

This presentation is scheduled as a presentation on ethics. I will first talk to you about economics, however, about economic reality as I understand it.

I very much agree with Lans Bovenberg that the economy should be understood as consisting of relations. The starting point of analysis for me is not the individual, not Robinson Crusoe, but relationships. Organizing relationships, to be precise.

Scarcity makes humans organise to counter it. When we see organisation, there is scarcity, evidently. We are Homo sapiens, the human that knows what it does and thinks that it knows why. Our capacity for knowledge enables us to go beyond being driven by fear & direct need (greed), but not much beyond. We are more than animals, but not much. It is because of our limitations that we are social animals. It is because we are social animals with some capacity for knowledge and for individual agency that we are such a successful type of animal. I see 4 types of dealing with our limitations, resulting in 4 types of relations.

LEADERSHIP ⇄ FOLLOWERSHIP

capacity for agency only sufficient for tiny part of our behaviour
⇒ we usually know what we want only in hindsight

some are more equal than others: **elders, betters, haves & wise**

4 types of relations: **belonging, hierarchy, dependence & commitment**

⇒ 4 types of economy: e.g. **kinship, states, market & ideals**

⇒ **economics is about finding the right mixture**

We are Homo sapiens. We know what we want. But usually only afterwards. And only when asked.

Most of the time, most of our behaviour is subconscious, habitual, in line with that of our peer groups.

We do have individual agency and it is essential for being human.

That capacity for agency only suffices for a tiny part of our behaviour, however. So we need others to tell us what we want, most of the time. We need leaders, because our behaviour implies following others most of the time. We follow those whom we *perceive* as more experienced, as better, as having access we don't have to things we need, as wiser in one sense or another.

Perception becomes reality. Being seen as leader enables you to be an effective leader.

Different types of following others correspond to different types of leadership. Different types of leadership correspond with different types of relations. Different types of relations correspond with different types of economy.

They are always mixed; economics, organizing what we need, is about modifying and improving the mixture.

LEADERSHIP ⇄ WEALTH↑ & INEQUALITY↑

RENT-SEEKING ⇄ INEQUALITY↑ & WEALTH↓

wealth creation = collective effort ⇒ **attribution problem**

organising grows the pie and merits a larger slice of it

organisers claiming disproportionate slices ⇒ **rent-seeking**

wealth distribution: guided by the 'parables'* we tell as economists

* 'Economics is a collection of parables, stories that help us understand the world around us.'
Coen Teulings (KVS Preadviezen 2016)

History is a story of societies that grow in size and in complexity, of increasing cooperation to create more wealth. Leaders organize that cooperation and can claim a larger slice of the result because of that. They are tempted to claim a disproportionate share, to abuse their leadership position: also known as rent-seeking.

The stories we tell as economists, the 'parables' as Coen Teulings called them recently, have a crucial role in legitimizing wealth distribution. In addition -hopefully- they help us understand what we are doing when we are organizing our needs and those of others and to improve on that.

THE MYTH OF THE MARKET ECONOMY

'Economists unintentionally provide criminals with excuses by tautologically assuming that people do what they do and concluding that that must be alright. E.g. Milton Friedman: "Government should not forbid drugs. People should be free to consume what they want."

Jan Pen, ESB Dec. 1984, theme "the illegal economy"



The core parable for most economists these days is the market parable. A stark example of the dubious nature of that parable was given by Jan Pen in 1984, referring to a harmful activity like drug use. Koen Haegens, now economic journalist at De Volkskrant, called it a myth. I think he is right.

PERFORMATIVITY \Leftrightarrow MYTHS \blacktriangleright REALITY

"If men define situations as real, they are real in their consequences."

Thomas theorem results from performativity of language

- The Invisible Hand ignores The Law of the Jungle
- The Housekeeping Book of the State ignores Money Creation
- Economy = Markets ignores Communities, Hierarchy, Ideals

\Leftrightarrow HOPE \blacktriangleright REALITY

"If men define situations as real, they are real in their consequences." according to William & Dorothy Thomas in 1928. The so-called Thomas theorem in sociology. To understand why, I use the concept of performativity. Performativity = the capacity of language to perform actions and construct identities. It is a concept developed by the language philosophers Austin and Searle. On that basis John Searle wrote in 1995 about "The construction of social reality". Performativity makes myths into social reality.

Some examples are The Invisible Hand, The Housekeeping Book of the State and identifying the Economy with Markets.

In 2007 Donald McKenzie and others wrote a book about the performativity of economics: "Do Economists Make Markets?" That book title ended with a question mark, but I think we do.

As economists we have created the market as we know it. Our market parable has become reality. That causes problems: Our understanding of 'markets' gives too much space to the law of the jungle. It disempowers government and it ignores other ways of organizing needs.

If we can use myths to create reality, we can also use hope to do so, however.

HOMO ECONOMICUS?

- >90% social animal inward cooperation & outward competition
- <9% individual agent 'rational' egoism & rational idealism
- ~1% spiritual being connectedness

How to go from fear & greed → trust & altruism → founded hope?

ECONOMICS = WHAT ECONOMISTS SHOULD DO!

Back to our species, Homo sapiens, or Homo economicus. Homo economicus as depicted by economists has a bad press. It is depicted as individualistic, self-seeking and as doing so consciously and rationally. This depiction of Homo economicus, of you and me, is unfair I think.

As we saw, homo sapiens is mostly an animal, a social animal. Crucial for being human is that we do have a limited capacity for individual agency. Leaders more so than followers, but everyone can be a leader in his or her own place. That leaves very little space for hope, but enough. Spirituality is also crucial for humanity.

How to go from fear & greed to trust & altruism? How to found our hope in reality?

That is not what economists are used to deal with at present. It is what they should do. That is where ethics enters.

ECONOMICS AS ART NEEDS ETHICS

**economics = providing performative parables
building the economy as meant
painting the Kingdom**



Economics is essentially a normative practice, in my understanding. We cannot avoid our descriptions of reality from influencing, even creating, social reality. We have the responsibility to use our performative power to build the economy as meant. To paint the Kingdom.

By the way, the background of this painting by Edward Hicks, shows a group of Quakers and Native Americans, conversing amiably. It demonstrated that the Peaceable Kingdom could be and was a reality, to some extent.

SUMMARY OF MY ECONOMICS

the economy = patterns of mostly subconscious collective behaviour based on **belonging, hierarchy, dependence & commitment**

economics (social art) = (re)organises (those patterns so) that people get what they need
applies & appeals to **rational idealism** (humanity & agency)

economics (school subject & academic discipline) = provider of performative parables that build social reality
➤ should build the economy **as meant** (normative)

Let me summarize what I propose, as a way of understanding economics.

So far I published about my economics under the title "[Economics of want and greed](#)". I forgot about hope and I was not aware of performativity yet. I now prefer to call it "Economics of trust and altruism".

THE economy is a collection of patterns of collective behaviour, in my understanding, of animal behaviour, mostly, when we try to understand it.

Economics as social art is where our agency comes in, our limited capacity for it.

Economics as discipline is essentially normative, because of its performativity. Parables perform as norms. We need human agency and economics as normative discipline to improve economic practice.

from FEAR & GREED to TRUST & ALTRUISM

ethics = systems of ideas that guide us beyond animal behaviour

humane behaviour needs practice, needs building habits
• in schools
• in political arena's

➤ belonging ► hierarchy ► dependence ► **shared commitment**

ECONOMISTS SHOULD BE AWARE THAT THEIR 'PARABLES' ARE CODES OF ETHICS

We want hope to become real. We want it to outperform fear and greed as drivers of economic behaviour. We have to build hope on trust and altruism to make it real. We need ethics to do so, and practice. Humane, ethical, responsible behaviour needs training in communities of practice. In schools and in the public, political arena, primarily.

Among the patterns of habitual behaviour of which our economies are built, shared commitment has most potential to guide us from fear & greed to trust & altruism. More so than communities of belonging: ethnic communities, neighbourhood communities, national communities and many if not most religious communities. Because they are exclusive and compete with each other for resources. More so than states and other forms of hierarchical organization based on status and power. Because they limit individual freedom. More so than markets based on dependence. Because they tend to become exploitative and create jungles when unchecked.

My main message today: As economists we should take responsibility for a hopeful society. We can do so because our 'parables', our stories about 'reality', have performative power. They are codes of ethics. We should own them as such.