantly falls short in explaining much of the behavior we observe because this line of reasoning is often either blurred or, more likely, ignored. To achieve a more accurate and complete picture, both rule sets and their interactions are necessary. What Smith and Wilson (2019) argue is that economics needs a more comprehensive view by relying not only on Adam Smith's *Wealth of Nations* but also on his *Theory of Moral Sentiments*. Based on their experiments, *homo economicus* provides an inaccurate picture, but this Smithian approach fills in that gap.

An important implication of this theory is that these distinct rule structures are not only significant, but they also perform better when they develop from the interactions of various individuals rather than from external shocks. There are essential knowledge problems that arise in both worlds. In the Intimate order, the spontaneous order is formed through our interactions and guided by our “fellow-feeling” for others—whom we care about and care what they think. The result is a moral equilibrium where proper behavior is learned over time as our actions trigger reactions from others, whether positive or negative. We thus learn what others “can go along with” as we participate in a given society. Therefore, morality is shaped by individuals within a community as they interact with each other. To acquire this knowledge, it is necessary to be part of the community because the rules are learned through participation.

The extended order involves a different knowledge problem (see O'Driscoll 1977). Here, the necessary data to allocate resources to their highest valued use is spread out over time and place, is incomplete, tacit, and so on (see Hayek 1945). This led Hayek (1937, 1945) to argue that the market essentially functions as a coordination mechanism that brings together the relevant information.

The extended order also involves many individuals we often do not know. Since we are unfamiliar with them and operate in uncertain environments, it is impossible to treat others based on detailed rules tailored to specific circumstances, as in the intimate order. Therefore, it is necessary to establish a set of rules that treat everyone equally (Hayek 1960). This helps us form expectations about our behavior and promotes cooperation through mutual benefits.

Markets need rules to function well (Buchanan and Brennan 1985). Economists call this broad set of rules, both formal and informal, institutions (North 1991). Building and maintaining trust within these institutions is key. Trust has been seen as essential ever since Smith (1981/1776) pointed out that a well-ordered society depends on good governance. Today, discussions focus more on institutions that foster and develop trust. From the importance of constitutional contracts (Buchanan 2000/1975) to laws that lessen information gaps (Akerlof 1970; Grossman and Stiglitz 1980), economists emphasize the value of good governance by government. Other views highlight informal norms and non-governmental strategies (Brennan et al. 2013; Ellickson 1991; Leeson 2014; Ostrom 1990; 2000; and Skyrms 2014/1996). This research shows that spontaneous orders can help build and strengthen trust.

Still, spontaneous orders do not automatically lead to good outcomes (Martin and Storr 2008). In development, for example, situations can occur where the rules of the game evolve into an institutional path dependency that is less than ideal, but the institutions become “locked-in” (North 1990). How can we escape such challenging situations? Many economists suggest providing an external exogenous shock to change the institutions and guide society toward the optimal state (Boettke et al. 2008). However, Boettke et al. (2008) argue that this approach is not only fundamentally flawed but also has a poor track record in practice. Exogenous shocks are neither informed by nor capable of being informed by the essential data and knowledge that only society's participants hold. In other words, rule changes need to be endogenous to be effective and lasting, rather than exogenous.

This issue becomes even more evident when discussing social change, which is often seen as separate from market behavior. If the goal isn't traditional wealth and well-being but instead addressing social issues like racism, the usual assumption of self-interest is likely to lead to false predictions (Vaughn 2021). Bicchieri (2006, 2017) has tried to apply economics, especially a game-theoretic approach, to the question

of social change. Her work has been important and has helped improve our understanding, but she often faces the same problem as the development example. She has identified many cases where social norms have changed in ways that are not ideal, leading her to call for external shocks to change the problematic norm (see Bicchieri and McNally 2018).

Not everything needs to be endogenous; the exogenous is not irrelevant. Ideas definitely matter, and it is, of course, possible for ideas to be introduced from the outside that will spark social change, but what is more likely to make it stick? I argue that genuine social change is more likely to come from individuals who possess the necessary knowledge rather than from outsiders who lack it. Having this information is crucial for understanding how and why people will support the changes. As Denzau and North (1994, pp. 3-4) note,

...uncertainty, not risk, characterizes choice-making. Under conditions of uncertainty, individuals interpretation of their environment will reflect their learning. Individuals with common cultural backgrounds and experiences will share reasonably convergent mental models, ideologies, and institutions; and individuals with different learning experiences (both cultural and environmental) will have different theories (models, ideologies) to interpret their environment. Moreover, the information feedback from their choices is not sufficient to lead to convergence of competing interpretations of reality.

Why does all this matter? I believe it shows why a *Humanomics* approach offers a better explanation than the standard neoclassical story. How do we exist in both worlds? Well, both worlds overlap a lot! Let's explore why the music scene and markets are important in theory.

Music scenes are communities that offer a space where like-minded people form subcultural networks made up not only of musicians but also of fans. This network, driven by market forces, helps establish what sociologists call weak ties, as opposed to strong ties like family. As Granovetter (1973, 1983) has argued, these weak ties can encourage a more productive environment for group cooperation. Large groups with relatively diverse populations, who are not related and likely wouldn't interact without this network, come together through their shared love for the music and fashion linked to the scene. They provide an instant support network on many levels. However, it should be clear why both the rule structure of the intimate order and the extended order are necessarily present.

D'Amico (2010), for example, argues that the garage rock scene in New Orleans in the early 2000s was able to recover relatively quickly after Hurricane Katrina because it relied on the social network within the scene. People with weak ties could depend on each other for places to stay, necessities, equipment, and more. Additionally, it created more work. Many New Orleans musicians, for example, left the city and quickly found gigs in other places like Memphis, TN. The social network made this possible. And the network could not have existed without the market space where the music scene operated.

D'Amico (2010) further argued that productivity in these markets results not only from physical and human capital but also from social capital. Social capital is "the productive value of social relationships" (D'Amico 2010, p. 127). Like physical and human capital, social capital helps individuals work together to reach their goals. In other words, it enables the creation of individual or group plans. This is especially clear in the music scene, where the community functions as a two-way street. The community itself is part of the "product" being sold. Shared interests in music, fashion, and other traits attract artists and fans initially, and can also serve as a source of artistic inspiration. Artists influence each other through competition (for example, how the Beatles were inspired by the Beach Boys and vice versa), and artists influence fans while fans influence each other (and maybe even the artists). This interactive exchange is key to producing the cultural and physical products created by the music scene. But it also fosters relationships and other exchanges, including non-market interactions—opportunities outside traditional market outcomes. As D'Amico (2010, p. 131) showed, the New Orleans garage scene, for example, relied on their network after Katrina to "help each other evacuate, finding temporary housing, return, rebuild, and find permanent

housing and re-employment after the disaster.” The music scene, through its market-facilitated network, was able to turn strangers into friends and not only leverage commercial relationships but transform them into something more. They build a sense of belonging by connecting through their shared love for the scene. ‘Them’ becomes ‘us,’ and it is the market that helps support and develop these relationships.

We can now analyze the story of 2 Tone to explain why the motivations and behavior of the 2 Tone actors are better understood through *Humanomics* rather than the standard *homo economicus* model. It was meant to fight for social change and push back against the political entrepreneurship of the National Front (NF) and British Movement (BM). As Dammers (quoted in Rachel 2016, p. 242) himself stated, “It was obvious there was going to be a skinhead revival and I wanted us to become part of the scene and change it, so it didn’t become affiliated with the far right.” The mechanisms they used in this fight were music and their markets.

4. THE CONCRETE JUNGLE

2 Tone helped define a generation of young British teens. Actor Martin Freeman recently mentioned in an interview (Catchpole 2018), “2 Tone was like a religion, my whole world was black and white checks.” It was truly popular, but this lively, upbeat music that mixed Jamaican ska with British punk and pop had a deeper purpose: promoting racial equality and fairness. Many people created 2 Tone, but the principal founder and driving force was Jerry Dammers. He recognized the importance of using the music scene’s social network to unite people and combat racism. And this was his goal. Money and fame might have been a bonus, but they were not his primary motivation. This section argues that the standard *homo economicus* model fails to explain the emergence and behavior of the 2 Tone movement, but *Humanomics* could help fill in those gaps.

Dammers wanted to be a pop star, but what he really wanted to do was promote social change. As he (quoted in Rachel 2016, 243-244) explains,

No one had really mixed ska and punk before. It was a political message in itself. We also wanted to have fun and be pop stars. That was a big driving force like any band. But to me the music and the politics and the visual side were all part and parcel of something people could relate to, and with a general left-wing socialist message.

He envisioned 2 Tone as a revolutionary form of art, but more importantly, as a cosmopolitan social scene brought together by music and fashion. In other words, his art was being driven by broader social concerns, not the expansion of his wealth. As Dammers (quoted in Rachel 2016, p. 240) put it,

The French surrealist André Breton said, ‘Revolutionary art has to be revolutionary in its form.’ There’s a lot of truth in that and finding new ways of doing something to excite people and get them interested. Hopefully music can bring people together and put a message across and inspire people to think. Punk rock and white rock music in general was always limited in what it could achieve politically because it wasn’t that inclusive. It alienated as many people as it involved. I wanted to create a more mixed atmosphere.

Much of the design of 2 Tone was meant to help foster an anti-racist mentality rather than commercial success. Dammers was not the first to attempt to utilize Jamaican music; for example, the Clash had even earlier fused their punk rock with reggae and ska (see their cover of Junior Murvin’s “Police and Thieves” for an illustration of this). This was even an inspiration for Dammers (quoted in Rachel 2016, p. 242), as he notes, “Some pub rock bands had done reggae but when the Clash did their punk version, although it was less like reggae, it seemed much more raw and credible because it took on board the political message of reggae. That was a musical inspiration when I formed the Specials, but I wanted black people involved.”

When punk was new, reggae and ska played an important role as DJs like Don Letts and Mickey Dredd would play the older ska and reggae between the bands. This had an influence, not only on the bands such as the Clash and even the Specials, but also on the audiences.

Similarly, Rock Against Racism (RAR) was an organization that had been founded earlier.² They organized shows featuring both white and black bands performing on the same bill, ending with everyone jamming together (Augustyn 2010, 2013; Thompson 2017; Rachel 2024; and Renton 2019). Although RAR started earlier than the Specials and the 2 Tone movement in general, their goals were very much aligned. The Specials and other 2 Tone bands performed at RAR concerts and participated in other related efforts.

But again, in forming the Specials, Dammers took this one step further by explicitly creating a multiracial band. It was intended to evoke the Jamaican music he admired, along with the influence of British music. As Dammers (quoted in Rachel 2016, p. 237) explains,

The first line-up of the Specials I put together was Horace Panter on bass, Neol Davies on guitar, a black drummer called Silverton Hutchinson and a singer called Tim Strickland. I soon replaced Neol, one of my best friends at the time, with Lynval Golding. I felt horrible but the music came first. I liked Lynval's authentic trebly reggae telecaster and I wanted a more multiracial band. Lynval promptly left the band! I had to beg him to come back. Then I brought in Terry Hall on vocals and Roddy Byers on guitar as the punk elements.

He made a concerted effort to blend the original Jamaican ska with a more British sound to create something new but stay true to the original. The Specials didn't have a horn section, unlike the original ska bands, but they did have Rico Rodriguez, a veteran of the original Jamaican ska scene, play on several songs. As Dammers (quoted in Rachel 2016, p. 293) notes, "Having Rico involved brought authenticity and a link to the original Jamaican ska; that mournful trombone was so central to the Specials' sound. It was beyond our wildest dreams that he would come and play with us."

Today, this doesn't sound too radical, but at the time, it was truly unique. As Juliet de Valero Wills (quoted in Rachel 2016, p. 241), the manager of the Selecter, explained,

It was like for the first time the black and the white youth had found a language they could talk to each other in. And to see young black and white guys on stage together was like a little microcosm of what was starting to happen in society. Punk had been very white. And even though punks latterly started getting into reggae and embracing black music, there was still 'punk bands' and 'reggae bands.' 2 Tone was trying to make a statement about literally mixing black and white cultures and making music out of the two. And if you do that, can you also empower a generation who had no future? It sounds quite grand but in Jerry's mind I think that's what he wanted. All the bands totally believed in that. It was about them thinking, 'If we do this we're helping ourselves, too.'

Dammers was truly entrepreneurial in using music to achieve this goal. Everything from the music to the fashion and aesthetics was thoughtfully planned by Dammers and other members of the 2 Tone community. For example, the Specials initially played reggae but discovered that the audiences did not respond as well as they had expected. As Horace Panter (quoted in Rachel 2016, p. 244), the bassist for the Specials, explained,

We played with Steel Pulse [a British reggae band] at the Top Rank and all of Handsworth turned up to see revolutionaries. We were five white guys and two blacks trying to play reggae and the crowd cut us dead. Arms crossed. It was really scary but we toughed it out. Then we decided to play ska – our punk songs slowed down and our reggae songs sped up—which unified all the

songs; and everything was a lot more danceable. At first, Lynval said, “It’s old man music. Music must move forward.’ 2 Tone looked back to go forward.

The shift in musical style from reggae to ska was not just about chasing commercial success. Early in their career, they attracted the attention of the Clash and their manager Bernie Rhodes, who invited them to join a nationwide tour with the Clash. The tour was successful in that they began gaining significant attention, but Dammers noticed that certain elements needed to change to start achieving the social goals they aimed for; this included not only the music but also their fashion. As Dammers (quoted in Rachel 2016, p. 243) said,

When the Clash tour ended we went back to Coventry and adopted ska and the Rude Boy look in order to get through to those kids and try to make the skinhead revival anti-racist in contrast to the first time around. One thing that Bernie said that had struck in my mind was, ‘Don’t ever think the audience dress like you; you dress like the audience.’ I then stuck musical quotations on the songs I’d already written, like Prince Buster’s ‘Al Capone’ into ‘Gangsters’; and ‘Birth Control’ by Lloydie and the Lowbites into “Too Much Too Young.”

Dammers had a vision, and he needed to persuade the rest of the band to support it. Terry Hall, the lead singer of the Specials, was originally a punk. He had to be convinced to join not only a reggae band but also to start wearing three-button 2 tone suits. As Dammers (quoted in Rachel 2016, p. 237) explained,

I told Terry the Clash and the Sex Pistols were about my age, actually, and that pogoing and wearing a leather jacket didn’t make him a real punk. I said, ‘We should try and do something truly original like they had; that would be real punk spirit. It’s about creating fashion, not following it.

He even had to convince the band members, such as guitarist Lynval Golding, who were already fans of ska and reggae, that it wasn’t about simply copying and mimicking the older generation and style, but about creating something new. As Dammers (quoted in Rachel 2016, p. 238) explained,

The idea of 2 Tone was to try and promote anti-racism hand in hand with and as an integral part of working-class unity in general. I did drawings of how I hoped it might all look and what I might be able to persuade people to wear. Lynval and Horace especially were a bit older and started off looking very old-wave. I knew it was really important that were identified with punk and the new wave and I had to persuade them to dress differently. And part of the plan was that we should keep changing and adapting, staying creative and ahead of the times.

Dammers aimed to create and promote an inclusive environment. This took many forms, from the multiracial elements of the Specials and 2 Tone in general to audience participation. Dammers’ rallying cry was often “No one is special!” (Augustyn 2010). The Specials’ concerts became famous not only for their energetic performances but also for what later became known as stage invasions. As Dammers (quoted in Rachel 2016, p. 267) explains,

The stage invasions at Specials gigs started in Liverpool at Eric’s when some lads came up from Coventry. There was bad vibes from some of the Scousers and they came onstage partly to feel safer, I think. They said, ‘This is our band. We’ve got as much right to be on the stage as you because you’re representing us.’ That then became a statement of solidarity between the band and audience. The previous punk statement had been gobbing on the band, which we caught the end of. It wasn’t particularly pleasant but it was stating that the band weren’t superior to the audience by putting them in their place. To make it clear I put the line *Nobody is special* in ‘Skinhead

Symphony' medley. For us it was saying, 'We're all in this together.' Having the audience on the stage with us was great and at first it was restricted to the end of the set or the encore, but then it got to be disruptive when kids wanted to get on stage in the third number.

It was important to Dammers that everyone felt welcome. Initially, the audience mainly consisted of white males, but over time, the messaging began to make progress. As Dammers (quoted in Rachel 2016, p. 295) stated,

2 Tone's anti-racist message was aimed primarily at white people, but certainly in Birmingham and Leeds the Specials had a large black following, which was very pleasing, and in London too. Ideally, there would have been more because it would have helped create that atmosphere and solidified the idea. Some of the most loyal supporters of 2 Tone were mixed-race kids who really took it to their hearts as their music. That was really touching because those kids were being ostracized by both sides. One the front-cover photograph of 'Too Much Too Young' you can see the make-up of the audience. It was black and white: the majority of men, but there were girls too.

2 Tone, however, was not just about the Specials. As I mentioned earlier, it was a genre and a label. The genre was naturally a spontaneous order beyond the control of the creators, but many of Dammers' intended symbols and themes still made their way into those bands. For example, Bad Manners, which was never officially signed to 2 Tone, used the checkered symbol. Bad Manners were/are like Madness in that they focused more on fun than serious political messages. Still, as Bad Manners lead singer Buster Bloodvessel (quoted in Higton 2022) explains, "But with Bad Manners, we didn't have any political statements or sides to join. We were all anti-racists, but the tension was that there was a lot of people coming to our gigs that were racists."

2 Tone had a deal to release 10 singles a year. Bands could sign on just for that single without committing to more. Both Madness and the Beat, for example, released one single and then moved on to other labels. Still, there was pressure on 2 Tone to find the right bands and a demand from new bands eager to be the next act to sign. As Dammers (quoted in Rachel 2016, pp. 283-4) noted,

What started off very idealistically ended up being completely impracticable. It was fairly obvious which bands should go on 2 Tone at first but then we probably should have just concentrated on the Selecter and the Specials. There was always this incredible pressure to find more bands. And everybody was on my case day and night to put out their record. There was an Oi! band called Criminal Class who more or less demanded it because they were from Coventry. I was sent literally hundreds and hundreds of cassettes. It was just crazy. Prefab Sprout was the only one that I was aware might have been worth signing.

2 Tone operated like a cooperative, probably due to their socialist ideas. As Dammers (quoted in Rachel 2016, p. 282) put it,

2 Tone was my concept, but I can't remember ever saying, 'We'll have fourteen directors,' [The seven members of the Specials and seven members of the Selecter] or even using the word 'cooperative'; it just happened how it happened. Everybody in the Specials and the Selecter had a say, but 2 Tone had no real structure. It was never even a company. There was nothing as formal as that. It was just an idea and a label that put out records through a major label once we moved to Chrysalis from Rough Trade.

In other words, the label was not run like a business. Profit maximization was not their concern. As a result, the label was run poorly. As Velero Wills (quoted in Rachel 2016, p. 282) explains,

2 Tone was a socialist idea, whereas the politics of Rock Against Racism and the Anti-Nazi League had been primarily motivated towards defeating the National Front at elections, but it was a platform to examine personal politics, not just within the audience, but also amongst the bands themselves. On the back of the first 2 Tone tour there was a sense of, ‘What do we do now? How’s it going to work?’ Jerry had managed to pull off this amazing deal at Chrysalis where he had a label and a budget to record ten singles a year. Who were they going to sign and on what terms? It was going to take a small army of admin people to sustain and run it, but 2 Tone wasn’t making that kind of money. None of it was cheap. But with everybody as directors; there’s a recipe for disaster right away. And you couldn’t hope to get the fourteen people in the Specials and Selecter physically around the same table ever because they were too busy.

And as the Specials’ manager Rick Rogers (quoted in Rachel 2016, pp. 282-283) put it,

There is no question that Jerry was the leading force behind the whole thing: the ideas, the philosophy, everything that was there started somewhere in Jerry’s soul. I was an equal partner in the Specials and treated like the eighth member of the band. There was no management percentage: if they go paid £50 one week, I got paid £50. When record royalties came through they were divided equally. The way the business ran was as close to equal as we could possibly deal with. It was the way that everything was done. The songwriting credits were generous to a fault, even to the point there was a percentage of the publishing put into the pot to share equally amongst the band, whoever wrote the stuff. The whole spirit was based on principles of fairness and equality. 2 Tone was a mini socialist republic in itself but it exploded so fast it was insane.

This, of course, caused tensions within and among the bands. As Specials guitarist Lynval Golding (quoted in Rachel 2016, p. 283) explains,

Fourteen directors was a wonderful idea but for a cooperative to work everyone’s got to be willing to work together. It was difficult to find the middle ground. Jerry was a very single-minded guy. He wanted things done *that way*. The Specials, from a business point of view, was a disaster. You can’t run a label and not have money coming in. Chrysalis gave us £1,000 to record each single but you needed more than that to run a business. We ended up giving half our merchandising away. Rick should have controlled that better.³

This tension should not be too surprising, as the commercial aspects often clashed with the more idealistic social and political messages. As Dammers (quoted in Rachel 2016, p. 303) stated, “2 Tone was a very strong expression of unity and solidarity. But it was a struggle to keep it to the original political ideals. There was always a tension between the commercial side and trying to keep the creativity and the politics involved.” And as Frank Murray (quoted in Rachel 2016, p. 289) complained,

2 Tone was a record company that didn’t want to be seen as a record company because that would be seen as playing the man. You couldn’t go to Jerry and say, ‘Look, can I have an album contract for the girls so we can make a record and we can get an advance?’ Chrysalis ran 2 Tone for Jerry. I had to twist his arm to get him to produce the second Bodysnatchers single and all the time the girls were going, ‘When are we going in? Is Jerry doing it?’ He wasn’t a producer per se but he could get a sound in the same way Elvis Costello did on the Specials’ first record.

Again, all of this shows that the standard *homo economicus* model is going to fail to describe the behavior and motivations of people like Jerry Dammers in this story.

Ultimately, a case can be made that the Dammers and 2 Tone, in general, were successful in their ultimate goal of fighting racism. As Dammers (quoted in Rachel 2016, p. 269) himself states,

We weren't just a student band preaching to the converted; we took the message right out into the lion's den, so to speak, of the so called skinhead revival and I was always aware that strategy had risks and dangers and might not work 100 per cent, but I do think overall, along with other campaigns like Rock Against Racism, that 2 Tone did ultimately help make the kind of general racism I grew up with unacceptable in this country.

2 Tone certainly doesn't deserve all the credit, nor was it a cure-all for ending racism in England. But, Dammers (quoted in Rachel 2016, p. 332) believes a difference was made, at least on the margins.

It's very hard to quantify what 2 Tone achieved. It helped alongside Rock Against Racism and a whole lot of other campaigns in making everyday racism unacceptable. Before that it was really common to use language like 'n***er' and 'wogs.' I hope 2 Tone contributed to making that situation better. It was part of an ongoing struggle; racism didn't go away.

Arguably, Dammers' biggest success came after the first iteration of the Specials had ended.⁴ He wrote and recorded, with the new lineup of the Specials, known as the Specials AKA, an anti-apartheid song "(Free) Nelson Mandela." Not only was the song a hit, but it, as well as the anti-apartheid concerts it spawned, arguably helped to do exactly that: free Nelson Mandela. As the Selecter's lead singer, Pauline Black (quoted in Rachel 2016, p. 517), expressed,

I'd been aware of apartheid all through the seventies. It just seemed like an insoluble situation and then in the wake of '(Free) Nelson Mandela' so much happened that you never thought possible. The record is the perfect embodiment of pop music achieving extraordinary things. I always remember seeing a stadium full of people at a rally in South Africa before Mandela came out, singing *Free Nelson Mandela*. I thought, 'Hats off to Jerry Dammers! He's done what no one else has been able to do.'

2 Tone showed that music can lead to essential changes. The problem is that the standard model of *homo economicus* does not perfectly explain the story. The addition of moral sentiments from a *Humanomics* framework might just be the step in the right direction that is needed to help economics explain deviations from the narrow "self-interest" assumption currently utilized by most economists.

5. YOU'RE WONDERING NOW

In this paper, I have argued that *Humanomics*, as outlined by Smith and Wilson (2019), provides a necessary improvement to economic theory by rediscovering the importance of moral sentiments as part of the model. Doing so can help to explain human action where wealth maximization is not the primary goal. The paper focused on the founding of Jerry Dammers' 2 Tone record label and movement. I argued that Dammers utilized the social networks that populated the music markets to effect social change, particularly regarding racial inequality which he found problematic. 2 Tone was a success in both a commercial respect but also, and in Jerry Dammers mind more importantly, it helped to fight racism that had become exceedingly problematic in the late 1970s and early 1980s England. *Humanomics* can help explain this phenomenon better than the standard economic story is able to.

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NOTES

- 1 All section titles are songs by the Specials.
- 2 Rock Against Racism was founded in 1976. It was formed as a response to a racist rant by Eric Clapton (see Rachel 2016 and Renton 2019).
- 3 This failure was echoed by Frank Murray (quoted in Rachel 2016, p. 283), manager of Thin Lizzy and the first 2 Tone Tour: “Rick [Rogers] was too soft on the band, but he had issues he was coming to terms with. I would have called the band in and said, ‘Look, this is the way this thing works. I know you want it to work differently and we’ll try and get that happening.’ It’s great Jerry had the vision, but in a way that should have been monitored. In order to achieve the dream sometimes you need guidance. If you see trouble up ahead you’ve got to be able to come to the dreamer and say, ‘Look, wake up here for a moment, there’s an obstacle ahead and I’m going to help you avoid it.’ And that was never done.”
- 4 After “Ghost Town” reached number 1, Terry Hall, Lynval Golding, and Neville Staple all quit the band to form Fun Boy Three. Dammers continued The Specials with a new lineup as The Specials AKA and released one last album, *In the Studio*.

Humanomics, Governance, and Religion: Exploring an Institutional Basis for the Moral Sentiments

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Political economy concerns itself with how individuals coordinate actions to facilitate peaceful and productive relationships that support social flourishing. In other words, governance. Although Adam Smith's *Wealth of Nations* (WN) is known popularly for championing free markets and demonstrating how self-interest can lead to public good, much of his magnum opus is devoted to the proper role of government in supporting (or undermining) the invisible hand via public goods provision, taxation, and other public policies (1776/1776, pp. 689-947 and passim). But Smith, in *The Theory of Moral Sentiments* (TMS), also understood that human coordination (governance) is not merely a function of self-interest constrained by formal government. Our choices to engage in pro-social behavior (or not) are guided by moral sentiments and a desire to receive the esteem of those around us. These moral sentiments are as much a source of social and self-governance as are royal courts and national parliaments. Indeed, our moral sentiments may be *more important* than formal government regulations; political leaders cannot craft legislation for all possible choices we encounter, nor can government agents police obedience to the law everywhere and at all times. If society is to flourish, it is incumbent upon individuals to act wisely and prudently in the absence of government. Fortunately, our species has developed non-governmental institutions to harness the governance powers of our moral sentiments.

Alas, mainstream political economy largely neglects Smith's thoughts on the moral sentiments, favoring narrow utilitarian models of human behavior rooted in (mostly material) self-interest. Rational choice theory, the theoretical foundation for contemporary economics, focuses on simple cost-benefit incentives that are easily modeled, measured, and manipulated. Clarity and parsimony reign supreme. Not surprisingly, the desire to maximize individual and social utility leads scholars of this ilk to favor formal government policies, with clearly delineated incentives (rewards) and disincentives (punishments), as the preferred mode of governance. And it is not just mainstream economists who favor government action over self-governance based upon our moral sentiments. Behavioral economists note our cognitive biases and calculative fallibility, sometimes referencing emotional factors, and jump aboard the government policy bandwagon to "nudge" humans toward more socially-acceptable decisions (Thaler and Sunstein 2008). Government for both rationalist and behavioral political economists is the primary form of governance. But are non-governmental forms of governance more prevalent and fruitful for comprehending how humans have evolved into what Bowles and Gintis (2011) call a "cooperative species"?

The humanomics paradigm offers a more holistic understanding of human behavior with significant implications for social governance. Integrating Smith's TMS with modern economic methodology, Vernon Smith and Bart Wilson (2019) theoretically explain and empirically demonstrate how humans make pro-social decisions more frequently than narrow, rational utilitarian *and* behavioral economic models predict. Our desire "not only to be loved, but to be lovely" (Smith 1790/1790, p. 113) promotes pro-social moral sentiments that tame our most base instincts and anti-social sentiments such as avarice and envy (Smith

and Wilson 2019, pp. 4-9 and *passim*). Those more basic instincts pave a path to wealth-destroying actions such as free-riding, fraud, theft, and violence toward others (Wilson 2024, pp. 54-56; Schoeck 1987/1966, pp. 129-140). If developed and fostered extensively, pro-social moral sentiments act as a source of self-governance at the individual level of society and mitigate the need for a more macro-centered coercive government.

By incorporating Adam Smith's theory of sentiments into contemporary political economy, Smith and Wilson (2019) and Wilson (2024), present us with a broad framework for understanding the need for human *governance*, not merely *government*. Nonetheless, they overlook another common blind spot of mainstream political economy—the role of religion in social governance (Gill 2021). Surprisingly, there is little mention of religion in either of the aforementioned books, possibly reflecting the relatively minor role that religion plays in Adam Smith's WN and TMS.¹ This is not to fault Smith and Wilson's humanomics approach; they significantly advance the discussion of human pro-sociality in ways that other political and behavioral economists ignore. Nonetheless, the humanomics framework can be complemented by attention to one of the most historically-enduring forms of human governance—communal religion. This is particularly true given that religion is a fundamental source for fostering our moral sentiments. In this essay, I argue that religion, broadly speaking, has historically developed, communicated, and cultivated pro-social moral sentiments via narrative and ritual, and continues to do so. As such, understanding religion as a method of human governance augments the framework Smith and Wilson have championed. The humanomics paradigm gives us a theoretical lodestar that directs us towards a more comprehensive understanding of human governance, and religion is a significant part of that story.

THE BASIC PROBLEM: GOVERNMENT, GOVERNANCE, AND OBEDIENCE TO THE UNENFORCEABLE

To understand why humanomics is essentially a theory of governance and how religion factors in, it is first necessary to understand the difference between governance and government. Achieving any modicum of peace and prosperity requires individuals within a society to agree upon a fundamental set of rules (or property rights) regarding the allocation of resources (Barzel and Allen 2023). Such rules, when commonly known and enforced, reduce uncertainty by coordinating shared expectations about social behavior. This is the fundamental purpose of social governance. If individuals trust in the pro-social motivations of others, they are more likely to engage in cooperative and productive relationships, including both commercial transactions and personal relationships. Social rules are not cost-free, though; they are subject to transaction costs. Transaction costs are the resources expended in defining, monitoring, and enforcing property rights, including those related to an individual's personal sovereignty (Allen 1991).² An effective governance system will minimize transaction costs. Of course, governance systems also may provide other quasi-public goods beyond basic social order such as financial assistance to the poor, education, and technological infrastructure. The key, though, is reducing uncertainty between individuals regarding proper behavioral expectations.

While governance can take many forms, government (or a "state")³ is often considered the primary form of governance in large societies. Government can be defined as an organizational entity containing individuals who specialize exclusively in the creation, monitoring, and enforcement of social rules (laws) and possess centralized authority over the "legitimate" use of force within some specified geographic territory (Fukuyama 2011, pp. 80-81). As Leeson succinctly puts it, the "fundamental distinction between government and governance ... is that the former is always based on force, but the latter needn't be" (2009, p. 51). Governments vary in form—from hereditary monarchy to single-party autocracy to elected democracy—but all contain specialized individuals who possess "final" authority in creating, monitoring, and enforcing rules based upon their "legitimate" and purported monopoly over coercion. In reality, no government maintains a full or exclusive coercive monopoly over their citizens; the marginal costs of comprehensive monitoring and enforcement increase rapidly as population grows, yielding *de facto* space for

individuals within civil society to govern their own relationships. Non-state governance will always exist alongside government to varying degrees (Gill 2024). Government policy nonetheless captures the analytical attention of most political economists as regulations are easy to model, measure, and manipulate.

But centralized coercive institutions aren't the only way to govern. The importance of non-governmental governance has captured the attention of an increasing number of political economists in recent decades. A growing literature on anarchic governance addresses ways in which cooperation emerges and is maintained in lieu of states (Taylor 1982; Scott 2009; Leeson 2014; Stringham 2015). More mainstream, non-anarchist scholars also argue that cultural norms and civil society play a vital role in solving problems usually viewed as the domain of the state (Ostrom 1990; Ellickson 1991; Anderson and Hill 2004; Bicchieri 2005). However, almost all of these analyses present instances of non-state governance that occur either amongst small geographically-bounded populations or within unique environments having limited lifespans.

The humanomics framework, though, offers insight into how norm-based forms of governance can scale up to larger societies and provide more enduring forms of social order. The template for this comes straight from TMS. Adam Smith argued that the development of our moral sentiments is a universal human process of reasoning that guides our actions in a variety of situations. Humans, except perhaps sociopaths, desire to be loved and to be lovely, a crucial assumption within the humanomics framework that is oft overlooked in mainstream political economy. We seek the approval and esteem of those around us, first from our closest relations (family), then from our neighbors, and eventually our nation (Smith 1982/1790, pp. 218-237). This desire for esteem launches a reasoning process that incorporates sympathy (or “fellow-feeling”) in guiding our understanding of what is proper and improper to do. For Smith, propriety is key to our moral sentiments, so much so that it leads off TMS (Smith 1982/1790, pp. 9-66). Summarizing TMS, Smith and Wilson define propriety as “*the knowledge of what is the morally fit thing to do at this time and place and to know it not through mindful thinking but through bodily feeling*” (2019, p. 31; emphasis in original). Note that our choices are both contextual and intersubjective; propriety demands that our decisions take into account the sentiments—good and bad—of those around us. We reason, choose, and act within a broad social milieu of normative social behavior.

Smith’s “impartial spectator” serves as a metaphor for how this reasoning occurs; an individual thinks of his own choices not merely from his own narrow self-interest, but “he views himself in the light in which he is conscious that others will view him” (Smith 1982/1790, p. 83).⁴ We take into account social norms and the reactions of others when acting. But this reasoning process is analytically distinct from more rationalist accounts of social norms that see them merely as constraints on self-interested behavior or post hoc explanations that simply insert the “utility of others” (or “altruism”) into an individual’s utility function; the individual thinks with society not just in mind, but *in his mind*—the oomph of intersubjectivity. Crucial questions naturally arise for the scholar seeking to understand this process. How does one’s impartial spectator grasp what “society” will think of one’s actions? How do we know what makes us lovely in the eyes of others? Are there institutional methods of formulating and communicating propriety? Religion, as I argue below, plays a crucial role here.

Before answering those questions, let us elaborate with how Smith’s TMS and Smith and Wilson’s humanomics provide a theory of governance. Consider how essential propriety is to social coordination and harmony, particularly in the absence of government. If humans are simply Cartesian rationalist calculators hellbent on maximizing self-interest as much of contemporary economic modeling assumes (ye olde MaxU perspective), it is easy to accept Thomas Hobbes’ notion that the state of nature is an existential struggle of all against all to obtain resources. Hobbes famously declared that world to be “solitary, poore, nasty, brutish, and short” (1968/1651, p. 186). From the Hobbesian vantage point, the most reasonable way to break from such a destitute wilderness is to call upon a third-party—Leviathan or government—to create, monitor, and enforce a set of rules directing self-interested behavior in more cooperative directions. State-centric models of political economy have embraced this notion (e.g., Acemoglu and Robinson 2012). Unfortunately, Leviathan is not all-knowing or all-seeing.⁵ As Lord Moulton observed a century ago, “[t]

he infinite variety of circumstances surrounding the individual and rightly influencing his action make it impossible to subject him in all things to rules rigidly prescribed and duly enforced” by government (1942, p. 2). With the state unable to monitor all behavior, Moulton argued that social order depended upon individuals acting in the best spirit of public law, or what he called exercising “obedience to the unenforceable.” The individual must be “the enforcer of the law upon himself” (Moulton 1942, p. 1) when the state, or no one else, is looking.

Humanomics answers Lord Moulton’s call and demonstrates the possibility of “obedience to the unenforceable” through methods that Adam Smith revealed centuries ago. The reasoning process encapsulated in our moral sentiments allows humans to generate and obey rules of pro-social behavior organically thereby achieving cooperation when Leviathan’s enforcers are absent. Our desire to be lovely in the minds of others, which in turn activates propriety, goes a long way towards prompting socially productive actions. We avoid killing and thieving *not simply* because we engage in a probabilistic cost-benefit calculation of government detection and penalties (cf. Becker 1968). If this were the only basis of our choice, and recognizing the limited nature of government policing, anti-social behavior would be more rampant than it is (cf. Collins 2008).⁶ Rather, we frequently choose to “do the right thing” out of propriety. We know that others disapprove of murder and theft, and we do not want others (or ourselves) to consider us ne’er-do-well. Even in anonymous situations, we choose generosity and cooperation more than Cartesian rational models predict (Smith and Wilson 2019, pp. 109-171; Henrich, et al., 2004). In other words, human beings are quite capable of *governance* when *government* is not present. Indeed, it could be argued that many government regulations are superfluous given that most people don’t even know what those laws are, yet they still make pro-social choices (Ellickson 1991, pp. 48-51).

None of this is to deny the importance of cost-benefit incentives or self-interest. D’Amico (2026) in this volume makes a strong case that rational, self-interest remains a core basis of human behavior. Levels of policing and penalty do affect behavior (Ehrlich 1972). However, the humanomics approach demonstrates there is more to our choice process than what self-interested utilitarianism posits. Lab and field experiments show greater levels of altruism and cooperation than rationalist models suggest (Henrich, et al. 2004; Smith and Wilson 2019, pp. 172-196). Our better moral sentiments—conditioned through sympathy and propriety—allow for governance when government cannot (and perhaps should not) be ever-present.

LEARNING PROPRIETY AND DEVELOPING GOVERNANCE

Our moral sentiments develop with the expectations of other individuals in our mind. But how do we know what others expect of us? The impartial spectator, in guiding a person’s choices to be lovely, must somehow understand what those around us consider to be appropriate (Smith 1982/1759, p. 110). Understanding what others consider proper is a phenomenon of social communication. We must experience and learn what others in society deem appropriate if our impartial spectator is to have any effect on choice. Much of this experience and learning comes early in a person’s intellectual and “sentimental” development. Children are not born knowing what is proper; they must be taught (Wilson 2024, p. 118). Herein arises a central question for the humanomics perspective: If human action is conditioned by the process of reasoning through our moral sentiments, which in turn are contextual and intersubjective, how do we learn, and teach to others, what is appropriate in various situations and in the eyes of others? Are there social institutional mechanisms that facilitate our sense of propriety?

One way to understand what is considered proper in society is to consult the state’s legal code books. The ostensible goal of government-made law, after all, is to present known guidelines of social behavior. But as noted above, the state cannot devise rules for all possible circumstances, let alone police them. Moreover, it should be recognized that centralized government is a relatively new phenomenon in human history, originating during the Neolithic era some 5,000 years ago (Scott 2018). Nonetheless, our species somehow survived the Hobbesian state of nature sans government. Life before Leviathan was certainly not

solitary; archaeological evidence overwhelmingly indicates pre-Neolithic humans lived in bands of a few hundred individuals. And there is every reason to suspect that hunter-gatherer societies were not innately brutish as they required substantial cooperation for survival (Insoll 2011). Organizing hunts, pooling and allocating communal resources, and caring for infants and the infirm required coordinated action (Sahlins 2017/1974). In other words, humans possessed a sense of pro-social propriety long before Leviathan.

Another explanation for where we learn our pro-social behavior comes simply from continual interactions with the same individuals. Consider this in the pre-government world of Paleolithic and early Neolithic humans. In explaining how early homo sapiens survived without being brutish, the anarchist Michael Taylor noted that small, acephalous bands were essentially forced to engage in repeated and multi-faceted interactions, which built norms of reciprocity, cooperation, and sacrifice (1982, pp. 26-30). Consistent with Taylor and leveraging the work of pre-historic anthropology, Wilson argues that hunter-gatherer societies would shun any individual who was caught hoarding resources from a hunt and attached moral judgement to dissuade “upstart dominants, incorrigible deviants, and sneaky free-riders” (2024, p. 51; see also Boehm 2012). Any individual who understood that his or her survival was contingent upon the cooperation of others in the future would limit bad behavior as defined by community norms. Empirical studies show not much has changed. Contemporary experimental research confirms that iterated and face-to-face interactions promote cooperation and other pro-social behaviors (Ostrom et al. 1992; Henrich et al. 2004; Kurzban et al. 2001; Smith and Wilson 2019).

But while daily face-to-face interactions provide opportunities for learning about the expectations of others and ensuring cooperation, it is not an ironclad method of ensuring propriety. Such interactive learning provides feedback on what happens in daily tit-for-tat exchanges but does not necessarily inform individuals (and their impartial spectators) of what *should* happen. Propriety to function well requires a *coordinated* moral education on a more communal level. As Wilson notes,

[h]uman beings learn from each other the general rules of seemly, suitable, fitting, or appropriate conduct. Moreover, we are beings who learn to *become* persons who listen politely [and follow other pro-social practices]. ...That doesn't mean that we always politely listen It means that other people have *handed down to us*, as a part of our personal history, any number of rules of conduct to guide us in choosing what to do here and how. Such rules of conduct do not tell us, in Oakshott's words, what “choice [we] shall make,” but “announce only the conditions to be subscribed to in making choices.” *The announcement isn't just to us, the doers, but to us and everyone in our orbit* (2024, p. 71).⁷

Two things stand out here. First, our knowledge about the right thing to do involves abstract reasoning. Because we cannot anticipate every situation and have a ready-made response, our moral education rests upon generalizations and a reasoning process akin to Adam Smith's impartial spectator. While this is possible for individuals to do inductively through daily interactions over a lifetime, it is a heavy cognitive lift to build such generalizations, especially if the feedback signals are not clear. We need, and need to be taught, heuristics (Simon 1955). Moreover, society would be better served if individuals understood the important general rules earlier in life rather than later. Our moral education needs to be “handed down to us” by others who have already honed their moral reasoning via general rules. Second, that education is not just to us, but “everyone in our orbit.” For the impartial spectator to activate propriety in choice, the “man within our breast” must know that others know what is socially propitious. And others must know that all others know for social norms to be effective. Coordinated knowledge of social expectations is key. Who does the coordinating and how?

While Wilson (2024)⁸ makes a strong case for the role of education (i.e., handing down rules of conduct) in cultivating the moral sentiments, there is not much discussion in his work (nor in Smith and Wilson 2019) about what such educational processes look like, and whether they are institutionalized. Again, this is not to fault the humanomics agenda, but rather to identify an opportunity for expand-

ing its analytical reach. It is here where an examination of the historical role of religion as an institution of governance complements the humanomics framework. Specifically, religion, when institutionalized into communal (congregational) practice, excels in cultivating our moral sentiments by providing the knowledge of what is proper and communicating it to “everyone in our orbit” (and beyond) via common narrative and ritual. And, if done communally, general rules can be inculcated in the young early in their moral maturation process. We now turn our attention to the complementary role that religion plays in the humanomics paradigm.

RELIGION AND HUMANOMICS: THE ROLE OF NARRATIVE, RITUAL, AND GOD

Our first step is to be clear about what religion is so to understand what it does. Following Rodney Stark’s conceptualization, religion “consists of explanations of existence (or *ultimate meaning*) based on *supernatural assumptions* and including statements about the *nature of the supernatural*, which may specify *methods* or *procedures* for exchanging with the supernatural” (2007, p. 46; emphasis in original). Through such relations with the supernatural, humans learn what is sacred—i.e., fundamental values and respect for what is good. Stark’s definition of religion differs from Emile Durkheim’s notion of religion as merely worship of something sacred; for Durkheim, religion may, but need not, include the presence of a transcendent “god” (1915, p. 56). Stark’s emphasis on the supernatural is important in that it provides a potential source of governing authority that is beyond the reach of humans, whereas Durkheim’s definition allows for secular ideologies (e.g., Maoism) in which the ultimate judge of adherence to behavioral expectations necessarily resides in human beings, typically government rulers. This distinction will become important below when discussing “obedience to the unenforceable.” As for the “procedures for exchanging with the supernatural,” Stark means the sacraments, rites, and rituals that remind humans of their sacred duties to the supernatural and what God provides humans in return (2007, pp. 46-47). Religion, for Stark, is not merely belief but critically involves praxis. Ritualistic acts create common knowledge about societal values and general rules, which in turn enhances behavioral expectations and coordination – i.e., social governance. At a very fundamental level, religion lays out the basic rights and responsibilities of individuals within society, which includes general rules about commercial and interpersonal relationships (e.g., thou shalt not covet, steal, or murder).

From a political economic perspective, it is interesting to note that religion predates the rise of the state by tens of thousands of years, potentially dating back to the late Paleolithic era some 60,000 years ago (Insoll 2011). Religion played an important role in governing resources and relationships and establishing basic property rights in things and people. Archaeological evidence appears to point out that basic property and human rights were connected to the sacred and supernatural. Burial sites, temples, and artwork indicate that human life, one’s ultimate property, was sacred to hominids by the mid-late Paleolithic era when the notion of an afterlife developed (Bahn 2012, pp. 344-347). The inclusion of various artifacts in graves reveals our ancient ancestors possessed notions of private property in objects as well. It is not a big step to assume that rules governing murder, assault, and theft were anchored to the supernatural via basic religious ideas or doctrine. If life and property were considered sacred taking these things prematurely would certainly be against community rules. Other obligations surrounding cooperative behavior (e.g., participation in communal hunting) also were justified religiously (Norenzayan 2013, pp. 62-66, 147-150). Via a definition of (and obligations toward) the sacred, religion provides a “source code” for evaluating what is proper choice and action. Religious doctrine, in essence, is a central source of propriety.

Having once established a set of general rules upon which to evaluate the actions of individuals in society, communication of such rules becomes important. It is not only important for reducing uncertainty, but such knowledge is important for our reasoning via moral sentiments. Uncertainty surrounding the intentions of others is one of the most fundamental sources of conflict; if one cannot trust another person to obey society’s rules, and if information-gathering costs are high, relationships and transactions are unlikely to occur. To that end, common knowledge—the knowledge that I know what others know and

others know what everyone else knows—is crucial (Chwe 2001). Again, religion is well-placed to manage this educational function via the use of myth, lore, and ritual. Gary Fine argues that lore builds community and fosters cooperation by creating a common identity with “shared pasts and prospective futures” allowing for the construction of “interaction orders” (or relational rules) that promote stability and trust (2018, p. 5). While shared pasts may involve actual historical events, they often include supernatural elements (Boyer 2001, pp. 255-262; Stark 2007, pp. 84-93). Norenzayan provides evidence from cognitive research that narratives containing supernatural elements that run counterintuitive to empirical reality enhance the ability of both children and adults to remember critical lessons from those tales (2013, pp. 106-111). Religious narratives thus provide individuals in the community with goal-oriented and relational values, along with moral standards that provide “a cultural grounding for trust, affiliation, and cohesion that generated collective identity” (Fine 2018, p. 9) and catalyze reputational concerns that also promote cooperative behavior (Norenzayan and Shariff 2008).

A good means of building compliance with a set of social rules is to teach them repeatedly to the young using memorable stories emphasizing critical social values and behavioral norms. Children are an ideal target audience for fostering this instrumental collective identity given they are relatively blank slates and can be taught to internalize social values (e.g., trustworthiness) and normative heuristics (e.g., forgiveness) (Zipes 2013). In his work on property, Wilson points out that all children need instruction in resisting the urge to resort constantly to “right of first possession” or “might makes right” rules (i.e., say “mine”). Consideration and respect for others, accepting losses, being grateful and forgiving are all important moral lessons that set the table for peaceful interaction and cooperation. Such are our better moral sentiments and the anchors of propitious choice. What better way to inculcate a set of social values and norms than embed them in vivid parables and heroic narratives that are told repeatedly to the young? Adults, too, need constant reminders of important norms and conventions. More importantly, for social expectations to take force, it is important that everybody knows that everybody else knows what the rules are, thereby reducing uncertainty and dynamically lowering transaction costs. Public rituals serve that purpose as they not only remind individuals of their duties, but they also remind us that others are observing our behavior (Norenzayan 2013, pp. 114-117; Gill and Thomas 2023).

Organizing ritualistic practices that publicly communicate a society’s folklore and moral codes invariably will become the domain of a set of individuals adept at memorizing and presenting such information in a compelling manner. To the extent this encompasses lessons about the supernatural (i.e., religious doctrine), societies will see the rise of shamans or priests. Before government legislation, there was theology; before politicians there were priests. While a priest performs a specialized role and results in a concentration of authority over the “law” of the society, and thus could be viewed as “government,” it is important to note that public rituals involve (nearly) all members of society. Regular community gatherings to learn, reassert, and practice social values and norms tends to disperse authority; priests serve more as coordinators than rulers. Responsibility for monitoring and enforcing these values and norms devolves to all members of society (Taylor 1982, pp. 65-89). The congregational nature inherent in most religions yields a dispersion of authority that is qualitatively different than hierarchical states. Clergy may often serve as adjudicators of disputes, but their role conforms more to anarchic common law than to government legislation (Stringham and Zywicki 2011). That the moral community one lives in exerts an important role in guiding behavior is foundational to the humanomics approach.

Finally, and perhaps most unique to religion as a form of governance, is the posited existence of a supernatural entity (see Stark’s definition above). The presence of God provides an ultimate and unavoidable monitor and judge of propriety. Even in small, primitive bands where iterated interactions among all members of the group were constant, not all behavior could be monitored. Opportunities for theft or shirking on one’s effort during communal labor always existed. In larger societies, the problem is much more acute. Monitoring such transgressions represents a significant transaction cost particularly when government cannot provide constant vigilance against scallywags. How could a society create a system wherein individuals self-monitored and self-enforced the norms of society? Or, to return to Lord Moulton’s

challenge, how does one obtain obedience to the unenforceable? Behold, God. A supernatural creator of the universe who issues commandments (disseminated by priests), is omniscient, and doles out rewards and punishments in the afterlife provides a mechanism for individuals to self-govern their behavior. Individuals wishing to avoid punishments in the afterlife for transgressions will exhibit pro-social behavior (Boyer 2001, pp. 185-190; Shariff and Norenzayan 2007). Adam Smith understood that God played at least some role in the cultivation of our moral sentiments (e.g., Smith 1982/1790, pp. 91, 236-37). Inculcating the young (and reminding adults) about how best to govern their own behavior via religious narratives and ritualistic practices that reinforce general rules of behavior, is a central institutional method of fostering our moral sentiments. It is through such self-governance, in light of our desire to be lovely guided by our impartial spectator, that humans manage to rise above the most base instincts and become a more cooperative species than contemporary political economy imagines.

CONCLUSION

Vernon Smith and Bart Wilson's *Humanomics* and their related work advances the study of governance and the general field of political economy in significant ways. Through the work of Adam Smith's *Theory of Moral Sentiments*, they persuasively argue and empirically demonstrate that humans are more than self-interested rational calculators, even ones with cognitive limitations. We are moral agents that reason with the thoughts, values, and approval of others in our minds. To that end, they craft an ambitious research agenda that challenges and augments standard political economy and behavioral economics. Their emerging paradigm also offers significant insights into the study of governance and would be well-heeded by those interested only in government policy as a means of pursuing human betterment. Their work is optimistic and inspiring. Yet the path they are trailblazing is still in its infancy. One opportunity for advancing their arguments revolves around understanding how humans construct institutions that foster our moral sentiments. As I have argued, religion plays an important role here. As a general institution that has ritualistically promoted social values and behavioral norms for eons, and which will likely continue well into the future, it would be judicious for more scholars to pay attention to such a powerful source of human governance.

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NOTES

- 1 Interestingly, religion in its institutional form is discussed more explicitly and extensively in WN than TMS. See Smith (1976/1776, pp. 788-814). In TMS, Smith refers more to God (or “the great Director”) than institutional religion hinting that God may be the ultimate “impartial spectator” (Smith 1982/1790, pp. 236-37, passim).
- 2 While civil and political rights are often considered separate from property rights under a narrow and material definition of “property,” when one considers an individual’s personal autonomy as one’s most fundamental asset, it is possible to see how all these rights are congruent.
- 3 While there is some debate within political theory circles regarding the difference between a “state” and “government” (Carnoy 1984), I will use these terms interchangeably.
- 4 Whereas contemporary scholarship demands gender-neutral language in writing, I prefer gendered pronouns here to keep with Smith’s original rhetoric. Well-reasoned readers will allow their own impartial spectators to make the appropriate adjustments for time and place.
- 5 Considering that public choice theory reminds us that government is not all benevolent either, one might be relieved that Leviathan is not all-knowing and all-seeing.
- 6 Granted, this counterfactual is difficult to prove but common sense suggests its plausibility. One need only inventory the opportunities in our daily lives where we could “get away” with bad behavior, but we don’t.
- 7 Initial emphasis in original. Second emphasis added. The quotation to Oakeshott can be found in Oakeshott (1975, p. 58).
- 8 See also Wilson (2020, passim) for a similar discussion.

Philosophical Versus Technical Economics

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Abstract: This paper sketches the place of ethics and anthropology in economic methodology, with particular reference to Christian theology. It complements recent work by Vernon Smith, Bart Wilson, and others developing “Humanomics.” While touching on the positive-normative distinction, the paper discusses the difference between technical (precise, mathematical) economics and philosophical (psychological, ethical) economics. What I call philosophical economics helps us make sense of puzzles in technical economics related to meta preferences, utility, and satisfaction. It also extends our ability to analyze institutions and tradition.

Keywords: Economic Policy, Preferences, Ethics, Tradition, Normative Economics, Humanomics

JEL Code: A12, A13, L38

1: INTRODUCTION

Economic theory, without reference to the moral underpinnings of the economy, risks overlooking influences like Christianity, one of the largest contributors to Western civilization and, therefore, to the development of the discipline. Economics and Christianity have a long and complicated history. Christian theologians such as Thomas Aquinas framed economic issues of price and profit in terms of justice and ethics. British political economy in the 17th and 18th centuries emerged out of moral philosophy and developed within the broader context of Christian theology (Oslington 2012). Several important pioneers of political economy, both in England and Scotland, were clergy.

The development of political economy as its own field of study in the late 18th century gave economic theory its own place in moral reasoning and public policy. But when the discipline of economics emerged out of political economy in the late 19th century, many of its practitioners (such as Alfred Marshall, Lionel Robbins, and Paul Samuelson) attempted to separate economic “science” from economic “art,” leading later to the positive-normative dichotomy in economics.

Simultaneously, economics developed in a more technical and secular direction—often denoted “positive” rather than “normative.” Although positive economics has significantly extended our knowledge of the economy and of human behavior, puzzles, mysteries, and even paradoxes remain that require a more philosophical approach—such as Vernon Smith and Bart Wilson’s broader project of Humanomics, which aims to incorporate psychology and sociability (Smith and Wilson 2019; Wilson 2025).

Although this paper does not focus on the problems of separating positive and normative claims, it addresses closely related questions regarding economic methods and public policy. Throughout the twentieth century and into the twenty-first century, the economic profession became increasingly focused on empirical study and more technical, mathematical expressions of theory. This narrower focus has improved many aspects of economic theory and our understanding of economic phenomena, but it fails to address larger questions related to ethics and political economy satisfactorily.

Narrow technical economics fails to give satisfactory analysis of: meta-preferences, the paradox of wealth and happiness, weighing tradition and norms appropriately, and the ethical dimensions of public policy recommendations. I use the terms ‘technical’ and ‘philosophical’ economics because these terms shed more light on the power and problems in economic theory and public policy than the terms ‘positive’ and ‘normative’ do.

Social scientists cannot use a positive framework to decide which problems they choose to study. This has been widely acknowledged in the philosophy of science for at least half a century (Kuhn 1970, Polanyi 2012/1958). For more on the weaknesses and limitations of strictly demarcating positive from normative in the discipline of economics, see Colander and Su (2015), Hilary Putnam (2002, 2003), John Davis (2014), and Erik Matson (2022).

By technical economics, I mean constrained optimization, regression analysis, model building, and other traditional forms of economic analysis. It is a tool for analyzing behavior in specific social or market settings, rather than for determining policy questions (Gregg 2019, p. 224). The medical researcher does not evaluate the “goodness” or “badness” of bacteria when studying them. And dispassionate medical research differs from providing medical care—though it should support it. We need philosophical economics to help us know when, where, and how to apply more technical analysis to “care” for society.

Philosophical economics, on the other hand, explores the assumptions and metaphysical questions underlying technical economics and human behavior generally, such as how technology, formal and informal institutions, and narratives influence how people perceive opportunities, trade-offs, and their own self-interest. It seeks to make sense of technical analysis and to determine when and how to use it.

Philosophical economics also explores phenomena that may be difficult to quantify or to analyze using statistics. In considering the moral dimensions of trade, production, and prosperity, philosophical economics helps researchers understand the endogenous changes and evolution of how people perceive reality, influenced by tradition and sociability.

Technical economic analysis, by itself, does not address the full gamut of questions economists want to answer. Philosophical economics provides a more comprehensive picture because it can incorporate ideas from Christianity and other religions, including lessons from their institutional histories and complexities, and offers a more complete understanding of human behavior within human sociability. This better picture suggests other dimensions along which we should evaluate public policy.

For example, welfare policies that focus solely on the basic material circumstances of beneficiaries overlook key elements of happiness and contentment in life, which come through work, achievement, and success. Other contested policy areas, including surrogacy, prostitution, and abortion, should be considered beyond a simple consent/utility maximization paradigm. This paper outlines four areas of philosophical economics that are relevant to Humanomics: meta-preferences, the paradox of wealth and happiness, tradition, and the ethics of exchange.

Christian anthropology can contribute to the Humanomics project. The New Testament authors portray the conflict within and the complexity of human nature. Christians understand that people are complex beings, possessing minds, souls, and bodies. They appreciate that human beings face internal conflict and tension constantly, because they are made in God’s image and because they have been corrupted by sin. The moral and spiritual requisites of Christianity help explain misery in riches, joy in poverty, and the occasional disapproval of one’s own tastes and preferences. And Christians, as part of a church that has spanned millennia, have a front-row seat to how institutions influence behavior and vice versa. Observing

such changes fosters a deep appreciation for the benefits, pitfalls, and purpose of traditions and norms in shaping human behavior.

2: META PREFERENCES

Human beings do not merely have a simple set of tastes and preferences about things in the world. They also have preferences *about* their preferences. You might like to be a certain kind of person, even if you are not. For example, many people would like to be more physically fit than they are. They wish they liked exercising more and enjoyed eating unhealthy food less. They wish they had better habits and routines when it comes to fitness. They dislike aspects of their current life, even though they prefer to eat a bunch of potato chips or donuts in a given moment. So, people can dislike their preferences—that is, they dislike what they like. Several difficulties arise for technical economics when it comes to meta preference theory.

One difficulty is that meta preferences quickly become recursive. Not only do we have preferences about what we like (our first-order preferences), but we can also have preferences about our preferences regarding our first-order preferences. Not only might you prefer to be the kind of person who valued exercise highly and valued unhealthy food little, but you might also wish you were the kind of person who had *that preference* about your exercise and eating preferences. You wish that you wanted to be healthier.

But where do these meta preferences come from? And how deep do they go? Some argue that people's preferences are unstable or highly contextual to explain this phenomenon. It may be true that John prefers oatmeal to steak for breakfast, but prefers steak to oatmeal for dinner, at least most of the time. Similarly, preferring apples to bananas in general does not mean Ashley will always choose a banana rather than an apple even if they both have an equal monetary price.

Part of this can be explained by marginal analysis—Ashley doesn't simply prefer apples to bananas, but rather she prefers her first apple to her first banana. Perhaps by her fourth apple the utility has fallen enough that she would gain more from her first banana. The Achilles' heel of such reasoning is the way time resets or modifies our preferences based on physiological, social, and emotional changes. But this "solution" raises other problems.

Smith and Wilson (2019) devote a considerable amount of space to unpacking Adam Smith's insights from *The Theory of Moral Sentiments* to address the issue of changing preferences. They raise the ethical dimensions of benevolence, sympathy, censure, merit, approval, and disapproval. These concerns are both social in nature (i. e. related to other people) and formed organically over time. Still, their explanation remains descriptive rather than prescriptive.

Can we understand people as having coherent plans, beliefs, and desires over time? How do we understand the person whose desires appear kaleidoscopic—that seem to change, not based on diminishing marginal utility, but on one's mood? Unstable preferences also make a mess of our models of constrained optimization. They also raise the question of how different contexts shape people's preferences—what is the connection between external stimuli and internal preferences or desires (Matson 2022)?

These problems, of course, have been addressed by economists. Behavioral economists often claim that psychological biases or "irrationality" account for conflicting and changing preferences. Daniel Kahneman (2003, 2013) won the Nobel Prize for his work on bounded rationality and his work on prospect theory with Amos Tversky (2013). Richard Thaler (1980) won the Nobel prize for his work in behavioral finance. Robert Shiller won the Nobel prize for his elaboration of *Animal Spirits* (with another Noble Laureate, George Akerlof) and euphoria among investors to criticize the efficient markets hypothesis (Akerlof and Shiller 2010).

But do the findings of behavioral economists simply confirm "irrationality" or are there other forces at work? Technical economics may not have much to say here, but philosophical economics does. After all, even if one concedes meta preferences, the question remains of their efficacy. If these preferences about preferences are real or significant, they should lead us to act differently. Economists have long distinguished between cheap talk preferences and revealed preferences, especially in the field of experimental

economics (Smith 1962, 1976; Smith and Wilson 2019)—although Sen (1977) raises some strong reservations about how economists utilize revealed preferences.

As the name suggests, cheap talk is given little weight in economic theory, while revealed preferences are deemed “true” preferences. Many people lie, or are simply self-deceived, when it comes to what they value in the abstract. Everyone has heard people say one thing but do another.

Bruce Yandle (1977) explains how every regulatory policy will have support from at least two groups. Baptists are those who advocate for a policy ostensibly for social or altruistic ends. Bootleggers, on the other hand, stand to benefit financially from the new regulation—yet they use the arguments of the Baptists to sound less greedy and self-serving.

Similarly, when groups of people consider providing a public good through voluntary contributions based on how much each person values the good, free riders claim to value the good less than they actually do in order to reduce the amount they are asked to contribute. The Bootleggers and Baptist model and the free-rider model both take for granted that people will dissemble (Yandle 1983).

Nobel laureates in technical economics, George Stigler and Gary Becker, famously argued that economists can say nothing about the validity or goodness of people’s preferences. “De Gustibus Est Non Disputandum” (Stigler and Becker 1977), or “with tastes there is no disputing,” laid the groundwork for positive economics—as did Friedman’s (1953) defense of positive economics.

Yet, economic analysis alone cannot tell us what should or should not be done (Gregg 2019, p. 233). We need a broader philosophical approach to reach policy judgements. Two of the most important economists, Alfred Marshall and John Maynard Keynes, “arrived at the same conclusion: the applicability of pure economic theory to policy was minimal—drawing policy conclusions required ethical judgments” (Colander and Su 2015, p. 163).

Christian theology, however, offers potential insight into meta preferences. It posits that human beings are complex creatures with body, mind, and soul. In this framework, it makes perfect sense that people have different levels or kinds of preferences that may conflict. In a famous passage, the Apostle Paul describes having deeply conflicting desires: “For I do not do what I want, but I do the very thing I hate.... For I have the desire to do what is right, but not the ability to carry it out. For I do not do the good I want, but the evil I do not want is what I keep on doing” (Romans 7).

This passage describes deep conflict between different levels of desire. After all, how can one do what one hates? Or not be able to do what one wants? Different orders of preferences must be at work. Indeed, much of the New Testament describes salvation in terms of transforming people’s desires and preferences. This obviously has implications for how we should think about addiction—an extreme example of conflicting meta preferences. But it also identifies the limitations to the utility-maximizing model of human behavior.

Humanomics should be able to address conflict and change within people’s preferences over time. While physical circumstances certainly matter, deep historical, philosophical, aesthetic, and spiritual forces also work on the human heart. Although technical economic analysis works well for most circumstances and phenomena, it can break down under certain conditions. This should not be surprising or viewed as a criticism—the laws of gravity and other models from physics also break down at high speeds or at sub-molecular scale.

3: GREAT GATSBY PROBLEM

The Humanomics approach promises solutions to seemingly paradoxical situations, such as the paradox that wealth does not necessarily contribute to happiness. Philosophical economics helps us understand why these “paradoxes” occur. The fact that technical economics cannot explain why increases in wealth often fail to increase people’s happiness (*The Great Gatsby Problem*), and in some cases seem to reduce it, demonstrates the importance of Smith and Wilson’s contributions.

Technical economics builds theories around subjective value and utility maximization subject to budget constraints. A person will choose to buy a certain number of apples and a certain number of oranges until the marginal utility of each additional piece of fruit equals its price. The total number bought will be a function of the person's preferences, their budget constraint, and the prices of apples and oranges. Reducing the price of apples or oranges, or giving a person more money (increasing their income), allows them to consume more, thereby increasing their utility. Assuming utility to be good, this method of reasoning encourages economists to focus on policies that increase people's budget constraints.

Yet a novel like *The Great Gatsby* (and countless others) casts doubt on whether increasing people's budget constraints is the best way to make them happier. After all, the book describes the lives of incredibly wealthy people and how desperately unhappy they are. One doubts that their situation will improve by increasing their wealth (and thereby their consumption). Their unhappiness does not stem from overly tight budget constraints, but from something deeper—a problem of dissatisfaction and lack of joy—disconnected from their consumption or wealth.

In fact, it is not uncommon to hear that people's well-being declines after they have seen a rapid increase in their wealth due to a lottery or inheritance or some other windfall. Proverbs 20:21 speaks to this phenomenon: "An inheritance gained hastily in the beginning will not be blessed in the end." This is puzzling because, at a minimum, people could choose to continue living the way they were living before receiving the money, if that lifestyle made them happier.

Stigler and Becker might say that the fact that people don't return to their old way of living after becoming wealthy shows that they really prefer their current state to their pre-riches existence, even if they report less satisfaction and outside observers notice more unhappiness. Yet it is hard to accept technical economists' answers on issues like this.

Philosophically grounded economists are not troubled by conflicting and changing preferences. Nor are they surprised that people can make choices, achieve their immanent goal, yet be deeply unsatisfied and unhappy as a result. Technical economists attribute dissatisfaction after achieving one's goals with incorrect or imperfect knowledge, and therefore error. But suggesting that this dissatisfaction arises from incorrect knowledge or expectations fails to explain the prevalence of such errors.

Adam Smith recognized that increased wealth (or consumption) did not necessarily lead to increased happiness and well-being. In the *Wealth of Nations*, a work of political economy, Smith says that "consumption is the sole end and purpose of all production" (Smith 1776, p. 660) while also suggesting that some forms of consumption are frivolous, or wasteful, or extravagant (Smith 1790, pp. 150, 181; 1776, pp. 340, 346-349).

How can Smith criticize some kinds of consumption while also claiming that consumption is the "sole end and purpose" for producing things? The modern economist who emphasizes subjective utility faces an even greater conundrum in explaining Smith's criticism of certain kinds of consumption. After all, what standard can be used to approve or disapprove of someone's preference for vanilla ice cream over chocolate ice cream?

The apparent tension can be resolved by recognizing that Smith thought virtue was also necessary for happiness *and* that some forms of consumption undermined virtue (Mueller 2017). Virtue, however, does not map nicely onto traditional tools of technical economics. It cannot be reduced to an ordinal number the way we reduce utility and well-being to dollars. Nor can we measure virtues reliably or mathematically. In fact, virtue seems more like the decentralized tacit knowledge of time and place emphasized by Hayek (1945).

Before morality and ethics were exiled from economic departments, political economists regularly addressed non-material issues of human flourishing—such as virtue, contentment, joy, and meaning—and how they related to a world of scarcity and tradeoffs. Political economists recognized that different kinds of phenomena should be approached using different methods or standards. They engaged in philosophic economic inquiry.

Smith and Wilson attempt to recover this and many other Smithian insights in their book *Humanomics*. They point out how “other-regarding” utility functions fail to describe the depth and complexity of human choice (Smith and Wilson 2019, p. 49). These models don’t capture how people make and ascribe meaning to many of their social contexts:

“For though we can ‘explain’ human conduct ex post facto, that is, we can recognize our own meanings in what fellow human beings do, we cannot predict ex ante what any specific individual (who is not personally known to us) will do in the laboratory like we can predict water wave mechanics in the laboratory.” (Smith and Wilson 2019, p. 63).

As pioneering experimental economists, Smith and Wilson deeply understand how the “payoffs” in many games fail to capture accurately how participants see themselves and others when they make decisions in those settings. They conclude that “The methods of natural science do not articulate for us how we can infer and predict what somebody will do. Behavioral economics is in this respect not a science, but rather the art of being human” (Smith and Wilson 2019, p. 62).

While certain improvements in analytical clarity and rigor have come about through technical economics, other means of knowing have been discarded—leading to puzzles and conundrums like the ones listed above. The abandonment of history of economic thought course requirements in elite economics PhD programs has reinforced the modern trend in technical economic analysis at the expense of philosophical economics (Mueller 2010, p. 11). The discipline of economics has since traveled the pseudo-scientific road in search of a grand “unifying” theory which can explain all human behavior.

4: TRADITION

Humanomics, by challenging the technocratic models leaves more room for traditional views and moral frameworks. Smith and Hume argued that people ought to respect tradition for its own sake. So did Hayek (1960) when he argued that traditions and customs embody significant knowledge for navigating the world, which often cannot be articulated. The burden of proof ought to fall on the innovator or the revolutionary rather than on the tradition or the custom. They must make a clear case of why traditions or customs should be rejected. That approach to tradition, seen both in America and in Scotland, can reasonably be called “conservative,” not because they were unwilling to innovate, but because they generally gave the benefit of the doubt to custom and tradition.

This contrasts with French enlightenment thinkers who argued that every tradition and custom must be questioned and, if sufficient argument was not forthcoming, must be abandoned. Such an approach opens the door to collectivist political ideologies if we don’t acknowledge the importance of normativity explicitly in our economics. Hostility, or even indifference, to tradition and custom exposes one to many pitfalls and missteps.

In a particularly interesting passage, Smith (1790, p. 233) argues that a good statesman will sometimes leave the misguided “prejudice” of the people alone, even if he believes it is truly prejudice, because attempting to correct it could lead to error or much greater abuses: “When he cannot establish the right, he will not disdain to ameliorate the wrong; but like Solon, when he cannot establish the best system of laws, he will endeavour [sic] to establish the best that the people can bear.” Edmund Burke made a similar case in favor of “prejudice” in his criticism of the French Revolution.

Which brings us back to Humanomics. Taking a more philosophical approach to the discipline of economics fosters a healthy respect for, and deep understanding of, how tradition and custom structure human communities. This restores our commitment to the enlightenment project, where the US founding fathers drew formal institutions in ways that limited what could be done in the name of wealth maximization.

There has been a resurgence of philosophical economics in the past fifty years or so. The success of New Institutional economists, such as Ronald Coase, Douglass North, and Harold Demsetz, brought institutions, particularly laws, cultural mores, and traditions, back into economic analysis. Their ground-

breaking work revolutionized how many economists thought about externalities (Coase 2013), property (Demsetz 1974), and economic growth (North and Weingast 1989). They demonstrated that technocratic solutions to many economic problems were limited in their effectiveness and susceptible to distortion through the political process (Buchanan and Tullock 1960).

Peter Klein (1998) describes new institutional economics as: a rapidly growing literature combining economics, law, organization theory, political science, sociology and anthropology to understand social, political and commercial institutions.” The importance of norms of behavior, tradition, and institutions provides abundant material for philosophical economists, and thereby for the Christian, to use when thinking about good and just policy—far beyond basic utilitarian analysis.

The anemic homo economicus stripped of its complexity and context, whether by political theorists like John Rawls who championed a “veil of ignorance” or by technical economists who theorize about purely subjective utility maximizing agents, cannot reflect enough reality to be a safe guide to public policy. Humanomics recognizes that human persons are embedded in families and communities.

It also acknowledges the social and corporate dimensions of human existence. Yet Humanomics avoids the political collectivism of Marx and others because every individual has worth, dignity, and moral responsibility from their creator. The dignity of being made in God’s image and subject to his authority structures and constrains both appropriate *ends* for public policy and appropriate *means* for implementing public policy. The atrocities of Communism in the 20th century stemmed from both a rejection of religion and a materialism that allowed dictators to sacrifice millions of people for the “greater good.”

We’re left with a complicated world that requires significant parsing of institutional context and competing moral claims. This was the world Smith, Hume, Burke, and other enlightenment thinkers knew. Humanomics avoids simplistic utilitarian calculations that lead the theorist to believe that sacrificing some individuals for the sake of the greater good can be justified (Gregg 2019).

The American founders drafted the U. S. Constitution and other government institutions with checks and balances because they recognized both that the government had positive good to do in society (contra anarchists like Rothbard and Rand) and that governments were prone to corruption and abuse (contra collectivists from Marx to Cohen).

As the authors of the Federalist Papers put it in Federalist 51, men are not angels, nor are they governed by angels. Therefore, government must be checked by ambition set against ambition. Going even further, John Adams claimed that the people of the country must have a certain character for limited government to work: “Our Constitution was made only for a moral and religious People. It is wholly inadequate to the government of any other” (Adams 1798).

Moral judgments, whether of individual action or public policy, are complicated but must be made. Our limited and fallible judgment shows our need for greater resources in judging people’s behavior, or the merits of government policy. One of the greatest resources is the experience and decisions of those who came before us, often passed to us in the form of traditions and customs.

5: MORALITY

If Wilson (2025) is correct, Humanomics suggests that moral sentiments, formed by commitments to moral truths, underlie all human action and therefore defy any attempt at a normative positive split. Yet economists are often reluctant to comment on moral questions or debates—at least in their professional capacity. They use the positive-normative distinction to shield their “positive” economics from the messiness of ethical argumentation. This is true across economic schools: Keynesians, Monetarists, Austrians, etc.

Yet, many economists still allow their moral beliefs to influence how they construct social welfare functions when criticizing corruption, waste, and inefficiency in economic policy (Buchanan 1964). They also rarely express reservations or opposition to any freely chosen activities between consenting adults. Yet the lightness of moral judgment in most economic analysis is the profession’s Achilles heel.

In most public discourse, economists fall back on their personal sense of justice and morality when evaluating, for example, whether it would be good to extend tax cuts, balance the federal budget, or cut back on federal welfare programs. How much to fund schools, whether a local government should build and maintain a pool, and whether government housing entities should be used to create affordable housing are all issues on which this author has been in the minority. While some of the debate involves questions of efficiency and inefficiency, decisions were mostly driven by other values.

Karl Marx and Thorstein Veblen recognized that material wealth accumulation was no panacea. So even though Mises and Hayek demonstrated that collectivists' analyses of market forces and incentives lacked subjective utility and marginal analysis, their critiques of capitalism still resonate with people who hold artistic, aesthetic, or abstract goods as being "higher" than material satisfaction. Indeed, most criticism of free markets today has little to do with their performance, but with some element of moral or spiritual bankruptcy. As Joseph Schumpeter (2013) quipped: "The stock exchange is a poor substitute for the Holy Grail."

Humanomics recognizes that the goodness of markets is not limited to terms of dollars and cents. Tradeoffs exist between economic growth, income inequality, environmental degradation, and other social phenomena, such as family formation and fertility rates. How can such tradeoffs be evaluated in a utility-maximizing framework? Philosophical approaches are preferable because they rely on coherent and speculative frameworks that can anticipate issues such as environmental degradation and social impoverishment as significant limitations to wealth maximization.

A thick description of human beings, however, can help temper and guide public policy towards human flourishing. A technical economist might critique welfare payments as inefficient—either in how they are administered or in how they discourage recipients from working and contributing to the economy. While philosophical economists would agree with those points, they might add that welfare payments can worsen people's lives over time, even if they make the recipients better off materially.

Adam Smith emphasized the role of sympathy in moral judgment and acknowledged significant cultural variation of the norms and applications of virtue. Morality often comes down to aesthetic judgment rather than precise rules. Smith (1790: VII.iii.3.15) argued that we have *four* sources of moral approval:

- 1) "First, we sympathize with the motives of the agent;"
- 2) "Secondly, we enter into the gratitude of those who receive the benefit of his actions;"
- 3) "Thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally act;"
- 4) "and, last of all, when we consider such actions, as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well-contrived machine"

Smith and Wilson go to great lengths to understand and explicate Smith's moral framework in *The Theory of Moral Sentiments*. They argue that many of Smith's claims can be formalized and operationalized in modern experimental economics. Smithian insights from 250 years ago remain relevant for cutting-edge experimental economics *because* they do not rely on advanced techniques of analysis. They are philosophical in nature.

6: CONCLUSION

Christianity has shaped Western civilization over the past two millennia and still offers significant, and in some cases unique, insight into the discipline of economics, especially philosophical economics. It provides richer conceptions of the human person, broader paradigms of morality and tradition, and explanations for some troubling puzzles in economics, such as meta preferences and the *Great Gatsby* problem.

And with robust anthropology and respect for tradition, Humanomics gives additional reasons to resist the legalization of prostitution or surrogate pregnancy services. Is surrogacy simply a matter of

exchange between consenting adults? Is prostitution? While we should study the incentives, material incentives, and effects of policies regarding those issues, the effects alone cannot decide what should be done.

Humanomics integrates philosophical ideas with technical economic analysis. It helps resolve puzzles or conundrums narrow technical economics cannot address. It also expands the scope of inquiry into ethics and political economy.

Many public policy applications arising from Humanomics can be quite counter-intuitive or objectionable to mainstream secular technical economists, whether on the political left or the political right. Yet these policy implications arise, not from rejecting economic analysis, but from doing such analysis within a broader philosophical framework. As Erik Matson argues:

Economists cannot and should not refrain from passing ethical judgments in public policy and upon different systems of social and political philosophy. Informed by their studies, economists have valuable contributions to make to ethical and political discourse. Still, in their theoretical discourses, they should attempt to distinguish between non-controversial assertions of fact and prescriptive assertions (Matson 2022, p. 328).

Humanomics suggests a broader approach to welfare and unemployment policy. Rather than assessing food stamp programs, Section 8 housing, or Medicaid solely based on how much they increase the purchasing power of their recipients, we should also evaluate them based on broader metrics of human flourishing—including participation in the labor force, family formation, educational attainment, and income mobility.

Welfare programs implicitly treat people as optimizing consumers with a budget constraint problem. Christian anthropology suggests that many of the poor experience social dislocation and meaning problems, which often manifest in significant budget constraints. The problem of making poor choices that lead to dissatisfaction rather than happiness or contentment also remains unaddressed. Wealth transfers, then, treat the symptom rather than the real problem and fail to address the cause of human suffering associated with material poverty. This phenomenon has been documented in popular books like *Men Without Work* (Eberstadt 2016), *Hillbilly Elegy* (Vance 2016), and *Dreamland* (Quinones 2015).

Good Humanomic theory should recognize meaning within work and the importance of charity, which then gives us reason to question federal government provision of education or childcare through public schools or universal pre-k. Ideas of subsidiarity, self-governance, and the importance of families, communities, and civil society also undermine justifications for large government-run and government-funded medical insurance and retirement insurance schemes (Bradley and Lindsley, 2014).

Humanomics suggests that economic policy should be general and based on clear rules. Subsidies, whether to agriculture, industry, healthcare, or transportation, besides creating inefficiency, are also prone to corruption—whether through the lobbying of the beneficiary firms, extortion wielded by unscrupulous lawmakers, or regulatory capture by the regulated industry.

Ultimately, Humanomics brings together both technical and philosophical economics. It respects a century and a half of insights and improving tools of empirical economics. But it also recognizes the narrowing scope of how such tools can be used and the significant limitations of technical economic theory when applied to “edge” cases or broader questions of meaning and human flourishing. Humanomics contributes philosophical dimensions of human sociality, evolving norms and institutions, and most importantly ascribed meaning by human beings.

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Catholic Social Teaching and Comparative Economic Systems: On Free Enterprise and the Common Good

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Abstract: This paper evaluates various economic systems through the lens of Catholic Social Teaching, with a focus on the core principles of human dignity (including the sanctity of life), the common good, subsidiarity, and solidarity. When compared with other economic systems, free enterprise provides the greatest scope for initiative, social cooperation, and moral development when guided by the principles of Catholic Social Teaching. Additionally, the paper addresses distributist critiques of free enterprise.

I. INTRODUCTION

Smith and Wilson's *Humanomics* (2019) presents a puzzle based on their prior work in experimental economics: Why does a hermeneutic of utility maximization fail to predict human behavior and strategy in market settings?

Their answer, essentially, is that in the shift from 18th and 19th-century political economy to the neoclassical economics of the 20th Century, any metaphysical insights about the human person went right out the window. Adam Smith's Moral Sentiments Baby was thrown out with the Labor Theory of Value Bathwater.

The Humanomics project represents an effort to study the humanity that surrounds human economic activity, so that if economics is thought of as "the science of choice" (Egger 1992, p. 4), we may understand not just the mechanics of choice, but the social context of those choices.

Catholic Social Teaching, exemplified by Pope Leo XIII's encyclical *Rerum Novarum* (1891), is an attempt to resolve the clash of two worlds described by Smith and Wilson. First and primarily, we live in a world made up of people we know personally in our families, workplaces, circles of friends, religious communities, and through frequent personal economic exchange. But we also live in a broader world, one where we exchange with strangers. These strangers may live in our same cities or on the other side of the planet, but the defining feature of these relationships is that they are impersonal, yet the basic rules of interaction with other human persons remain. In other words, while moral distance naturally diminishes our affinity for others, human dignity remains inviolable. While this view of human dignity is not uniquely Christian, it is centrally so.

Although Catholic Social Teaching did not begin with *Rerum Novarum* (many would say it began roughly 1,860 years before), *Rerum Novarum* and the subsequent social encyclicals are notable for coming after the First Vatican Council. The First Vatican Council, in 1870, is where the doctrine of papal infallibility was clearly defined as being limited to official ex cathedra statements from the Pope on matters of faith and morals. In a sense, this freed any sitting Pope to offer timely and specific teaching on social issues, as it was then clarified that almost all of a Pope's writings were not, strictly speaking, infallible.

Seen in this light, the papal encyclicals on economic systems, along with other encyclicals on social issues, are viewed as teachings that develop over time. The relationship between capital and labor in *Rerum Novarum* is revisited in later encyclicals by Leo XIII's successors, most notably by Pius XI's *Quadragesimo Anno* (1931), John XXIII's *Mater et Magistra* (1961), and John Paul II's *Centesimus Annus* (1991). As economic history unfolds, so do new opportunities to apply timeless moral principles.

A central principle of Catholic Social Teaching is that of the common good, which serves as a moral lens through which economic systems are viewed. The common good goes beyond the summation of individual well-being, instead emphasizing how social conditions may enable all members of a community or polity to achieve full human flourishing. As stated in the Catechism of the Catholic Church (hereafter CCC 1992, p. 1906), the common good encompasses the moral, social, and spiritual dimensions of human life, recognizing the inherent dignity of each person and their relational nature within society. This perspective superficially appears to conflict with an economistic approach to flourishing that focuses on utility maximization or aggregate wealth creation without explicit consideration of the moral implications of the social structures that emerge from those processes. But while that superficial version of economic thinking is real, and is in fact the foil of the humanomics project, it is not the ultimate basis for a defense of a free enterprise system. As (Vernon) Smith and Wilson explain, Adam Smith's work is not limited to an eloquent description of how economic order emerges, as though guided by an invisible hand. It also describes the necessary moral conditions for that order to emerge, and essentially lays out a description of how our consciences operate together within our society's moral rules to restrain our behavior. Without the right moral rules, the emerging economic order will not promote the common good.

Economic systems are typically compared based on both their potential and historical performance in promoting economic well-being, which critics, grounded in Church teaching, will argue is insufficient for promoting the common good. *Rerum Novarum* makes it clear that no single economic system is fully capable of promoting the common good, and thus is insufficient to promote true human flourishing.

This paper argues that only one economic system is even compatible with promoting the common good and the human dignity it requires: a free enterprise system. I am defining free enterprise here as an economic system where both capital and land are privately owned, and workers are free to leave their employment. To the extent that the alleviation of poverty is part of the common good, no other economic system is even comparable to free enterprise. I could use the term "capitalism", as it certainly requires private ownership of capital. However, for the purposes of this paper, it will be called free enterprise to make it clear that it is an economic system that requires political liberty, self-ownership, and freedom of conscience. There are two other reasons to avoid the term capitalism in this context. First, writers in the tradition of Catholic Social Thought often define capitalism as a system that necessarily leads to the concentration of capital in the hands of a few owners with near-absolute market power over labor in a way that undermines self-ownership and political liberty. Second, the term itself is often associated with Marx, who believed that the high concentration of capital ownership was a necessary feature of private ownership. Even before Marx, the term referred to a system where capital dominates economic life and leads to the oppression of workers, which seems more or less to be what is being criticized in Catholic social teaching.

Economic systems that seek to undermine free enterprise in the pursuit of justice, subsidiarity, and solidarity ultimately undermine those very principles. But most of all, alternatives to free enterprise undermine human dignity by approaching scarcity in a way that makes human beings themselves the primary obstacle to flourishing, rather than its source. In other words, alternatives to free enterprise force a Malthusian framing of the economic problem of scarcity in the face of human wants, such that additional humans are, in general, bad for humanity. This paper's contention is that free enterprise is the only economic system where humans are good for humanity.

Emerging from the Church's reflection on social justice, Catholic social teaching offers a normative framework to evaluate economic structures based on their ability to uphold human dignity, advance the common good, respect subsidiarity, and foster solidarity. Among the economic systems historically and theoretically advanced—feudalism, guildism, Marxist Socialism, Georgist socialism, communism, dis-

tributism, and free enterprise—the latter most effectively aligns with Catholic social teaching’s vision for human flourishing. By examining economic systems’ theoretical foundations and practical consequences, I argue here that, despite its challenges, free enterprise provides the greatest scope for individual initiative, social cooperation, and moral development when guided by the principles of Catholic teaching. The discussion draws primarily on papal encyclicals, 20th-century Catholic thinkers, and economic scholarship.

II. CORE PRINCIPLES OF CATHOLIC SOCIAL TEACHING

Catholic social teaching rests on four interlocking principles: human dignity, the common good, subsidiarity, and solidarity. These principles derive from scripture and tradition and are intended to offer a moral framework for evaluating social and economic arrangements. Each has implications for how outcomes are judged, but also for the inherent justice of institutions.

A positive analysis of economic systems can only exist within a normative framework, in other words within a set of moral principles. While some economists may imagine their work is purely positive, both the means and ends of economic life are formed by the prevailing social values. Catholic Social Teaching exists to promote sound moral principles, lest the methodological premises of economics morph into metaphysical claims.

Human dignity is the starting point. The Christian claim is that each person is made *Imago Dei*, in the image of God, a belief the Catechism affirms as the foundation of all social teaching (CCC 1992, p. 1700). This is not a sentimental assertion, but a theological and metaphysical one: that human worth is intrinsic, not conditional on productivity or social utility. In *Centesimus Annus*, John Paul II was clear that economic systems must not treat people as means to an end, but as ends in themselves. The application to economic systems is that to the extent individuals are reduced to mere means to some greater economic end, their human dignity is violated.

Dignity also implies certain material and social conditions. Catholic social teaching holds that people must have access to meaningful work, fair wages, and participation in public life. *Rerum Novarum* (1891, p. 20) warns against poor labor conditions themselves as a violation of human dignity. A system that degrades or excludes significant portions of the population cannot be squared with dignity, regardless of the amount of aggregate output that system produces.

The common good, similarly, demands more than just economic growth to be realized. The Catechism (1992, p. 1906) describes the common good as “the sum total of social conditions which allow people... to reach their fulfillment.” It is clear from the social encyclicals that this principle includes access to education, healthcare, housing, and other prerequisites for flourishing. It does not mean equal outcomes, nor does it imply that any sort of central economic planning is necessary. But the principle of the common good would seem to require that economic systems be evaluated on how well they serve the population as a whole, not just elites, and not just majorities.

John Paul II (1991, p. 34) put the matter plainly: economic development must benefit humanity generally, or it ceases to be development in any meaningful sense. The claim is neither utopian nor collectivist; it simply asserts that economic life is not morally neutral and cannot be judged solely by GDP growth or stock market performance.

Subsidiarity serves as a structural principle that decisions should be at the most local level that is competent to handle them. In *Quadragesimo Anno* (1931, p. 79), Pius XI presents the principle as contrary to early 20th Century tendencies to centralize authority (both governmental and corporate), because local actors are often better suited to address local problems. It is a principle of governance, but also respect: respect for the agency of families and communities.

In practice, subsidiarity supports a decentralized economy where local businesses, cooperatives, and community initiatives are allowed space to function without being pushed aside by distant bureaucracies or dominant sellers or buyers in the form of monopolies and monopsonies. The teaching has never been presented as a rejection of state involvement in economic affairs, but a presumption in favor of local

governance and even informal community decision-making. When powerful, distant parties dictate terms without local accountability, subsidiarity is compromised.

Finally, solidarity addresses the relational dimension of economic life. John Paul II (1987, p. 38) described it not as a feeling but as a “firm and persevering determination” to seek the common good. It is, in essence, a commitment to mutual responsibility across social and economic boundaries.

Economically, solidarity pushes back against models built entirely on self-interest or even broader utility-maximization approaches. Community and charity are also emphasized over competition. This dovetails with the kind of cooperation Smith and Wilson have seen repeated in economic experiments, cooperation that can only be explained by moral considerations outside of a player’s individual utility. Pius XI (1931, p. 137) warned of systems that pit people against each other; Catholic social teaching offers solidarity as an alternative to antagonistic framings of economic activity.

Taken together, the principles of Catholic social teaching are not ideological prescriptions, but rather the ends that are necessary for human flourishing. How an economic system performs against these measures tells us how well that system serves humanity as a whole.

III. ECONOMIC SYSTEMS

This section will give a brief overview of seven economic systems. There surely could be more economic systems examined; however, I chose, in addition to free enterprise itself, six economic systems which are commonly offered as alternatives to free enterprise, precisely because each is thought by its proponents to better serve the common good.

Feudalism is a hierarchical system where land is owned by lords and worked by vassals or peasants in exchange for protection or labor obligations (Bloch 1964). This system relies primarily on agricultural production, with economic activity being organized around manorial estates. Peasants and serfs, especially, were bound to the land and had little personal freedom or economic mobility, while lords wielded significant power over resources and people. This structure was economically stable in the sense that there was little economic growth and the accompanying creative destruction. However, the poor were especially vulnerable to drought and disease, as is typically the case with people living near a subsistence level.

Guildism emerged as a system of trade associations that regulated production, quality, and wages among artisans and merchants (Epstein 1991). Guilds provided stability and mutual support for their members, controlling entry into trades through apprenticeships and setting standards to protect those producers’ livelihoods. However, they often resisted technological change and excluded non-members, creating barriers to competition and economic dynamism. Like all monopoly structures and cartels, the protection from competition essentially earned rents for members at the expense of potential competitors. Guilds created robust communities within trades, but did little to improve conditions for the common man.

Marxist socialism, as outlined by Marx and Engels (1848), seeks a classless society through the abolition of private property and replaces it with the collective ownership of the means of production under state control, which essentially becomes state ownership of the means of production. The aim of Marxist socialism is to eradicate the exploitation of labor by eliminating the monopsony power of capital owners. The promise of Marxist socialism is equality and freedom of labor, but in practice, it has led to authoritarian political regimes combined with economic stagnation. The suppression of individual initiative and market mechanisms has, in the worst cases, led to mass famines.

Georgist socialism, named for Henry George’s proposal for land reform in his treatise *Progress and Poverty* (1879), advocates taxing the unimproved value of land to communalize its benefits while preserving the individual incentives for workers and capital owners to work together in a way that allows for innovation and widespread improvements in living standards. This system seeks to reduce inequality by redistributing land-derived wealth without fully abolishing private property. Practical application of Georgist socialism is limited, but in terms of economic well-being, economic communities built on

Georgist principles seem to do no worse and no better than free-enterprise economies where land is privately owned.

Communism, an extension of Marxist ideals, rests on collective ownership of the means of production, i.e., a move beyond state ownership of the same. It entails the elimination of private property in land and capital completely, and the elimination of social classes. It promises a utopian equality, but communist party-controlled states have never successfully transitioned from Marx's state of socialism to the ideal of communism.

Distributism, championed by G. K. Chesterton (1928) and Hilaire Belloc (1912), promotes widespread private ownership of land and capital and small-scale production as an alternative to both capitalism and socialism. Remember, part of the distributist claim about capitalism is that it necessarily concentrates ownership of productive resources in very few hands. Distributism's advocates view it as something beyond an economic system; it is a way of life rooted in family, community, and moral values. The idea is that economic activity, along with all other aspects of life, is governed by the application of the principle of subsidiarity. The policies to support a distributist society would be designed to support small businesses, family farms, and cooperatives to prevent economic power from being centralized. Distributist literature offers few concrete models for political implementation, and its feasibility is often questioned by its critics.

Free enterprise, often synonymous with capitalism, is defined by private ownership of both land and capital, and, crucially, freedom of exit for workers. Production and distribution are not centrally planned, but left to the order that emerges from producers' and consumers' decisions on how to specialize and exchange in the face of the continually changing relative scarcities of economic resources. Those relative scarcities are signaled by relative price changes, and those price changes provide information wrapped in an incentive. Again, I use the term "free enterprise" here to emphasize individual freedom and initiative, and distinguish this system from caricatured versions of capitalism based on unchecked greed. Free enterprise operates through voluntary exchange and a combination of competition and coordination that fosters innovation and a tendency to move resources toward those who value them most. While capable of generating significant wealth, it can also feed hedonistic tendencies when moral norms are themselves corrupted. Catholic economists such as Novak (1982) and Woods (2005) concede that free enterprise will not promote the common good if it exists outside or apart from a larger system of strong moral principles. Without a firm commitment to human dignity, especially the sanctity of life, free enterprise cannot promote flourishing.

IV. EVALUATION OF ECONOMIC SYSTEMS AGAINST THE PRINCIPLES OF CATHOLIC SOCIAL TEACHING

Feudalism theoretically offers stability through reciprocal obligations, but in practice, it undermines human dignity by subjecting serfs to servitude and denying them basic freedoms (Bloch 1964). The system serves the economic interests of lords over the common good, entrenching inequality that persists across generations. While local lords exercised some decision-making power, aligning partially with subsidiarity, vassals had little autonomy. Solidarity existed as a forced obligation rather than a voluntary bond, fostering short-term community ties but long-term coercion and resentment. However, the main way in which feudalism fails to serve the common good is that it leaves no room for the masses to move much beyond subsistence. Population growth presents a special problem under feudalism, as a given amount of land is only capable of supporting a limited number of people. Under feudalism, the pessimistic arithmetic of Malthus plays out. The population is naturally limited by famine and disease. This presents a severe limit on the amount of possible flourishing.

Guildism safeguarded the dignity of skilled artisans by ensuring fair wages and working conditions, yet it excluded outsiders, creating a selective dignity that faded into elitism over time (Epstein 1991). It initially supported the common good by stabilizing trade, but later stifled innovation, leading to economic stagnation. Guilds' local governance aligned moderately with subsidiarity, but their monopolistic tenden-

cies limited broader participation. Solidarity thrived within guilds but fostered division with those outside, weakening its scope.

Marxist socialism aims to elevate collective dignity by abolishing class distinctions, but its practical implementation oppresses individuals through state control, causing short-term upheaval and long-term authoritarianism. Its focus on collective ownership undermines the common good with extreme inefficiency and famine. Centralized planning contradicts subsidiarity by stripping local agency, and its enforced class solidarity sacrifices personal freedoms, resulting in a hollow unity. Like feudalism and other pre-modern systems, human beings are ultimately a burden as land productivity is limited over the long term, and again, the pessimistic version of Malthus' theory plays out. Economic organization becomes focused on allocating resources to those viewed as most valuable to the state and away from those who are viewed as least valuable, or those who can be conveniently labeled as enemies of the state. In addition to famine, the population is controlled by periodic purges along with forced abortion and sterilization.

Georgist socialism respects human dignity by rewarding labor while taxing land value, showing short-term fairness, though its long-term effects remain untested due to limited adoption. It seeks to enhance the common good through equitable resource distribution, with potential in theory but practical challenges in execution. Its emphasis on local land control aligns well with subsidiarity, and shared resource benefits promote solidarity.

Communism idealizes universal dignity through collective ownership but curtails freedoms in practice, leading to short-term repression and long-term totalitarianism. Its pursuit of the common good falters in the socialism stage as centralized economies produced shortages and decline (Schumpeter 1942). Forced collectivism of individuals undermines genuine solidarity over time.

Distributism enhances dignity by promoting ownership and autonomy, offering short-term empowerment but facing scalability issues in the long run. Its community focus advances the common good, though its impracticality in modern contexts limits its reach. It strongly supports subsidiarity through decentralized ownership and fosters local solidarity, but its isolationist tendencies risk disconnecting communities from broader society. Ultimately, if distributism leads to localism in production, it will run into the same basic Malthusian problem of pre-industrial societies. A limited extent of the market limits the potential for further specialization and growth of knowledge.

Free enterprise upholds human dignity by providing vocational freedom and opportunities, yielding short-term empowerment and long-term flourishing (John Paul II 1991, p. 32). It promotes the common good through innovation and prosperity, raising living standards over time (Novak 1982). Decentralized markets align with subsidiarity, empowering individuals and communities, while voluntary associations like charities enhance solidarity, reflecting Catholic teaching's call for interdependence (Woods 2005). Free enterprise concentrates production where economies of scale exist, but in general decentralizes market decision-making. Even large firms are forced to outsource decision-making by contracting with others when the costs of internal bureaucracy exceed the benefits from economies of scale. Most importantly, only free enterprise overcomes the Malthusian dilemma. It unleashes human productivity to the point where population growth is possible without natural or artificial population controls.

V. WHY FREE ENTERPRISE IS MOST COMPATIBLE WITH TRUE FLOURISHING

What is necessary for flourishing? One necessary component of flourishing is the ability of people to realize the good potential of their knowledge and creativity. An economic system that incentivizes the use of one's knowledge or creativity to the detriment of others inhibits this aspect of flourishing, and an incentive structure that encourages people to meet others' needs will tend to promote flourishing. While utopia is a non-option, a comparative approach will recognize that some economic systems tend to promote more virtuous behavior while others tend to create more perverse incentives.

Similarly, systems that promote involuntary exchange undermine dignity by violating subsidiarity, while systems that allow more voluntary exchange necessarily foster economic decision-making at a lower level—at the firm level on the supply side of a market and at the household level on the demand side.

Free enterprise stands out as the economic system most capable of realizing Catholic teaching's principles, particularly human dignity and the common good. It recognizes each person's capacity to contribute through labor and creativity, aligning with the Church's view of human potential (John Paul II 1991, p. 32). Unlike systems that see population growth as a burden, under free enterprise each new person is a blessing—an additional mind and pair of hands to drive innovation and progress (Simon 1981). While this is true in aggregate, the consequence is that each individual can be valued without regard to his or her net contribution to the economy and society. The population growth itself is a source of surplus that can better feed the hungry and treat the sick. This resonates with Catholic teaching's affirmation of life's sanctity from conception onward, offering a framework where human life is celebrated rather than constrained.

The system's reliance on voluntary exchange fosters peaceful dealings among individuals and nations, reducing conflict over scarce resources. Market competition encourages innovation, as seen in historical leaps like the Industrial Revolution, which raised living standards and expanded opportunities. While this fact may have been in question in the 19th Century, it was fully evident by the late 20th Century, and is remarkably clear today—United Nations data show that while the world's population has doubled over the past fifty years, the portion living in extreme poverty has fallen from half to less than a tenth of the world's population (Roser 2021). This dynamism contrasts with the stagnation of centralized systems, enabling free enterprise to adapt to changing needs while providing individuals the space to pursue their vocations and support their families. Such flexibility ensures that economic activity serves human ends, not vice versa.

Subsidiarity finds a natural home in free enterprise, where decentralized decision-making empowers individuals and local communities. Unlike state-dominated systems, free enterprise allows people to respond to their unique circumstances, whether through entrepreneurship or community initiatives (Roepke 1958). This local agency fosters a sense of ownership and responsibility, key to human dignity, and prevents the alienation often seen in bureaucratic models. Catholic thinkers like Novak (1982) argue that this structure better reflects the Church's vision of human freedom within a moral order.

Solidarity, too, is enhanced through free enterprise's capacity for voluntary cooperation. The system encourages philanthropy, mutual aid societies, and charitable organizations—expressions of interdependence that align with Catholic social teaching's call for unity (John Paul II 1987, p. 40). Unlike coerced collectivism, free enterprise's voluntary nature ensures that acts of solidarity arise from genuine commitment, not obligation. Historical examples, such as the rise of Catholic charities in market economies, illustrate this principle in action (Woods 2005).

Moreover, free enterprise's economic efficiency generates the wealth necessary to address poverty and improve living standards, a practical realization of the common good. While inequality can emerge, Catholic scholars like Sirico (2001) argue that this can be mitigated through ethical business practices and targeted policies, preserving the system's core strengths. The ability to balance individual initiative with communal welfare sets free enterprise apart from rigid alternatives. Widespread prosperity presents moral challenges, but also a greater abundance that allows for more opportunities to promote the common good. Economic stagnation presents its own moral challenges, and has historically fostered the scapegoating and disenfranchisement of minority ethnic and religious groups in ways that are fundamentally at odds with solidarity.

Critics may point to monopolies or consumerism, but these are not inherent to free enterprise; they result from individuals' moral failures—failures which are largely discouraged under free enterprise. This is unlike other economic systems, where incentives push people toward immoral behavior. The failures of Marxist Socialism, for example, are inherent to the system itself. Central economic planning by its very design undermines subsidiarity. This is where Humanomics' broader understanding of the constraints on economic behavior is helpful. As Smith and Wilson (and Adam Smith in *The Theory of Moral Sentiments*,

1759) explain, narrowly self-serving behavior will carry reputational and other temporal consequences, in addition to the eternal consequences. The discipline of repeated dealings and the moral consequence of shame checks our behaviors. Moreover, in addition to these consequences, our consciences operate to constrain our choices. If growing wealth leads to growing consumerism in the aggregate, which it may, at the individual level, imprudence is the surest way to lose wealth. Free enterprise's adaptability makes it a living model, capable of evolving to meet modern challenges while staying true to Catholic values.

VI. CONCLUSION: WHAT CRITICS OF FREE ENTERPRISE GET RIGHT AND GET WRONG

Distributists like G. K. Chesterton (1928) and Hilaire Belloc (1912) offer a sharp critique of free enterprise, arguing that it creates social and moral distance by concentrating wealth and power in the hands of a few. Chesterton decried the rise of large corporations, which he saw as eroding small-scale ownership and dehumanizing workers, reducing them to "wage slaves" in a faceless economy. Belloc's concept of the "servile state" warned that free enterprise, left unchecked, leads to monopolies that undermine true freedom, replacing it with dependency on corporate or state structures (Belloc 1912).

This critique extends to the moral realm, where distributists claim free enterprise fosters alienation. Chesterton (1928) argued that the system's emphasis on profit over community severs the bonds of solidarity, replacing personal relationships with impersonal transactions. Belloc similarly saw the concentration of capital as a betrayal of subsidiarity, as small producers are squeezed out by industrial giants, leaving families and local economies vulnerable. For distributists, this distance threatens the CST vision of a society rooted in human-scale interactions.

Catholic defenders of free enterprise, such as Robert Sirico (2001) and Samuel Gregg (2010), respond that these objections misunderstand the system's potential when guided by moral principles. Sirico contends that competition, a hallmark of free enterprise, naturally curbs monopolies, preventing the concentration that distributists fear (Sirico 2001). He cites historical evidence of market-driven innovation benefiting the poor, arguing that wealth creation under free enterprise enables charity and justice outcomes aligned with the common good.

Gregg (2010) emphasizes subsidiarity, noting that free enterprise's decentralized nature empowers individuals and communities far more than distributism's idealized but impractical models. Large corporations, he argues, are not antithetical to Catholic teaching if they operate ethically; they can provide jobs and resources that small-scale systems struggle to sustain (Röpke 1958). This scalability ensures free enterprise can meet modern demands without sacrificing local initiative.

Furthermore, the charge of alienation overlooks the voluntary associations free enterprise enables. Catholic writers like Novak (1982) highlight how markets facilitate community-building through trade, entrepreneurship, and philanthropy—expressions of solidarity that distributism underestimates. The system's flexibility allows it to incorporate Catholic values, such as fair wages and worker rights, without requiring a return to pre-industrial structures (John Paul II 1991, p. 35).

Distributists' romantic vision, while appealing, lacks practical blueprints for a globalized world, as Medaille (2010) concedes. Free enterprise, by contrast, offers a framework that can evolve with moral guidance, addressing social distance through education and virtue rather than dismantling markets.

Within both the social encyclicals and distributist writings, there is a valid critique of economic theory itself. If the only purpose of economic exchange is to maximize one's own utility, then free enterprise will only serve purely economic ends and true flourishing will be harmed, perhaps even when compared to alternative economic systems. But that world is a mathematically tractable fiction. The world we live in is one where human beings individually have moral intuitions and socially face the consequences of violating moral principles, and chief among those are the principles of human dignity and the common good, supported by additional moral principles such as subsidiarity and solidarity.

Can there be a more distributed form of free enterprise? The answer is, "of course". Voluntary exchange leads to a more distributed ownership of productive resources by its nature, but per Julian Simon,

the human mind is the ultimate resource. The more distributed human knowledge, the greater the subsidiarity. An order that disrupts monopolies of knowledge would both allow free enterprise to better serve the common good and offer stronger protections of human dignity.

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Humanomics and Its Interlocutors: On Making Observation Primary

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Abstract: In this essay I respond to a set of contributions engaging with the project Vernon Smith and I lay out in *Humanomics* (2019). I frame their diverse perspectives around a central choice: whether economists begin with constrained optimization or with observation of human conduct. The stakes extend beyond any single essay to how economists conceive and conduct their inquiry. Together, the essays indicate how the humanomics project may be developed, amended, and contested in future inquiry.

To treat economics as, primarily, a constrained optimization problem is to predetermine both what counts as order and what counts as a solution by stipulating scarcity, fixed preferences, complete information, and self-interested behavior. To begin instead with observation is to attend to how people actually know, act, and make sense of their circumstances in ordinary life (Wilson 2026, p. 48).

The central issue at stake is what economists take as primary in their inquiry. Do we begin with constrained optimization, fitting human behavior into its mold, or with observation, discovering the order that emerges in human conduct? *Humanomics* follows the latter path, after Adam Smith, treating human conduct as evidence in its own right, from which we discern fellow-feeling, sentiments, and a sense of propriety as constitutive of how people make sense of one another.

I am grateful to the authors for their genuine engagement with *Humanomics*. I thank Leslie Marsh, the Managing Editor, for making the special issue possible, and especially Michael Thomas for his time, care, and editorial guidance, as well as for comments that have improved this essay. In what follows, I frame my responses by how each author takes up this choice from a different vantage point. The contributors do more than react; they extend the inquiry. What unites them is recognition that the starting point matters, and that, from it, the order of their inquiry unfolds. Together they demonstrate how the project of humanomics may be developed, amended, or contested. It is an honor to have our work met with such a range of perspectives. The issues at stake are larger than any single essay, for they concern how economists themselves conceive and conduct their inquiry.

Self-interest Is More Important Than Sympathy, a Friendly Reminder

Dan D'Amico (2026) begins by stipulating the maxim: “self-interest is more important than sympathy” (p. 14). He supports it with three moves. First, he advances an historical claim that Adam Smith’s originality lies in stressing self-interest in *The Wealth of Nations*. Second, he frames a theoretical contrast: sympathy is parochial, bounded in scope, while self-interest carries across contexts and sustains the extended order. Third, he appeals to empirical history: when judged against “the broad stylized facts of social change and economic history...self-interested motivations and behaviors play both a more foundational and promi-

ment role in coordinating human actors...than systemic patterns or changes in moral sentiments or other regarding behaviors” (p. 12).

What is striking is that the maxim does not arise from inquiring observation. D’Amico installs it at the outset, with history and theory recruited in its defense. Here lies the difficulty. Adam Smith never advances self-interest as a maxim in *The Wealth of Nations*. He speaks instead some thirty-six times of “one’s own interest,” sometimes explicitly circumscribed by justice: “Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way” (1776, p. 687). Even the familiar passage on the butcher, brewer, and baker does not stand alone. Smith sets it within the reminder that “in civilized society [a man] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons” (1776, p. 26). That dependence cannot be secured by benevolence alone, but neither does self-interest by itself deliver it. What makes trade possible is the art of addressing others in terms they will accept—“Give me that which I want, and you shall have this which you want.” Self-love operates, but only as it passes through persuasion and reciprocity, and only within the bounds of justice that protect promises and property (McCloskey 2006). When D’Amico construes Smith as singling out self-interest, he effaces this interplay and builds in the asymmetry he wishes to defend.

Where D’Amico treats sympathy as narrow and subordinate, *Humanomics* insists that both domains are indispensable and entwined. We do not encounter self-interest apart from the moral sentiments; we encounter it within them. Sentiments of gratitude and resentment, approbation and disapprobation, are not optional supplements but the conditions that render self-interest intelligible in conduct. Justice, too, arises from these sentiments—it rests on resentment against injury and on the expectation of fair dealing—and it is justice that secures trade by making promises credible and exchange effectual. What carries across families and communities into markets and extended orders is not the maxim of self-interest but the moral sentiments that prompt us to act and the capacity to make sense of one another in conduct, to judge what is proper, and to act accordingly.

Austrian Roots? Humanomics as Principle of Action

Ryan Yonk and Peter Earle (2026) construe *Humanomics* as continuous with Austrian insights. In doing so, they draw out resonances with public choice, new institutional economics, rhetoric, and experimental economics, and set out a convergence of traditions dissatisfied with constrained optimization and attentive instead to context, meaning, and spontaneous order: “a recognition that Homo economicus was never the whole, or even most important part of, the individual under study” (p. 24).

What Yonk and Earle advance is not genealogical claim but a descriptive one. Their aim is to identify a family resemblance among approaches that take observation of conduct—whether in laboratory experiments, in rhetorical analysis, or in institutional and historical inquiry—as primary. Their language of Austrian subjectivism, however, risks flattening distinctions. Mises’s praxeology is methodologically distant from experimentation in laboratory markets. But the central point stands. Multiple strands converge on rejecting the primacy of constrained optimization. Human beings, as they put it with Smith and Wilson, “respond to meaning.”

The thrust of the argument is positioning. *Humanomics* is placed within a broader movement away from constructions that stipulate optimization and toward inquiry that begins from what people actually do and how they make sense of other people’s conduct.

Abstracting Less, Understanding More

Joshua Ammons (2026) presents *Humanomics* as part of what he calls an “interpretive turn,” integrating Adam Smith’s account of sympathy and shared meaning with Vernon Smith’s experimental findings. He argues that empirical results substantiate theoretical claims regarding intersubjectivity, context, and mean-

ing. “The convergence between classical political economy and modern experimental methods,” he writes, “indicates promising research directions, particularly in understanding how social context and intersubjective meanings shape economic outcomes” (p. 34).

From this starting point, Ammons develops three themes: shared meanings in exchange, rationality as emergent from social interaction, and the need for interdisciplinary engagement. On each point, experimental findings serve to corroborate Adam Smith’s interpretive framework. As Ammons notes, “Economic knowledge is fundamentally situated within and shaped by specific social, institutional, and historical contexts,” referencing experiments in which small procedural variations alter behavior (p. 40).

The dominant motif in the analysis is convergence. Ammons treats experimental results as confirmation of construction. If there is a risk, it’s that observation becomes subordinate to interpretation in the back-and-forth between the two. In such instances, inference may begin to direct results rather than scrutinize them. The deeper lesson of Vernon Smith’s work is that observation unsettles the construction. The double auction, for instance, generates competitive convergence even in the absence of the conditions textbooks require. Surprise may not be confirmation, but it is opportunity. Moments of tidy convergence should complicate rather than reassure. When data flatter our priors, it is more likely that our questions were too narrow than that the world is so obliging. Ammons is right to stress the interpretive dimension of conduct, but the primacy remains with observation, not with the construction that absorbs it.

Talking Tuism and Ruminating on Rules

Adam Martin (2026) casts his essay as a series of questions to *Humanomics*. He begins by recovering Wicksteed’s notion of non-tuism—action that disregards the interests of the counterparty but need not be egoistic. Competitive markets can be modeled as non-tuistic. Yet two-person game theory experiments reveal plainly tuistic conduct: subjects give, reject, and reciprocate. *Humanomics* reads these as sentiments in action.

From there Martin poses his first question: if sentiments matter, why does non-tuism seem to predict impersonal markets so well? “Given that humans have a capacity for fellow-feeling, what are the features of markets that make non-tuistic action morally permissible to buyers and sellers?” (p. 48). In *Humanomics*, the answer begins with the rules of justice, grounded in resentment, that underwrite property and contract. Once rules maintaining peace are in place, bargaining within them becomes legitimate. Non-tuistic conduct in markets is not sentiment-free but sentiment-mediated, sustained by background recognition that the exchange is proper.

Martin then presses further: how do individuals know which rules are relevant in situ, and how can a rule-following account avoid tautology? *Humanomics* again turns to Smith. Rules arise from “our continual observations upon the conduct of others” and “from the experience we have had of the effects which actions of all different kinds naturally produce upon us,” and once “fixed in our mind by habitual reflection, are of great use in correcting the misrepresentations of self-love” (1759, pp. 159, 160). Such rules, except those of justice, are “loose, vague and indeterminate,” requiring the impartial spectator to interpret them case by case (1759, p. 175). To reduce this to a constrained optimization for “following norms,” as behavioral economists are wont to do, is tautology. It is not explanation (Wilson 2024, ch. 13). The point is to observe how people recognize and reaffirm rules as relevant in practice. Admittedly, as Martin’s question suggests, that task is easier said than done.

He concludes by asking what *Humanomics* asks economists to give up. First, and by now obvious, is the maxim that self-interest is the universal driver. As I stress in *Meaningful Economics*, Smith used the phrase “own interest,” not “self-interest,” precisely because “self-interest” has connoted a disregard for others, both in the eighteenth century and now (Wilson 2024, pp. 16-20). The second, no less entrenched, is the reflex to preserve prediction by adding epicycles to utility functions. *Humanomics* resists this move, not by redescribing preferences, but by treating surprise as an occasion to learn from Adam Smith rather than as a trigger to retrofit the constrained maximization problem.

These remain frontier questions, and Martin is right to press them. They expose the tension between tuistic conduct in personal exchange and non-tuism in impersonal market exchange, and between explaining rules and redescribing them. They also highlight the promise, namely inquiry that begins with what people actually do, and how they themselves make sense of one another's conduct.

Humanomics and Rational Irrationality

Jordan Lofthouse (2026) carries humanomics into voting. He takes Brian Caplan's account of rational irrationality, with its two features: the weak decisiveness of the individual vote and the weak feedback on error. He then asks how moral sentiments appear there. His claim is that the familiar biases of the voting booth may be amplified when sympathy, resentment, and group attachment enter political judgment.

The mapping of sentiments to biases is concrete. Sympathy with displaced workers supports the make-work bias; resentment toward foreigners strengthens the antforeign bias; pity for those judged losers in markets feeds the antimarket bias; and pessimism is deepened by the stronger pull of negative affect. The point is observational, for these are the sentiments we actually see in political talk and voting, not a maxim installed in advance.

The contrast here is institutional. In markets, feedback disciplines error; bad choices are punished, and dispersed knowledge is coordinated through prices. In politics, by contrast, feedback is weak; errors persist because the individual vote is largely costless and non-decisive. *Humanomics* connects this to the wider lesson from experiments. People carry the same human equipment across domains, but institutions and rules bring different aspects of that equipment into conduct.

Placed against that baseline, Lofthouse's worry is intelligible. In politics the very sentiments that help sustain propriety and justice elsewhere can, under weak feedback, entrench bias. He frames his essay as a theoretical starting point, and the implication is clear: further observation is needed. The next step is to put rules and sentiments in view and watch how they are brought to bear. Vary clarity of responsibility, anonymity, repetition, and information about trade-offs, while observing how voters justify "what fits" to an imagined impartial spectator and under what conditions sympathy for one group leads into antimarket or antforeign judgments, and when it does not.

The upshot is modest and useful. Lofthouse is observing moral sentiments at work in voting and pointing to cases where, under weak feedback, they may widen error. The burden, as with markets, is to let conduct reveal how that happens.

The Future of Meaningful Work

Vlad Tarko (2026) argues that capitalism creates both opportunities and tensions for meaningful work. On the one hand, the market order generates a wide variety of niches that allow people to pursue authenticity, such as artisans who prefer painting ceramics to higher-paying factory work, or independent studios like Angel Studios (Christian films) and A24 (horror films). These cases show how people sometimes choose less lucrative but more authentic work. On the other hand, capitalism also pressures individuals to seek out better-paying jobs that may feel inauthentic or meaningless. Tarko draws here on David Graeber's idea of "bullshit jobs"—roles that may pay well but seem useless from the worker's perspective. The central tension, then, is between authenticity and income.

Tarko emphasizes that contemporary capitalism is marked by uncertainty. Globalization, automation, and AI create churn in labor markets. The old "managerial mindset," of learning a skill and expecting a stable career, no longer fits. Instead, people must adopt what Saras Sarasvathy calls the "entrepreneurial mindset," treating life as a series of small experiments, adapting to failure, and pursuing opportunities effectually rather than through long-term optimization. He gives the example of Pieter Levels, a "high-tech artisan" who launches small projects and accepts that most will fail, illustrating how the tools of modern capitalism (PayPal, Stripe, AI platforms) make this strategy viable.

The conclusion he draws is that “the future of capitalism involves a partial move toward the artisan mindset,” a world where more people pursue meaningful, authentic work in niches, balancing income with self-realization through entrepreneurial adaptation (p. 70).

In terms of method, Tarko’s approach is illustrative, built around examples of artisans, specialized filmmakers, and digital entrepreneurs. His argument does not derive from a constrained optimization problem but from observing how people actually cope with uncertainty—experimenting, failing, adapting. From this conduct emerges his claim that authenticity and experimentation will matter more for the future of meaningful work.

The Confluence of Humanomics and Neuroeconomics on Economic Cooperation

Ravi Roy, Mostafa Deldoost, and Ryan Yonk (2026) argue that cooperation in markets is best understood by bringing humanomics and neuroeconomics into conversation. Humanomics attends to mind, to ideas, moral sentiments, and shared meanings, while neuroeconomics attends to brain, to neural and chemical processes linked to trust, empathy, and conformity. What unites them, the authors suggest, is the concept of shared mental models, by which culture and cognition together frame how people interpret and act in social settings.

They develop three foundations. First, an ideational foundation, where mental models, shaped by culture and experience, guide perception and judgment. Second, a moral foundation, where Adam Smith’s two principles—self-love and fellow-feeling—are both present in conduct, not one reducible to the other. Third, a neurobiological foundation, where experiments with oxytocin, mirror neurons, and conformity show how sentiments of trust and empathy are embodied in the brain. Cooperation, on this view, arises from the interplay of all three.

Against the constrained-optimization paradigm, they present markets not merely as scarcity-signaling devices but as arenas where cooperation is sustained by ideas, sentiments, and institutional rules. In the humanomics strand, they draw on *Humanomics* to show that what counts as proper conduct is context-dependent and bounded by propriety—captured in markets by rules of exchange, and in small-scale two-person games by sentiments like trust and reciprocity. In the neuroeconomics strand, they point to findings on oxytocin, mirror neurons, and conformity that reveal the biological underpinnings of empathy and cooperative behavior. Taken together, the image is not *Homo economicus* but human beings whose conduct reflects shared mental models, moral sentiments, and neurobiology together.

In terms of method, their approach is integrative and observational. They build from what can be seen: experiments in humanomics, findings in neurobiology, and the ways mental models channel meaning into conduct. The primacy lies in watching how people actually behave and drawing from that conduct a fuller account of cooperation.

Humanomics, Envy, and Social Behavior

Kyle Wirt (2026) takes the gray-box “A Theory of Enviousness” in Chapter 4 of *Humanomics* as if it were our own substantive model of envy. That’s not what it is. Perhaps we are being too cute, but the surrounding text makes clear that we lift the math from Fehr and Schmidt’s *Quarterly Journal of Economics* article on “inequity aversion” and deliberately rewrite the words around the equations to demonstrate something else entirely, namely that the meaning of the math lies in the eye of the constructing economist.

Our point was rhetorical. The same mathematical form that Fehr and Schmidt call “fairness” can just as easily be relabeled “enviousness,” maybe not precisely, as Wirt contends, but close enough for the point to stand. We are implicating the economists themselves as being both in the scientific problem they construct and in the order they advance as its solution. “It is we, the social scientists, who apply the meaning of enviousness to the actions of the proposer and responder in the ultimatum game. The experiment is not

speaking about the social meaning of enviousness. We, the social scientists, are” (Smith and Wilson 2019, p. 54).

The Road to Humanomics

Vincent Carret (2026) examines the social-planner construction of public goods in the case of urban highways and argues for a different starting point. The Samuelsonian planner remains the benchmark in economics. Provision is set where the marginal cost of the public good equals the sum of individuals’ marginal benefits. In the case of highways, it is a constrained optimization problem with capacity and durability subject to maintenance and congestion costs, along with initial capital outlays. Yet it misses how choices were actually made and offers thin guidance for the human realities of urban development.

Carret’s humanomics puts narratives and moral sentiments into view. These include the stories that justified highways, the stories that mobilized against them, and the judgments of propriety by which citizens and officials read one another’s actions. On this account, humanomics helps explain which projects advance and which are abandoned. It also refines the normative question by distinguishing routine neighborhood objection from the freeway revolts that tore up communities.

None of this discards economic insight. Efficient investment still requires efficient pricing. Capacity without demand management will not cure congestion. But the descriptive and evaluative work must also account for “baptists,” not only “bootleggers.” Motives formed by shared meanings, not just concentrated interests. In that register, placing the human rather than the automobile at the center leads to different judgments about what fits.

“A Message to You, Homo-Economicus”: 2 Tone and Humanomics

Nicholas Snow (2026) brings *Humanomics* into conversation with Jerry Dammers, the Specials, and the 2 Tone movement. His claim is that the assumption of self-interest cannot capture what Dammers was trying to do. From its start in Coventry in the late 1970s, 2 Tone was not simply a commercial venture. Dammers said he wanted to shape the skinhead revival away from racism and violence. He drew inspiration from reggae and ska, from Rock Against Racism, and from the Clash’s fusion of punk and Jamaican sounds. 2 Tone was deliberately multiracial in lineup and image, its checkerboard branding and on-stage solidarity a musical and visual statement against the National Front.

The label embodied fairness. Songwriting credits were shared, publishing rights pooled, and the ethos was described by band members as a “mini socialist republic.” That ethos, however, came under strain, as money was mishandled and ideals clashed with commercial demands. For Dammers, however, the point was never profit. “We weren’t just a student band preaching to the converted; we took the message right out into the lion’s den” of the skinhead revival. Snow argues that 2 Tone, alongside Rock Against Racism, helped make overt racism less acceptable in Britain. Its high point came with Dammers’ later project, the Specials AKA, and the release of “*Free Nelson Mandela*,” which became an anthem of the anti-apartheid movement.

Snow’s persuasiveness lies in showing that the motivations of 2 Tone do not line up with the economist’s construction. Testimony from Dammers, Pauline Black, and others points to conduct that cannot be reduced to self-interest. The emphasis on fairness in contracts, the deliberate multiracial identity of the bands, and the willingness to risk incoherence for political purpose all illustrate his point. Where the assumption of self-interest would predict commercial calculation, Snow observes conduct shaped by solidarity, resentment against racism, and a sense of propriety about what music could and should do. The *Humanomics* framework fits because it lets us take these sentiments seriously as part of economic life. If there is a risk, it is that Snow sometimes frames *Humanomics* as a fix for the assumption of self-interest rather than as a different starting point. Still, the essay succeeds in showing, through the case of 2 Tone,

how observation of actual conduct unsettles a basic constrained maximization problem and forces economics to reckon with the moral sentiments that move human beings to act.

Humanomics, Governance, and Religion

Anthony Gill (2026) situates *Humanomics* within the larger question of governance. We remember Adam Smith's *Wealth of Nations* as a treatise on markets and self-interest, but the political scientist reminds us that much of it addresses public goods, taxation, and the role of government. In *The Theory of Moral Sentiments*, Smith adds that people also coordinate through moral sentiments and the desire for esteem, which often matter more than legislation. Political leaders cannot write or enforce rules for every circumstance; social order requires individuals to "obey the unenforceable." Economists neglect this dimension, preferring a constrained optimization problem.

He goes on to argue that *Humanomics* leaves out religion, a rather important institution for humankind. Vernon Smith and I hardly mention it, yet religion has long cultivated moral sentiments through narrative and ritual. Burial practices from the Paleolithic suggest that life and possessions were marked as sacred, anchoring prohibitions against murder and theft. Stories, parables, and public rites transmit rules to the young, establish common knowledge, and reduce uncertainty about others' intentions. Gill draws on Rodney Stark's definition of religion as explanations of existence tied to the supernatural, emphasizing ritual and exchange with God. Unlike secular norms, religious authority invokes a transcendent monitor. This makes religion especially effective at producing "obedience to the unenforceable." Priests and rituals disperse authority communally, while the idea of God provides an omniscient judge who cannot be escaped. Cognitive studies show that supernatural narratives are more memorable, especially for children, and rituals build reputation and identity.

The essay's strength is its concrete observations. Gill points to burials, parables, sacraments, and church rituals as mechanisms by which moral sentiments are taught, reinforced, and made common knowledge. Where economists treat governance as rules backed by force in a constrained optimization problem, Gill presents religion as an institution that inculcates propriety, broadcasts shared expectations, and gives them supernatural sanction. Religion, as Gill demonstrates, is another way human beings cultivate the sentiments that sustain cooperation.

Philosophical Versus Technical Economics

Paul Mueller (2026) contrasts technical economics with what he calls philosophical economics. Technical economics handles tightly specified choice problems as a constrained optimization. It falters when more wealth doesn't yield more well-being. Philosophical economics, by contrast, takes up the puzzles that appear once we observe conduct itself, such as conflicted desires, the paradox of wealth, the weight of tradition, and the moral judgments that order life.

He develops each with concrete examples. The donut eater who wishes he preferred healthier food exposes the limits of fixed preferences. Behavioral economists call this bias, but Mueller recalls Paul's words in Romans 7: "I do not do what I want, but the very thing I hate." On wealth, Gatsby's glittering circle shows fortunes bringing misery, not happiness, just as Adam Smith cautioned against frivolous consumption. On tradition, Mueller turns to Hume, Hayek, Burke, and Smith himself, observing that custom embodies knowledge and stability, and that the burden of proof lies with the reformer. On morality, he stresses Smith's account of approbation, gratitude, and rules of propriety as central to how we judge conduct.

Mueller insists that economists cannot reconstruct these phenomena with a constrained optimization problem. We must observe them in practice. Case by case, he shows that once we attend to conduct itself, the assumptions of self-interest and stable preferences give way to the moral sentiments by which human beings actually order their lives.

Catholic Social Teaching and Comparative Economic Systems

Stephen Miller (2026) sets *Humanomics* beside Catholic Social Teaching (CST) by working through its four principles: human dignity, the common good, subsidiarity, and solidarity. He begins with *Rerum Novarum* (1891) and later encyclicals, showing how each responds to industrialization, socialism, and capitalism. His claim is pointed: only free enterprise meets the standards of CST. All other systems fall short.

In parallel to *Humanomics*, Catholic doctrine arises from papal observation and judgment, not from detached abstraction. Leo XIII attends to the conditions of industrial workers, noting degraded labor conditions, and interprets them as violations of human dignity. Pius XI observes the concentration of power in both monopolies and centralized states, and from those circumstances articulates the principle of subsidiarity. John Paul II reflects on communism's collapse and on evidence of human flourishing under different regimes, insisting that development must serve the whole person. In each case the pope begins from what he observes in economic life and then interprets those circumstances through the lens of doctrine. Observation may not be primary to CST, but it is the ground from which these doctrines take their bearings.

Conclusion

We economists do not stand outside our inquiries; we are within it. When we stipulate constrained optimization, we decide in advance what conduct will mean. When we observe, we stand within the same world as those whose conduct we study, and we let their ways of making sense of each other instruct us. The challenge is not to install our maxim but to learn from surprise, to ask what our fellow human beings are trying to tell us, and to recognize that we make the constructions from world we study. The task, then, is to keep inquiry answerable to what people actually do and how they interpret one another's conduct.

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Author Index

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- Abel, Corey 1:3/6:6+7
 Adair-Toteff, Christopher 7:3+4/
 7:3+4/8:2+3/8:10+11/8:12/9:7+8/
 9:11+12/10:1+2/11:3+4/11:9+10/
 12:7+8/13:1+2/13:1+2/13:1+2/
 13:5+6/13:7+8/13:7+8
 Agrawal, Ritwik 11:9+10
 Aldrich, Daniel P. SIEO 4
 Aleo, Trevor 13:3+4
 Alexander, James 8:2+3/8:10+11/
 10:7+8/10:7+8/11:1+2/13:9+10/
 13:9+10/14:1+2
 Allen, Darcy 8:8+9
 Amato, Elizabeth 8:12
 Ammons, Joshua 14:5+6
 Andersson, David Emanuel 1:1/
 SIEO 1/SIEO 3/SIEO 5/
 SIEO 7/3:1/8:8+9/12:5+6
 Angeli, Eduardo 14:3+4
 Antiseri, Dario 3:2+3
- Baratz, Ran 12:9+10
 Barnett, Barry J. SIEO 7
 Bayer, Roberta 13:11+12
 Beaulier, Scott A. SIEO 5
 Becchio, Giandommenica 10:5+6
 Beckstein, Martin 6:3+4
 Bedi, Joshua K. 9:1+2
 Beltrán Ferrer, Jordi 8:4+5+6+7
 Benson, Bruce L. SIEO 3/SIEO 4
 Benzecry, Gabriel F. 11:7+8
 Berg, Alistair 8:8+9
 Berg, Chris 8:8+9/8:8+9
 Bernstein, Ilya SIEO 1
 Birner, Jack 3:2+3
 Bix, Brian 8:4+5+6+7
 Block, Walter
 4:1/6:6+7/10:3+4/11:5+6/11:7+8/
 12:7+8/12:9+10/ 12:9+10/13:1+2
 Bodeau, Abigail 9:1+2
 Bodon, Herminio 10:3+4
 Boehnert, J. SIEO 6
 Boettke, Peter SIEO 4/
 3:2+3/7:1+2/7:5+6/9:3+4/14:3+4
 Booker, Grahame 14:1+2
 Bose, Feler 9:1+2
- Boucher, David 10:7+8
 Bourke, Richard 9:9+10
 Brennan, Jason SIEO 7
 Briggeman, Jason 9:1+2
 Bronner, Gérald 3:2+3
 Brown, Russell 8:4+5+6+7
 Brożek, Bartosz 8:4+5+6+7
 Bruni, Luigino SIEO 7
 Buitelaar, Edwin 4:2+3
 Bunn, Philip D. 13:11+12
 Burczak, Ted 7:5+6/9:11+12
 Burns, Sarah 10:9+10+11+12
 Burns, Scott 6:1+2
 Bustamante, Pedro 10:3+4
 Butos, William N. SIEO 2/
 4:1/7:1+2/9:3+4/13:5+6
 Byland, Per 12:11+12
- Cabrillo, Francisco 12:3+4
 Caldwell, Bruce SIEO 4
 Callahan, Gene SIEO
 7/1:3/3:1/8:10+11/13:1+2
 Callahan Pamela 13:3+4
 Campagnolo, Gilles 3:2+3/10:5+6
 Camplin, Troy Earl SIEO 3/SIEO
 7/4:1/5:1/6:6+7/8:2+3
 Candela, Rosolino SIEO 7/
 9:5+6/10:5+6
 Capaldi, Nicholas 6:3+4/12:7+8/
 14:1+2
 Carden, Art SIEO 4/SIEO 7
 Carrasco, Maria Alejandra 2:3
 Carrett, Vincent 14:5+6
 Carrino, Agostino 13:7+8
 Casas, Vincente Moreno 12:11+12
 Chamberlain, Tyler 13:11+12/
 13:11+12
 Chamberlin, Anton 6:6+7
 Chamlee-Wright, Emily SIEO 4
 Chan, Wing-Cheuk 12:7+8
 Chartier, Gary SIEO 7
 Chaumet, Mario 8:4+5+6+7
 Cheeseman, Thomas J. 1:3
 Cheang, Bryan 14:3+4
 Cheung, Chor-yung 1:2/1:3
- Cho, John 8:8+9
 Christian, William 13:11+12
 Christensen, Brandon
 10:9+10+11+12
 Ciampini, Gabriele 5:3+4
 Coats, W. J. 10:1+2/13:3+4
 Cockram, Nathan Robert 6:3+4
 Cokelet, Brad 12:11+12
 Collier, Benjamin L. SIEO 7
 Collins, Gregory 9:9+10
 Cordner, Colin 13:11+12
 Corey, David D. 1:3/6:3+4
 Corey, Elizabeth 13:3+4
 Coventry, Angela 12:1+2
 Cowen, Nick 7:5+6
 Cox, Wendell 4:2+3
 Coyne, Christopher J. SIEO 4/
 SIEO 7/10:9+10+11+12
 Cozzolino, Stefano 4:2+3/5:3+4
 Crepelle, Adam 10:9+10+11+12
 Crespo Ricardo F. 10:5+6
 Crowe, Jonathan SIEO 7
 Crowley, Tim 8:4+5+6+7
 Crutchfield, Parker 9:5+6
 Cubbe de Ghantuz, Giovanni 11:7+8
 Cubeddu, Raimondo 10:5+6
 Currie-Knight, Kevin 5:1
- D'Agostino, Fred 5:2
 D'Amico, Daniel J. 14:5+6
 D'Andrea, Fernando 9:7+8
 Dart, Ron 6:3+4/13:11+12
 Davies, Stephen 9:9+10
 Davis, Ellen SIEO 7
 Davis, William L. 9:1+2
 DeArmas, Frederick A. 12:3+4
 De Brito, Adriano Naves 8:4+5+6+7
 De Waal, Cornelis 8:4+5+6+7
 Deakin, Simon 11:1+2
 Dekker, Erwin 4:1/9:3+4/10:5+6
 Deldoost, Mostafa 14:5+6
 Den Uyl, Douglas 8:1
 Dershowitz, Alan 12:9+10
 Desrochers, Pierre 4:2+3

- Devereaux, Abigail** 7:1+2/9:1+2/9:5+6
Dhingra, Neil 13:3+4
Di Iorio, Francesco 3:2+3
Di Nuoscio, Enzo 3:2+3
Digeser, P. E. 8:10+11
diZerega, Gus SIEO 1/SIEO 3/
1:1/2:1/3:1/5:3+4/6:6+7/7:3+4/
8:2+3/8:10+11/9:7+8/9:11+12/
9:11+12/2022/12/11:1+2/11:7+8/
12:5+6/12:9+10/13:9+10
Dobuzinskis, Laurent SIEO 1/
SIEO 5/6:5/8:8+9
Dockstader, Jason 10:7+8
Drosos, Dionysios 2:3
Duddy, Craig 14:1+2
Dumouchel, Paul 3:2+3
Duncan, Thomas K. SIEO 7
Dunn, George A. 13:11+12
Dyke, Jeremiah 12:7+8

Earle, Peter C. 14:5+6
Echeverio, Landon 12:1+2
Edmundson, William A. 11:9+10
Eisenberg, David 6:1+2/13:3+4
Eldridge, Richard 11:3+4
Ellerman, David 5:3+4
Elliott, Euel SIEO 7
Enright, Marsha Familaro 13:3+4
Erion, Gerald J. 4:4

Fear, Christopher 10:7+8
Ferlito, Carmelo 10:3+4/11:7+8
Ferrian, Stefano 5:1
Finn, Victoria 9:5+6
Fjelland, Ragnar 12:5+6
Foldvary, Fred 8:8+9
Franco, Paul 11:7+8
Frantz, Roger 7:5+6
Frederick, Danny 6:6+7/6:6+7/
6:6+7/8:2+3/9:7+8
Friedman, Mark D. 8:2+3/9:7+8
Fuller, Timothy 8:12/9:11+12/10:1+2/
/13:3+4/13:3+4
Furedi, Frank 11:1+2
Futerman, Alan, 12:9+10/12:9+10

Garzarelli, Giampaolo 7:1+2
Gaus, Gerald 7:5+6
Geddert, Jeremy Seth 13:11+12
Geloso, Vincent 6:5/9:5+6
Gill, Anthony 14:5+6
Gomez, Pedro Bustamante Marcela
10:3+4

Gonzales-Lagier, Daniel 8:4+5+6+7
Goodman, Nathan P. 9:5+6/11:11+12
Gordon, David 11:1+2
Gordon, Peter SIEO 7/4:2+3/8:8+9
Graf, Eric C. 12:3+4/12:3+4
Graham, Gordon 5:3+4/8:1
Granado, Michael 5:1
Grant, Robert 10:7+8
Grassl, Wolfgang 4:4
Green, Paul R. SIEO 4
Gregg, Samuel 9:9+10
Gregório, Inês Gregório 6:1+2
Grube, Laura E. 9:5+6
Guarino, Nicola 4:4
Gulker, Max 9:5+6

Haack, Susan 8:4+5+6+7
Haar van de, Edwin 10:9+10+11+12/
12:5+6/14:1+2
Haeffele, Stefanie 9:5+6
Hall-Blanco, Abigail SIEO 7/
10:9+10+11+12
Hall, Lauren K. 1:2/9:9+10/11:11+12
Hamilton, Emily 4:2+3
Hampsher-Monk, Iain 9:9+10
Hanley, Ryan Patrick 8:1/11:9+10
Hardwick, David F. SIEO 1/SIEO 5/
5:1/8:10+11
Harper, David A. 12:3+4
Hartley, Christie 11:9+10
Hastings, Janna 12:5+6
Hedblom, Maria M. 12:5+6
Herdy, Rachel 8:4+5+6+7
Herzberg, Roberta Q. 9:1+2
Herzog, Lisa 2:3
Heydt, Colin 8:1
Heystee, B. W. D. 13:11+12
Hoffmann, Andreas SIEO 7
Holcombe, Randall G. 12:11+12/
13:5+6
Hooten Wilson, Jessica 8:12
Hörcher, Ferenc 11:5+6
Horwitz, Steven SIEO 1/SIEO 4/
3:1/6:5
Hrelja, Marko SIEO 4
Hudík, Marek 3:1/6:1+2/8:8+9/
12:11+12/13:9+10
Hughes, Mark D. 11:7+8

Ikeda, Sanford 1:3/SIEO 7/
4:2+3/5:3+4/8:8+9/13:5+6/
13:9+10/14:1+2
Imber, Jonathan 11:3+4

Infantino, Lorenzo 7:1+2
Jace, Clara 6:1+2/9:1+2
Jacobs, Michael N. 13:1+2
Jacobsen, Peter J. 9:5+6
Jajodia, Ishaan 11:5+6
Jakobson, Mari-Liis 9:5+6
Jankovic, Ivan 6:1+2
Jerram, Ray 14:3+4
Jilk, David 14:1+2
Jones, Brigitta C. 14:3+4
Jones, Emily 9:9+10
Jones, Garrett SIEO 7
Jonsson, Hjorleifur 10:9+10+11+12
Jowett, Kiersten 8:8+9

Kaiser, Axel 14:3+4
Karsh, Efraim 12:9+10
Kearns, John T. 4:4
Keeling, Shannon SIEO 4
Kiesling, Lynne SIEO 3
King, M. Scott 14:3+4
Klein, Daniel B. SIEO
7/9:1+2/9:9+10
Kogelman, Brian 14:3+4
Koivukoski, Toivo 13:11+12
Kolev, Stefan 7:5+6
Koppl, Roger SIEO 7:1+2/
9:3+4/9:5+6/13:5+6
Kosec, Jernej 10:9+10+11+12
Krecké, Elizabeth 13:5+6
Krinkin, Kirill 12:5+6
Krisnamurthy, Prashant 10:3+4
Kuchař, Pavel 4:1/10:5+6
Kuznicki, Jason 11:11+12

Lai, Sara 13:7+8
Lai, Lawrence W. C. 11:1+2/12:7+8
Lambert, Karras J. 10:5+6
Landau, Iddo 8:4+5+6+7
Landes, Richard 12:9+10
Landgrebe, Jobst 12:5+6
Lane, Robert 8:4+5+6+7
Langlois, Richard N. 7:1+2
Lee, Michael 10:9+10+11+12
Leeson Peter T. SIEO 7
Lehto, Otto 9:5+6/11:9+10
Lemke, Jayme S. SIEO 4/SIEO 7/
11:11+12
Letwin, Oliver 10:7+8
Lewin, Peter SIEO 7/2:2
Lewis, Paul SIEO 4/2:2/7:5+6/10:3+4
Lewis, Ted G. 6:6+7/7:3+4/9:7+8
Lifshitz, Joseph Isaac 1:2

- Little, Daniel** 11:3+4
Lofthouse, Jordan K. 9:5+6/14:5+6
Lohmann, Roger A. SIEO 2
Lombardo, Gary A.
 13:1+2/13:1+2/13:1+2/14:1+2
Lopes Azize, Rafael 11:3+4
Lovasz, Adam 12:7+8
Lozano-Paredes, Luis Hernando
 8:8+9
Lurie, Robert Dean 14:1+2
Lütke, Rudolf 4:4
- Madison, Michael** 10:3+4
Magness, Phil 9:5+6
Malamet, Akiva 11:11+12
Malczewski, Eric 12:7+8
Mallett, Jacky SIEO 2/2:2
Mannai, Waleed I. Al 9:7+8
Marciano, Alain 14:3+4
Markey-Towler, Brendan 6:5
Marriott, Shal 10:7+8
Marsh, Leslie SIEO 5/1:3/4:2+3/5:1/
 6:3+4/8:4+5+6+7/8:8+9/8:12/
 9:11+12/11:9+10/13:1+2/13:5+6
Martin, Adam SIEO 3/SIEO 4/7:5+6
 /14:5+6
Martin, Nona, P. SIEO 1
Martinelli, Emanuele 12:5+6
Masini, Fabio 10:9+10+11+12
Mason, Sheena Michele 13:3+4
Mayorga, Rosa Maria 8:4+5+6+7
Mazur, George 13:7+8
McCabe, Joshua T. SIEO 4/13:7+8
McCloskey, Deirdre N. SIEO 7
McHugh, John 8:1
McIlwain David 10:1+2
McIntyre, Kenneth B. 10:1+2
McKinnell, Ryan Alexander
 13:11+12
McPherson, David 12:11+12
McQuade, Thomas J. SIEO 2/
 4:1/6:6+7/9:7+8/10:3+4/11:1+2/
 13:5+6
Meirson, Itay 12:9+10
Mendenhall, Allen SIEO 5/8:12
Menon, Marco 10:5+6
Meroi, Andrea 8:4+5+6+7
Migotti, Mark 8:4+5+6+7
Miller, Stephen 14:5+6
Miller, William 5:3+4
Mingardi, Alberto 2:1/13:1+2
Minola, Luca 8:8+9
Miotti, Ana Luisa Ponce 8:4+5+6+7
- Moore, Nathan M.** 13:5+6
Moreno-Casas, Vicente 11:5+6
Moroni, Stefano 1:2/4:2+3
Morrone, Francis 4:2+3
Motchoulski, Alex 11:9+10
Mueller, Paul 14:5+6
Muldoon, Ryan 5:2
Mulligan, Kevin 6:3+4
Mulligan, Robert F. SIEO 2/SIEO
 3/ 6:1+2/10:3+4/11:5+6/13:5+6/
 13:7+8/14:1+2
Muñoz, Félix-Fernando 12:3+4
Murphy, Jon 9:5+6
Murtazashvili, Ilia
 9:5+6/10:3+4/10:9+10+11+12
Murtazashvili, Jennifer 10:3+4
Mussler, Alexandra 8:2+3
Mylovanov, Tymofiy 10:3+4
- Nadeau, Robert** 3:2+3
Naves de Brito, Adriano 8:4+5+6+7
Nelson, Scott B. 10:1+2
Neufeld, Blain 5:2
Nichols, David 10:9+10+11+12
Nicol, Heather 10:9+10+11+12
Nientiedt, Daniel 10:9+10+11+12
Nikodym, Tomáš 11:5+6
Njoya, Wanjiru 11:1+2/11:1+2
Norman, Jesse 8:1
Novak, Mikayla 5:3+4/6:1+2/6:5/
 7:5+6/8:8+9/9:5+6/9:7+8/11:11+12
 /12:11+12
Nubiola, Jaime 8:4+5+6+7
- O’Gorman, Farrell** 8:12
O’Hara, Kieron 6:3+4
O’Sullivan, Luke 9:3+4/10:1+2
O’Sullivan, Noël 1:3/6:3+4/9:7+8
Olechowski, Thomas 13:7+8
Oliverio, Albertina 3:2+3
Ott, Jordan 8:10+11
Otteson, James 8:1
Oyerinde, Oyebade 10:9+10+11+12
- Packard, Mark D.** 11:1+2
Padvorac, Meggan 8:4+5+6+7
Paganelli, Maria Pia 2:3/8:1
Page, Scott E. 5:2
Pakaluk, Catherine R. 9:1+2/
 11:11+12
Palmberg, Johanna 1:1
Paniagua, Pablo
 5:3+4/8:2+3/9:3+4/9:5+6/14:3+4
- Pardy, Bruce** 11:1+2
Pegg, Scott 10:9+10+11+12
Pender, Casey 10:5+6
Peppers, Shawn 2:1
Peralta-Greenough, Quinton V.
 10:3+4/12:5+6/12:9+10
Perednik, Gustavo D. 12:9+10
Peterson, Lindsey SIEO 7
Petitot, Jean 3:2+3
Phillips, Luke Nathan 11:5+6
Plassart, Anna 9:9+10
Platz, Jeppe von 14:3+4
Podemska-Mikluch, Marta 6:5
Podoksik, Efraim 6:3+4
Politis, George 13:5+6
Porqueddu, Elena 5:3+4
Postigo Zúñiga y, Gloria 4:4
Pošvanc Matúš 12:7+8
Potts, Jason 1:1/2:1/8:8+9
Powell, Benjamin SIEO 7
Prather, A. 13:3+4
Prehn, W.L. 13:3+4
Prychitko, David L. 7:5+6
- Raatzsch, Richard** 11:3+4
Radcliffe, Elizabeth S. 12:1+2
Radner, Isaac 13:3+4 13:3+4
Rajagopalan, Shruti 4:2+3
Ramos, Vitor Lia de Paula
 8:4+5+6+7
Rapaport, William J. 12:5+6
Rasmussen, Douglas 12:11+12
Rayamajhee, Veeshan 9:5+6
Read, Rupert 11:3+4
Riano, Nayeli L. 7:3+4/11:5+6/
 11:5+6
Risser, James J. 8:10+11
Ritter, Dylan 11:5+6
Robitaille, Christian 10:5+6
Rodríguez Burgos, Ojel L. 12:7+8/
 13:5+6
Rohac, Dalibor 10:9+10+11+12
Rosenthal-Pubúl, Alexander 7:3+4
Roth, Paul A. 11:3+4
Roy, Ravi 14:5+6
Rowse, Eric 11:9+10
Rueda, Beckett 10:7+8
- Salter, Alexander William** 2:2
Sampieri-Cabál, Rubén 8:4+5+6+7
Schaefer, David Lewis 10:1+2
Scheall, Scott 7:1+2/9:3+4/9:5+6/
 12:7+8/13:5+6/13:9+10

- Scheffel, Eric M.** 1:1
Schliesser, Eric 9:3+4
Schneider, Luc 4:4
Schuett, Robert 13:7+8
Schulz, Stefan 12:5+6
Scruton, Roger 6:3+4
Sedlakova, Jana 12:5+6
Sémanne Alexis 13:9+10
Shalev, Avraham (Russell) 12:9+10
Shearmur, Jeremy 7:5+6
Shera, Marcus 9:1+2
Shoup, Brian SIEO 7
Shrestha, Shikhar 9:5+6
Simon, Jonathan A. 12:5+6
Simons, Peter M. 4:4
Skarbak, Emily C. SIEO 4
Skjönsberg, Max 10:7+8
Skoble, Aeon SIEO 7
Skwire, Sarah 11:11+12
Slaboch, Matthew 12:11+12/12:11+12
Smith, Barry 4:4/12:5+6
Smith, Blake 10:9+10+11+12
Smith, Brian A. 8:12
Smith, Craig 8:1
Smith, Daniel J. SIEO 5/SIEO 7/11:7+8
Smith, Sandra 4:4
Smyth, Nick 12:11+12
Snow, Nicholas A. 11:11+12/14:5+6
Söderbaum, Jakob 13:1+2
Sordini, Alexander 11:7+8
Sorel, Niels 4:2+3
Staden van, Martin 10:9+10+11+12
Stein, Sofia Inês Albornoz 8:4+5+6+7
Stein, Solomon SIEO 7 /2:2
Steiris, George 13:5+6
Storr, Virgil Henry SIEO 1/9:5+6
Stuart-Buttle, Tim 12:1+2
Studebaker, Benjamin 10:9+10+11+12
Susato, Ryu 12:1+2
Sutter, Daniel SIEO 2/SIEO 3/SIEO 4/SIEO 5
Symons, Xavier 12:11+12
Szurmak, Joanna 4:2+3

Tarko, Vlad 14:3+4/14:5+6
Tegos, Spyridon 2:3
Thomas, Diana W. 9:1+2
Thomas, Michael D. 9:1+2/14:5+6
Thorn, Brian T. 13:11+12
Treiber, Hubert 13:7+8

Trimcev, Eno 6:3+4/8:10+11
Troy, Gil 12:9+10
Turner, Frederick 1:2/13:7+8
Turner, Stephen SIEO 5/1:3/6:1+2/7:1+2/10:1+2/12:5+6/13:7+8

Valério, Luan 11:7+8
Vallier, Kevin 5:2/11:9+10
Valliere, Dave SIEO 4
Vargas-Vélez, Orión 8:4+5+6+7
Vázquez, Carmen 8:4+5+6+7
Veetil, Vipin P. 3:2+3
Vilaça, Guilherme Vasconcelos SIEO 3
Vinten, Robert 11:3+4

Wagner, Michael 7:3+4
Wagner, Richard E. SIEO 4/SIEO 7/6:5/7:1+2
Walsh, Aidan SIEO 2/SIEO 3
Warmke, Brandon 12:11+12
Watson, Lori 5:2/11:9+10
Wearne, Bruce C. 13:7+8
Weinstein, Jack Russell 2:3
Weiss, Martin 10:3+4
Wenzel, Nikolai G. SIEO 5/8:2+3
West, Robert 12:5+6
Whatmore, Richard 9:9+10
Wible, James R. 7:1+2/13:5+6
Wiemer, Walter B. 8:10+11/9:11+12/11:3+4/12:7+8/13:1+2/14:1+2
Wiens, David 5:2
Williams, Kevin 1:3/ 13:3+4
Williamson, Claudia R. SIEO 7
Wilson, Aaron 8:4+5+6+7
Wilson, Bart 14:5+6/14:5+6
Wirt, Aaron 14:5+6
Woleński, Jan 4:4
Wolloch, Nathaniel 2:3
Woode-Smith, Nicholas 10:9+10

Xerohemona, Kiriake 8:4+5+6+7

Yadav, Vikash 14:3+4
Yonk, Ryan 14:5+6/14:5+6

Zanetti, Roberto 5:1
Zeitlin, S. G. 12:9+10/13:9+10
Żelaniec, Wojciech 4:4
Zellen, Barry S. 10:9+10+11+12
Zeng, Elena Yi-Jia 12:1+2

Back Issues

THEMATIC

14:3+4	<i>The Constitution of Liberty at Sixty-five</i>
13:11+12	George Grant: The Enduring Relevance of <i>Lament for a Nation</i>
13:9+10	Society for the Development of Austrian Economics
13:3+4	Liberal Education
12:11+12	Society for the Development of Austrian Economics
12:1+2	Hume's Political Epistemology
11:11+12	Gender and Spontaneous Order
11:5+6	Revisiting Cultural History
10:9+10/11+12	Sovereignties, World Orders, and the Federalist Option: Reviving Libertarian Foreign Policy
10:7+8	<i>Rationalism in Politics</i> : sixty years on
10:5+6	Carl Menger and Classical Liberalism
9:5+6	The Political Economy of Pandemics: Towards Uncharted Territory
9:1+2	Economics of Religion
8:8+9	Spontaneous Urban Planning at the Intersection of Markets, Democracy and Science
8:4+5/6+7	Philosophy, The World, Life, and The Law: In Honour of Susan Haack
6:6+7	Karl Popper
5:1	Jazz as a Spontaneous Order
4:4	Barry Smith: On the Occasion of his 65th Birthday
4:2+3	Jane Jacobs
3:2+3	Methodological Individualism, Structural Constraints, and Social Complexity
1:3	Michael Oakshott

BOOK SYMPOSIA

14:5+6	<i>Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century</i>
13:7+8	<i>Making Democratic Theory Democratic: Democracy, Law, and Administration after Weber and Kelsen</i>
13:5+6	<i>Hayekian Systems: Research into the Structure of Social Interaction</i>
12:11+12	<i>The Virtues of Limits</i>
12:9+10	<i>The Classical Liberal Case for Israel</i>
12:5+6	<i>Why Machines Will Never Rule the World: Artificial Intelligence without Fear</i>
12:3+4	<i>Anatomy of Liberty in Don Quijote de la Mancha: Religion, Feminism, Slavery, Politics, and Economics in the First Modern Novel</i>
11:9+10	<i>Trust in a Polarized Age</i>
11:3+4	<i>Wittgenstein and the Social Sciences: Action, Ideology, and Justice</i>
11:1+2	<i>Economic Freedom and Social Justice: The Classical Ideal of Equality in Contexts of Racial Diversity</i>
10:1+2	<i>Michael Oakshott and Leo Strauss: The Politics of Renaissance and Enlightenment</i>
9:9+10	<i>Commerce and Manners in Edmund Burke's Political Economy</i>
9:3+4	<i>F. A. Hayek and the Epistemology of Politics</i>
8:12	<i>Walker Percy and the Politics of the Wayfarer</i>
8:1	<i>Adam Smith: What He Thought, and Why it Matters</i>
7:5+6	<i>F. A. Hayek: Economics, Political Economy and Social Philosophy</i>
7:1+2	<i>Expert Failure</i>
6:5	<i>Inequality: An Entangled Political Economy Perspective</i>
6:3+4	<i>Conservatism—An Invitation to the Great Tradition</i>
5:2	<i>The Tyranny of the Ideal</i>
2:3	<i>Adam Smith's Pluralism: Rationality, Education And The Moral Sentiments</i>

GENERAL

14:1+2/13:9+10/13:1+2/12:7+8/11:7+8/10:3+4/9:11+12/9:7+8/8:10+11/8:2+3/7:3+4/6:6+7/6:1+2/5:3+4/4:1/3:1/2:2/1:1/2/1:1
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Editorial Information

Aims and Scope

Cosmos + Taxis (C+T) offers a forum to those concerned that the presuppositions of the liberal tradition have been severely corroded, neglected, or misappropriated by overly rationalistic and constructivist approaches. The hardest-won achievements of the *classical* liberal tradition have been the wrestling of epistemic independence from overwhelming concentrations of power, monopolies and capricious zealotries.

C+T publishes papers on complexity, broadly conceived in a manner that is accessible to a general readership with particular emphasis on political economy and social philosophy. C+T is not committed to any particular school of philosophical thought or philosophical style.

C+T offers a forum distinctively engaging the growing confluence of interest in **situated and distributed** liberalism emanating from the Scottish tradition, Austrian economics, and non-Cartesian philosophy.

General Editorial Information

C+T is operated under the auspices of the Department of Philosophy, Political Science, and Economics at The University of British Columbia Okanagan. **C+T does not assume responsibility for the views expressed by its contributors.**

In addition to articles and reviews, C+T offers an opportunity for guest editors to lead thematic issues, book symposia and *festschriften*. Inquiries should be addressed to the Managing Editor.

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