Conceptions of the Human Person in Economic Thinking:  
From Smith and Marx to Contemporary Theory  

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We consider how economics courses can connect to the mission of religiously grounded universities via assumptions about the human person, using Smith and Marx and communism as historical examples, as well as some areas in contemporary economics in which questions of the human person arise. The Christian vision of the human person assumes that we have been made by God, who has provided us with capacity to follow a moral law and to live for purpose. Smith wrote during a time of questioning at the epistemological and metaphysical level regarding human nature. Marx attempted to craft an economic model of history and society to be consistent with his assumptions of philosophical materialism. Areas of contemporary economics have broadened the scope of reasoning regarding economic behavior beyond a simple economic self-interest, this may provide opportunities for richer models of human capacity and institutions addressing the non-material level. This is explored more fully with the case of development economics.

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I. Introduction

As practical individuals, economists want to focus on whether something works, not necessarily the motives or philosophical understanding of the person behind it. We are trained to examine the system and outcomes, not the philosophy. Unfortunately, this focus leaves us unprepared to understand important aspects of the enormous battles in the past two centuries that, though they occurred over economic organization, often greatly involved questions of human nature generally rather than the important, but narrower question of the efficiency of markets.

For example, reflecting upon what the fall of Communism and the other economic experiments taught, Pope Benedict writes,

\begin{quote}
The collapse of the Communist systems was due in the first instance to their false economic dogmatics. But there is a tendency to overlook the deeper fact that they broke down because of their contempt for man and because they subordinated morality to the needs of the system and its promises of a glowing future. The real catastrophe that the Communist regimes left behind is not economic. It consists in the devastation of souls, in the destruction of moral consciousness. I see a fundamental contemporary problem for Europe and for the world in that while no one contests the economic failure, and former
\end{quote}

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Communists do not hesitate to become economic liberals, there is an almost total silence about the moral and religious problems that were the real heart of the matter. And this means that the problems left behind by Marxism are still with us. The dissolution of the primal certainties of man about God, about himself, and about the universe—the dissolution of the consciousness of those moral values that are never subject to our own judgment—all this is still our problem (145).

Demonstrating why abandoning the price or profit mechanisms was “false dogmatics” may explain why former Communists embrace economic liberalism, and is standard fare for economics courses. But why did the failure of an economic theory leave us with moral problems? What were the moral/religious problems that were the real heart of the matter which Marx attempted (but failed) to solve yet are still with us? What was the link between human nature and economic thought? To understand the type of critique people like the Pope make, we often need to re-read our own history with attention to how perspectives on human nature influenced economic thinking and policy.  

These types of questions provide challenges and opportunities for teaching economics at religiously affiliated institutions. Challenges arise because the issues about human nature are typically outside the positivist approach of economics today. But it can provide opportunities as well, particularly for historical study since questions of existence were often involved in the historical development of the discipline, as well as in areas of contemporary theory which explore more complex models of individual behavior.

In the case of communism, for example, an important element of these debates was that the various economic regimes didn’t merely try to produce more stuff or achieve social justice. They were based upon certain assumptions of human existence and human nature: that people are solely material beings and all human behavior and outcomes must be explainable in material terms. Given the enormous impact of the Industrial Revolution and the rise of capitalism, economic factors provided a natural suspect. That implied changes in the system could change people and solve deeper problems in human society. The trial of alternative economic systems was a test of such theories, and their failure was not merely an answer to the economic question of the efficiency of central planning, but a lesson about human nature: people are not simply products of the system; they need more than economic arrangement on which to base their lives.

How does this pertain to contemporary questions? While many philosophical issues are beyond the scope of economic inquiry, nonetheless, the behavioral questions about human nature are open. How much capacity for free action according to ideas—self-understanding, moral law, purpose—people have depends upon what people are (which naturally leaves the more challenging issue of whether any guides actually exist if people do have such capacity). A number of areas of contemporary theory—behavioral economics, neuroeconomics, development economics, economics and psychology, etc.—explore these aspects of human agency, with implications both for individual behavior as well as the institutions which may be based upon those broader understandings of human existence (e.g. churches, families, and civil society more widely). While richer, more accurate models of human behavior are desirable, we wish to

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3 Roberts (1990/1971), for example, charges that Western economists consistently misread the Soviet Union because they failed to appreciate the extent to which it was arranged to address alienation, not just produce efficiently.  
4 Fogel provides an interesting example for this for Western nations: “The theory projected by the Social Gospelers, and embraced by modernism generally, held that cultural crises could be resolved by raising incomes. That theory has been given a long trial and has turned out to be incorrect. Despite the sharp rise in incomes, especially at the low end of the income distribution, the moral crisis of the cities remains unresolved” (2000, 172).
recognize the limits of models which however more complex, paradoxically still collapse to
reductionist accounts of human existence.

The following paper thus tries to illustrate how economics courses may connect to their
core via philosophical questions of the human person, using the particular cases of Smith and
Marx. However, in doing so, this fleshes out how these questions remain for the social science
theory of today. The attempts of Smith, but especially of Marx and the USSR to deal with these
questions provide examples to Christian economists who strive for consistency between our
discipline and the various views of human existence.

Faced with the loss of epistemological certainty (rejecting revelation), but not yet in a
time of complete materialism, Smith used sympathy and the self-interest in the invisible hand to
explain how society could work harmoniously. Just two generations later, the metaphysical
foundation had collapsed completely to materialism. Marx, knowing materialism implied that
moral ideals couldn’t exist to justify eliminating capitalism, developed the supposedly scientific
inevitability of communism to propose a direction for society.

His efforts to deal with materialism provide an important lesson for people of faith who
agree on the foundational questions which must be faced even if disagreeing with the answers.
Materialism comes with a cost: its assumption of people as animals vastly reduces room for
human agency, and eliminates the possibility of ideas, self-understanding, moral law, stable
nature, or human purpose on which decisions could made. This also undermines the importance
of the institutions of civil society, (perhaps especially family and religion) which foster them,
and instead implying the ideal society can only be achieved with the appropriate material
(especially political/economic) arrangement. The failure of communism returns us to these basic
questions. While Marx’s answers were different, the questions were the same as ours, and the
consistency he sought admirable.

We then close with some places in which these issues, especially human capacity for free
action, the role of ideas for human action, and the role of institutions like families and church
arise in contemporary theory. This includes a particular review of how development economics
has expanded to include such topics as motivation, individual rationality and social settings in
individual decision-making.

We believe an emphasis on questions of human nature can strengthen both the economics
training and the university mission. The greater attention of faith based institutions to
fundamental questions of human nature means students come into economics classes more
prepared to understand the complexity of the projects Smith, Marx (and later communism) were
engaged in to link their economic understanding to their view of existence. It can also provide a
foundation for making sense of much recent work in economics which itself has adopted richer
decision-making frameworks.

II. The Human Person and Economic Theory

A useful way to understand the philosophical debates which have involved both human
nature and economic systems is to recognize fundamental questions facing philosophical inquiry,
central questions about human life:

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<th>Metaphysics:</th>
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Metaphysical questions concern the nature of existence. These include basic questions like Is there a God? Is there truth? Is there a moral law? Do people have souls or are they purely material beings? Is there a purpose/meaning/direction to human life (individually or collectively)? Do people have inherent dignity or not? From those follow additional questions. Is human nature basically good or bad or selfish or selfless and why? Do people have free will? If so, how? Does that require a soul? Is there a direction to history, a providential working out of everything for individuals and humanity as a whole? Epistemology focuses on what we can know: do we only have reason and observation, or do we have revelation?

This helps clarify how social science theories can connect back to an understanding of humankind and the universe, what assumptions theorists must be making to be consistent, and how Christians can appropriate the best insights and advances of social science theories, without sacrificing the fundamental vision of human nature the Judeo-Christian heritage offers.

In the Judeo-Christian heritage of the West, the metaphysical foundation is that God exists; he created man, who is spiritual and physical. God cares about each person; and gave the combination of physical and moral laws. Epistemologically, these laws can be known by reason, observation, and revelation. In terms of ethics, these laws then tell us how to live for human flourishing, growing in love of God and others, and in virtues. In politics, these involve the creation of a society which encourages these overall and in which people see themselves as brothers and sisters before God, loving others as God loves them.

Interestingly, this point about the foundational nature of these questions was made quite clearly by the Soviet Union itself. The Communist Party produced several texts for various disciplines, intending to be official statements of the party’s positions regarding those areas. They provide unique insights into how the Communists tried to link philosophical assumptions regarding human nature with their economic principles. One of them, The Fundamentals of Marxist-Leninist Philosophy, commences with the statement, 

Marxism-Leninism cannot be properly understood without its philosophical basis. …What is the essential nature of the world around us? What is the relationship between nature and spirit? Between matter and consciousness? What is man and what is his place in the world? Is he capable of knowing and transforming the world, and, if so, how is it to be done (15-16).

It also adds,

Some philosophers try to prove that the basic question of philosophy is man, human life itself with all its problems. No one would deny that questions of man’s social life occupy a central place in philosophy, particularly Marxist philosophy. But they may be regarded from both materialist and idealist positions. Thus, the basic question in philosophy is the question that theoretically sets the direction of philosophical inquiry, that formulates its point of departure and governing principles. This was the sense in which the classics of Marxism called the question of the spirit-matter relationship the basic philosophical question. The basic question of philosophy has two aspects. The first aspect is the question of the essence, the nature of the world and the second aspect is the question of its knowability (23).
At the most foundational level is the question of existence overall, in particular, whether there is more than the material world or not. This is not a new question: for example, Greek philosophy had largely split between the Platonic (which assumed more than a material world) and the Epicurean (materialist, i.e. which assumed only a material universe).\(^5\) The implications had thus been discussed long before Marx wrote, so he knew what he had to address when he made the choice to operate within materialism. Again, *Fundamentals* captures the importance of this separation.

No matter how diverse philosophical doctrines may be, they all, directly or indirectly, take as their theoretical point of departure the question of the relationship of consciousness to being, of the spiritual to the material…

The basic question of philosophy lies in the fundamental facts of our lives. Yes, there are material phenomena, but there are also spiritual phenomena, consciousness, which differ from material phenomena. This distinction between thinking and being, between the subject and the object, enters into any act of human consciousness and behavior. Every individual distinguishes himself from that which surrounds him and is aware of himself as something different from everything else. No matter what phenomenon we are considering, it can always be placed in the sphere of either the material (the objective) or the spiritual (the subjective). And yet, despite the differences between the objective and the subjective there is a definite connection between them. This connection comes to light when we begin to think about what may be considered primary and what secondary, about what is definitive in the world: the material or the spiritual, the object or the subject (20-21).

After the question of whether there is more than the material world come a host of additional questions. At some point, their many variations would move too far outside even brief mentions for an economics class and into philosophy. To keep the focus on the major questions, and those which motivated both Smith, but especially, Marx, we find the following framework helpful.

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\(^5\) As well as the Stoic position which was somewhat in-between (and which Smith adopted).
It commences with the foundational distinction between materialism and all other human reflection which assumes something more. It can both link discussions at least in the history of economic thought and core courses in economics (with some mentions later) while highlighting issues that were not only those of Marx, but also our questions.

On the one hand, if the material world is all that exists, there is obviously no God, but likewise no natural/moral law or important truths to human existence. There is neither soul, nor purpose to human life individually or collectively. People may retain such concepts as morality, have meaning in their lives, and be committed to dignity, but the concepts must lack the transcendent connection. On the other hand, if there is more than the material world, there may be a God, however, conceived. There can be truths about life, even if some have them right and others wrong. There can be a moral law, even if individuals or individual religions are wrong about what those moral precepts are. People can have souls, which provide some grounds for moral worth, as well as some capacity for free human agency. There can be purpose to human activity, again, even if individuals or groups get that purpose wrong. Finally, people may have inherent value regardless of how perceived by others. Note that this is not a function of whether any particular school of thought is correct, merely one of what is possible under either of the options.

We return to this in more detail in discussing how Marx engaged these questions. Marx recognized that materialism meant no moral law or human purpose existed, but contended that his system of historical materialism got around these questions by providing direction for where society was headed inevitably.

This framework provides a split between different conceptions of the world, between the philosophical materialist view and that of most of the other traditions, cultures, and religions. It is broad enough to cover most of the debates which occurred through the rise of capitalism in the west, is central to the Marxism that shaped the communist nations, and makes visible the broad

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challenge of trying to be consistent across our metaphysics to our behavioral theory, to our ethics. This striving for consistency is an important consideration for people of faith, and was a major feature of Marx’s thought and an important element of Soviet rationalization.

As the Party states, the metaphysical and epistemological positions were assumed to be the foundation: only after knowing what man is could one speculate on how he ought to live. However, this was difficult as those bases were gradually challenged during the Renaissance and Enlightenment, forcing people to grapple with the problem of rationalizing ethics if the foundations did not exist or could not be known. This was the position in which Smith found himself.

Thus one way to illustrate this is that Smith wrote at a time when there were epistemological and metaphysical questions about human nature, but most retained some sense of something more than the material world, at least ideals and a natural law to follow. By Marx’s time, philosophy and the sciences had pushed the materialist framework further. Thus when Marx wrote, he tried to craft his system within the requirements of a consistent materialism.

III. Smith: Economic Theory as Philosophy Progressed from Epistemological to Metaphysical Questions

While Smith’s role in developing economic theory is well-known, his role as a philosopher is less so. He wrote at a critical stage in capitalist development. He both chronicled and explained the enormous changes rocking England and soon to be engulfing other nations: the rise of larger firms, the working class, the division of labor in larger firms, trade, markets, etc. On the other hand, he was not simply studying the self-functioning of the market. He was searching for a united understanding of society, making sense of the physical world and humanity’s place in it in light of the eroding consensus about the nature of existence and of what could be known (Schumpeter 142, 182).

Schumpeter described Wealth of Nations as perfectly in tune with the humors of the times. That includes philosophical trends as well. The period involved a mix of questions at the metaphysical and epistemological levels. However much these had been started by and involved debates between Christian denominations (e.g. the role of free will), they had progressed to deeper questions. At the epistemological level, was there revelation at all? How could people know what was right? At the metaphysical level, did God care? Was human nature good or bad? Some had raised the question of materialism (e.g. LaMettrie, Helvetius, and Holbach), but generally, most people continued to believe in some form of deity and of natural law.

As with many others of the time, Smith rejected revelation, (the epistemological change from the Judeo-Christian heritage), but retained a belief in God generally. He also rejected the Judeo-Christian concept of natural/moral laws (to which people could be held accountable), and instead used a transformed concept which meant something closer to physical laws, to forces or inclinations God had placed in people rather than rules they must obey. As Rothschild writes, “Hume’s and Smith’s systems of moral sentiments are scrupulously cleansed of everything, or almost everything, which is a matter of revelation. They are systems of secular virtue” (231) Similarly, Piedra observes of the period, “they believed in man’s natural goodness and in a wise and benevolent Designer of all nature, including human nature. They were true Deists who rejected Christian Revelation and all religious and moral truths that were not self-evident to natural reason. The concept of original sin was alien to them” (56). Importantly, Smith also held an exceptionally strong vision of equality. As he wrote at the beginning of the Wealth of Nations, people are so equal that observed differences are due to the division of labor, not the cause of it:
The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labor. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education (14. 1.2.§4).

In an era of crumbling views of revelation and of human souls (which allow for equality in a dimension other than physical), this assumption was critical for new types of moral reasoning (e.g. utilitarian). Equality implied that people should be treated equally.

These assumptions about human nature and existence confronted the enormous changes happening economically. How did Smith manage to connect the two? Interpretations of this project vary widely, from those (often economists and social scientists) who view his work as mechanistic or primarily positive analysis, to those who emphasize it as a philosophical engagement with the dangers of commercial society and his efforts to offer a foundation of virtue to counter those threats.

Piedra exemplifies an interpretation of Smith’s system as one within a Natural Law tradition (i.e. that mechanisms originating in nature should be followed) but in which moral, or at least socially beneficial, behavior arises automatically (Piedra 55-69; Kolakowski 72-73). Sympathy and self-interest are not opposites, but different sides of a similar mechanism governing how people behave, as the product of simplified drives whose outcomes can be studied. Smith proposed that God had given people inborn senses which when followed would result in human society functioning harmoniously. He reduced these to two: sympathy (analyzed in detail in Theory of Moral Sentiments) and self-interest (whose economic component was analyzed in Wealth of Nations).

This solves two problems at the epistemological level. First, without revelation, how can people know what is right and what should be done? The second was more practical: how could people calculate what to do in every circumstance, and do so quickly enough. These challenges provided justifications for rejecting the rationalist confidence in reason alone, as well as anything grounded on moral rules (religious or not).

While he didn’t take the path of his predecessors Hutcheson and Shaftesbury, who in rejecting rationalism argued for the role of a moral sense, a faculty which enabled perception of what was right, his invisible hand solution—that it all works out automatically without specific moral reasoning for every transaction—fits with their tradition.

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6 Interestingly, Marx cites this passage for this reason, i.e. he recognizes the equality and the claim that the division of labor causes differences in society rather than reflects or arises from them in both The Poverty of Philosophy (94) and Economic and Philosophical Manuscripts of 1844 (132).

7 This variety of interpretations arises from numerous factors that make understanding Smith’s work challenging. First, he revised TMS many times, including a substantial revision, just before his death, which appears much more critical of the effects of commercial society on people. In addition, he had many of his writings burned. These have been reconstructed, but from student notes from lectures early in his career.

8 Schumpeter describes Smith as one of the last of the Natural Law philosophers. By this he meant not the natural law of Christian tradition, but the sense of his time that natural forces still held a kind of normative implication. The goal was to identify the natural forces and then follow them. Kolakowski notes how this shifted by the 1800s, especially for Marx. The goal was more Promethean: not discovering the natural forces to follow them, but to control them, and in doing so control man’s destiny overall (337). This is quite visible in Engels’ conclusion to Socialism: Utopian and Scientific, 72-73.

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interest in people. Assuming people are equal and generally good (the metaphysical assumptions) the invisible hand works automatically for society.

These are not merely different realms, moral and economic, in which thinking was done differently, the moral and ethical the realm of sympathy while the economic was one of self-interest. The 18th century seethed with questions of how people actually behaved, how self-interested they really were in all behavior. As Force observes, “by the middle of the 18th century, any attempt to give a reasoned account of human behavior must start with the examination of the hypothesis that all behavior might be driven by self-interest” (14).

Some argued that people were only self-interested. As Helvetius wrote, “if the physical universe be subject to the laws of motion, the moral universe is equally so to those of interest.” Similarly, the Baron d’Holbac, wrote, “Self-interest is the only motive of human actions.” This is not far from Stigler’s famous declaration, “Smith had one overwhelmingly important triumph: he put into the center of economics the systematic analysis of the behavior of individuals pursuing their self-interest under conditions of competition. This theory was the crown jewel of The Wealth of Nations, and it became, and remains to this day, the foundation of the theory of the allocation of resources.”

On the other hand, Smith’s friend Hume rejected the idea that all behavior collapsed to simply the one force of self-interest.

To the most careless observer, there appear to be such dispositions as benevolence and generosity; such affections as love, friendship, compassion, gratitude. These sentiments have their causes, effects, objects, and operations, marked by common language and observation, and plainly distinguished from those of the selfish passions. And as this is the obvious appearance of things, it must be admitted till some hypothesis be discovered, which, by penetrating deeper into human nature, may prove the former affections to be nothing but modifications of the later. All attempts of this kind have hitherto proved fruitless, and seem to have proceeded entirely, from that love of simplicity, which has been the source of much false reasoning in philosophy.

Smith himself wrote critically of Epicurus’ attempt to simply explain everything by calculation of self-interest, specifically self-interest based upon pleasure.

By running up all the different virtues to this one species of propriety, Epicurus indulged a propensity, which is natural to all men, but which philosophers in particular are apt to cultivate with a peculiar fondness, as the great means of displaying their ingenuity, the propensity to account for all appearances from as few principles as possible. And he, no doubt, indulged this propensity still further, when he referred all the primary objects of natural desire and aversion to the pleasures and pains of the body. The great patron of the atomical philosophy, who took so much pleasure in deducing all the powers and qualities of bodies from the most obvious and familiar, the figure, motion, and arrangement of the small parts of matter, felt no doubt a similar satisfaction, when he accounted, in the same manner, for all the sentiments and passions of the mind from those which are most obvious and familiar.
At the time he wrote *Theory of Moral Sentiments*, arguments over the extent to which human behavior was based upon self-interest (dating all the way back to Epicurus and Augustine), were being rehashed vigorously. While he accepted self-interest, it was based more on desire to be in sympathy with others than raw pleasure. And he despised the conflation of vice and virtue common in such authors as LaRochefoucauld and Mandeville. The opening sentence of *Theory of Moral Sentiments* immediately distinguishes it from that tradition,

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 necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner.

The idea of self-interest at the time was complex, stemming from these underlying metaphysical views regarding the moral law, original sin, and the behavioral theories which flowed from them. Original sin was critical for the overall behavioral model. As Force writes,

The dividing line is between two conceptions of Providence: one that adheres to the original-sin doctrine, and one that does not. The question of the original sin determines all other doctrinal choices, including the understanding of self-love and its consequences. If one believes in the original sin, self-love is an evil that can (sometimes) be put to good use by providential action. If one rejects the original-sin doctrine, self love is a benign sentiment at the service of nature’s ends. It is because they rejected the original-sin doctrine, or accepted it in a much-subdued form, that thinkers like Shaftesbury, Butler, and Smith chose to adopt a neo-Stoic rather than Augustinian concept of Providence… The original sin is the unspoken issue that lies behind the reception of the interest doctrine by most Enlightenment thinkers. Because the interest doctrine is tied to the notion of original sin, it provides violently polemical responses from Voltaire and the encyclopedistes (87).

Original sin and the question of man’s inherent goodness thus shaped assumptions about how people behaved, and thus how well any system could work overall.

Force divides attitudes toward self-interest into two categories. Perhaps most common, or having the most historical weight was what Force groups together as the Epicurean/Augustinian tradition. This held that people were primarily (or entirely) motivated by self-interest, and particularly self-interest defined as seeking pleasure. However, they did so for very different reasons that go back to conceptions of the human person. Epicurus merely argued that human nature was made such that we pursued pleasure, and ought to do so. This was both a behavioral theory and ethical principle: it was how people behaved and they should do so. Force argues that the Augustinians agreed that people primarily acted based upon pleasure. But the Augustinians attributed this behavior to original sin; i.e. it wasn’t inherent in human nature, but human nature as corrupted by the Fall. And this wasn’t prescriptive: it wasn’t seen as a good thing to purely act to maximize pleasure. That was simply descriptive, how people behaved now, and couldn’t do otherwise without God’s grace. It was not even that pleasure was bad: God gave us the mechanism of pleasure, so seeking pleasure was not necessarily bad. It was that we sought pleasure in the wrong things, or in the wrong ways (i.e. this also implied that often we didn’t maximize utility, but acted in ways that resulted in net unhappiness). This position was taken by
such thinkers as Pascal and Bayle. On the other extreme, Hobbes taking a philosophical materialist position, rejected any notion of God, the moral law, or original sin, and assumed that human nature was solely self-interested.

The period following Hobbes thus had many authors along the gamut between such views. Many of those who wrote in the early 1700s (e.g. La Rochefoucauld, Mandeville) retained a sense of human nature as fallen, and thus selfish, or merely that that was how people were, with varying mix of descriptive and prescriptive conceptions.

A related question was that of moral law. Some rejected original sin, but not the moral law (yet). This was common for many of the French intellectuals of the mid 1700s. If so, this left the challenge of how to interpret nature generally, and human nature specifically. People were obviously often self-interested. If there were no original sin to blame, either human nature was selfish (and/or pleasure seeking) and bad, or pleasure seeking and not bad (something going back to Epicurus). Rousseau offered an alternative option: human nature was inherently good. It had been corrupted not by original sin, but by commercial society. This accepted the “Epicurean/Augustinian” description of human behavior as motivated by self interest; but it rejected the self-interested behavior as good or as primarily motivated by pleasure. In this, some element of society (in this case commercial society) takes on the explanatory role from original sin.

Rousseau argues a more complex mechanism, using two different concepts of self-love: *amour de soi* and *amour propre*. All creatures, including man, have a self-love that induces them to look after their material needs and to survive. He called this version of self-love *amour de soi*. This was natural and good and occurred in all primitive peoples, i.e. the noble savage. People’s nature was good, and the passions they naturally held toward others, e.g. pity, were good.

However, as people entered more into society, they compared themselves with others and recognized their position relative to others. As the economy became more complex, to meet their material needs, they had to work with ever more people, and thus their standing with others mattered ever more. People became ever more obsessed with their position relative to others, and this affected their own self-perception. Believing that evaluation in the eyes of others depended upon their wealth, this created a mechanism in which people used their reason to analyze their position relative to others; and to prudently consider how to obtain more.

Rousseau assumed that the primary motivation was not the direct *utility or pleasure* of more consumption, but of the vanity, of obtaining social standing. He called this obsession *amour propre*. Commercial societies, by expanding what people could have, expanded the scope for amour propre. In modern commercial society, people are primarily concerned with obtaining social standing and must work ever harder to obtain and maintain this.

In this view, people are inherently good, not bad. Commercial society has corrupted them so that they are primarily self-interested, but not to maximize pleasure. In fact, they are so harried that they do not have enough time to consume what they buy anyway. Instead, they are motivated to seek wealth to obtain status. Rousseau captured this sentiment in his well-known sarcastic attack on this status seeking

The savage breathes nothing but liberty and repose; he desires only to live and to be at leisure; and the ataraxia of the Stoic does not approach to his profound indifference for every other object. The citizen, on the contrary, toils, bestirs and torments himself without end, to obtain employments which are still more laborious; he labours on till his death, he even hastens it, in order to put himself in a condition to live, or renounces life to acquire immortality. He makes his court to the great whom he hates, and to the rich whom he
Canadas Larrivee: Human Nature and Economic Theory

despises; he spares nothing to obtain the honour of serving them; he vainly boasts of his own meanness and their protection, and, proud of his slavery, speaks with disdain of those who have not the honour to share it. What a spectacle to a Caraib would be the painful and envied labours of a European minister of state? How many cruel deaths would not that indolent savage prefer to the horror of such a life, which is often not even sweetened by the pleasure of doing well? But to see the end of so many cares, it is necessary that the words, power and reputation, should have an intelligible meaning in his understanding; that he should be made to comprehend that there is a species of men who count for something the looks of the rest of the universe; who can be happy and contented with themselves upon the testimony of another, rather than upon their own. For such in reality is the true cause of all those differences: the savage lives in himself; the man of society, always out of himself; cannot live but in the opinion of others, and it is, if I may say so, from their judgment alone that he derives the sentiment of his own existence.15

Things get worse from there. Commercial society also enables some to grow wealthy, while others stagnate. Over time this creates ever more inequality. But this simply feeds on itself as people continue to seek higher standing, participating in a process which works to the advantage of some and at the expense of others (e.g. due to private property, which protects those who start with more property). Ultimately, this will weaken the state as envy grows.

An alternative position was offered by Hume. He was less critical of the market, instead seeing it as a space which enabled self-interest. He followed an early utilitarianism, and believed that people were motivated by pleasure, but rejected models which sought to explain all human behavior by self-interest.

Force argues that Smith tried to balance between both positions. He agreed with Hume that people were not motivated solely by self-interest, and that commercial society had its problems, but also promise for social advance, particularly for the poor (Hanley; Himmelfarb 1983, 42-63).

On the other hand, Force argues that Smith agreed substantially with many of Rousseau’s critiques. Interestingly, Smith translated Rousseau’s Discourse on the Origin of Inequality. Smith also wrote very positively about Rousseau in 1755, before Theory of Moral Sentiments was published. For example, in his Letter to the Edinburgh Review (1755), he stated

The original and inventive genius of the English has not only discovered itself in natural philosophy, but in morals, metaphysics, and part of the abstract sciences. Whatever attempts have been made in modern times towards improvement in this contentious and unprosperous philosophy, beyond what the antients have left us, have been made in England. The Meditations of Des Cartes excepted, I know nothing in French that aims at being original upon these subjects; for the philosophy of Mr. Regis, as well as that of Father Malbranche, are but refinements upon the Meditations of Des Cartes. But Mr. Hobbes, Mr. Lock [sic], and Dr. Mandevil [sic], Lord Shaftsbury, Dr. Butler, Dr. Clarke, and Mr. Hutcheson, have all of them, according to their different and inconsistent systems, endeavoured at least to be, in some measure, original; and to add something to that stock of observations with which the world had been furnished before them. This branch of the English philosophy, which seems now to be entirely neglected by the English themselves, has of late been transported into France. I observe some traces of it,

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15 Cited by Smith in “Letter to Edinburgh Review” in Essays on Philosophical Subjects, 253
not only in the Encyclopedia, but in the Theory of agreeable sentiments by Mr. De Pouilly, \textit{a work that is in many respects original; and above all, in the late Discourse upon the origin and foundation of the inequality amongst mankind by Mr. Rousseau of Geneva.}

Whoever reads this last work with attention, will observe, that the second volume of the Fable of the Bees has given occasion to the system of Mr. Rousseau, in whom however the principles of the English author are softened, improved, and embellished, and stript of all that tendency to corruption and licentiousness which has disgraced them in their original author. Dr. Mandeville represents the primitive state of mankind as the most wretched and miserable that can be imagined: Mr. Rousseau, on the contrary, paints it as the happiest and most suitable to his nature. \textit{Both of them however suppose, that there is in man no powerful instinct which necessarily determines him to seek society for its own sake:} but according to the one, the misery of his original state compelled him to have recourse to this otherwise disagreeable remedy; according to the other, some unfortunate accidents having given birth to the unnatural passions of ambition and the vain desire of superiority, to which he had before been a stranger, produced the same fatal effect.\footnote{16 Emphases added.}

Note that Smith recognized the battle over self-interest, commercial society, and human nature as part of a battle between the views of Mandeville and Rousseau. He is critical of Mandeville’s position as conflating virtue and vice. On the other hand, he sees Rousseau as offering a similar explanation of self-interested behavior. Both argue that people are self-interested, but from different sources. Mandeville sees it as inherent. Rousseau sees it as arising with modern society. Both appear to undervalue the desire to be in society with others, for its own sake. 

Force argues that while Smith disliked Rousseau for what Smith called Rousseau’s “splenetic” philosophy, for his excessive criticism of modern society and commercial society, he accepted Rousseau’s framework to account for the rise self-interested behavior. He uses Rousseau’s framework of two loves, \textit{amour de soi}, which Smith calls self-love, and \textit{amour propre}, which Smith calls vanity. However, as Smith’s letter points out, he appears to interpret the concern for how one is seen not merely as status seeking, but as arising from a genuine desire to “seek society for its own sake.”

Smith appears to agree with Rousseau that since our material needs are easily met, human nature cannot simply be aimed at satisfying natural desires. We have more than that already. Then why are people doing it? Vanity prompts us to seek esteem, admiration of others (Force 125). As Smith writes,

\begin{quote}
From whence, then arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed to be attended to, to be taken notice of which sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. \textit{It is the vanity, not the ease, or the pleasure, which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation.}\footnote{17 Emphasis added. TMS: liii2I}
\end{quote}
Our behavior in modern commercial society has little to do with satisfying material needs, “and almost everything to do with satisfaction of our vanity.” We seem to be trying to satisfy material needs and desires, but the material goods are merely a means to an end of respect, credit, rank. As he writes in *Theory of Moral Sentiments*

> Though it is in order to supply the necessities and conveniencies of the body, that the advantages of external fortune are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, or credit and rank in the society we live in, depend very much upon the degree in which we possess, or are supposed to possess, those advantages. The desire of becoming the proper objects of this respect, of deserving and obtaining this credit and rank among our equals, is, perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is accordingly much more excited and irritated by this desire, than by that of supplying all the necessities and conveniencies of the body, which are always very easily supplied” (VI.i.3).

This raises a question of how negatively Smith sees vanity. Rousseau sees it as entirely negative. Smith seems to leave room for it not being such a zero-sum pursuit of social superiority, but rather one of seeking the society of others, which can be done for negative reasons or virtuously. This latter argument sees Smith as offering a pathway of virtue as a possible way of life.

Hanley emphasizes this side of Smith, as offering a virtue ethics based approach to the challenges of rapidly changing commercial society (90). Hanley believes that Smith didn’t yet embrace a utilitarian approach developing at the time, and regarded the moral reasoning of the rationalists, deontologists or the traditional Christian approach as too complex. In addition, as time went on, Smith increasingly agreed with many of Rousseau’s critiques of how commercial society was largely driven by status seeking (rather than direct utility from consumption) and that it could undermine character. Hanley proposes that Smith sought a middle ground between Mandeville’s acceptance of market gains at the expense of virtue and Rousseau’s rejection of the market to retain virtue (102-104).

Hanley argues that, faced with these problems, Smith instead chose to look back to the Greeks to take a virtue ethics approach, a model in which sympathy can be retained, even in the face of self-interested behavior. People care about how they are viewed by others. While they are happy to be viewed positively, even if without grounds, they are more satisfied by earning the praise of others for actually behaving in a more virtuous and considerate manner. Beyond that stage people may actually come to value the virtues directly. Hanley argues that Smith was encouraging harnessing self-interest as a means to move people to higher levels of virtue and consideration of others. It would be flexible, easily taught and applied (68-77). In that way, people could be enticed, and the status-seeking element of the market harnessed, to move people from self-love focused on possessions or perception by others, to self-love for having deserved the praise of others for virtuous living, to self-love guided by love of living for the virtues themselves (92-9).

Others have focused on his use of sympathy as a shift in ethical reasoning. For example, Schumpeter writes that Smith moved from ethics as examination of normative principles, or even the study of behavior, to study how people made judgments about behavior (129). Peart and Levy emphasize a more utilitarian interpretation of Smith’s reasoning regarding sympathy. Sympathy provided a means by which people obtained utility from the improvement in well-being of others which occurred both through economic improvement as well as from some
policies. In addition, sympathy tended to induce people to see others as equals about whom they should care (7-9). Thus sympathy provided a mechanism for consideration of others at a time when confidence in eternal moral principles was fading.

Across these explanations is the common thread of Smith’s attempt to explore the economic, moral, and social order in light of changed metaphysical and epistemological views. Piedra contends that Smith’s view of human nature contributed to an excessive confidence that changes in the economy would be enough to create a harmonious society. Believing this, those who followed Smith concluded that leaving people free of constraints, to follow both impulses, would be enough. Piedra writes,

It cannot be denied that Smith contributed, without realizing it, to the hyper evaluation of the economic which characterized the liberalism of the nineteenth century and which later became known as economism. His faith in the goodness of man, influenced undoubtedly by his deistic approach to life, led him to the naïve conclusion that the free market system, guided by individual self interests, could function effectively and bring about the greatest happiness for the greatest number (65).

IV. The Post-Smith World: Economic and Philosophical Changes: The Expansion of Capitalism and Philosophical Materialism

However, as the Industrial Revolution ground on, simple optimism gave way to a more sobering reality in the face of a growing working class subjected to dehumanizing and often exploitative working conditions, as well as subjected to fluctuations of the market. Many reformers, religious or not, sought to address these injustices with a host of responses: moral suasion, individual reforms, regulations of the worst abuses, as well as calls for common ownership of various forms.

For most, the conditions were so horrible that philosophical concerns were mere intellectual games in the face of true horrors. Enough agreed on the final values, the need to deal with the effects of capitalism, that the collapse of the metaphysical and epistemological foundations weren’t an issue. This made it easier for most not to realize the impact of the loss of those certainties.18

But not for all. As Nietzsche made extremely clear in his writings at the end of the 1800s, the Christian values required a Christian metaphysical view of the human person. Once that was removed, the values could no longer be justified. His extremely caustic critiques of those who tried to do so is especially helpful for seeing the challenge of the times:

When one gives up the Christian faith, one pulls the right to Christian morality out from under one’s feet. This morality is by no means self-evident: this point has to be exhibited again and again, despite the English flatheads. Christianity is a system, a whole view of things thought out together. By breaking one main concept out of it, the faith in God, one breaks the whole: nothing necessary remains in one’s hands…Christian morality is a command; its origin is transcendent;… it has truth only if God has truth—it stands or falls with faith in God (515-16).

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18 Himmelfarb begins Marriage and Moral among the Victorians with this theme (23). She observes that Nietzsche’s classic statement “for the English, morality is not yet a problem” from Twilight of the Idols was intended to criticize the English intellectuals’ overconfidence in their ethical commitment and failure to recognize their inability to ground those ethics now that their metaphysical framework from the Christian vision of the human person was gone.
How did Nietzsche get to this point? While the early 1800s seethed with the challenges of changing political arrangements and economic conditions, philosophy had churned onward in rejecting the metaphysical foundation (de Lubac 27). Materialist philosophers refined their attack to define the spiritual experience as the product of material conditions. Central to this was Ludwig Feuerbach, who claimed that God was merely the product of people projecting their ideals onto a hypothetical being. God didn’t create man; man created God. To this he added the concept of alienation, and argued that while people originally developed religions to enable them to cope with their conditions, those religions came to be independent of their creators, ultimately dominating them and leaving the people dominated by and alienated from the concept and institution they had created to make their lives easier (de Lubac 24-42).\(^{19}\) Nietzsche drew the obvious extension from Feuerbach: if God was made up, merely a fictional being on which to project the best values of people but ultimately the product of material conditions, surely values themselves are merely products of people, and thus of material conditions, as well. This is especially true of the Christian ideal of equality, whose result is to hold back the great.

How was Marx to provide a different conclusion from the same foundation? Engels provides a helpful history of this problem in \textit{Socialism: Utopian and Scientific}. The French had sought to change society with a revolution and reason, but it had decayed to violence and irrationality. The bourgeoisie helped overthrow the old order, but the revolution only strengthened their position. Reason had not been enough. Some socialists had tried to deal with the rise of capitalism via reform of society, even by example via communal factory systems. But in all cases, neither the ideas nor the conditions were far enough along, thus both historical and philosophical reasoning was inadequate. As Engels described their work, “This historical situation also dominated the founders of socialism. To the crude conditions of capitalistic production and the crude class conditions corresponded crude theories. The solution of the social problems, which as yet lay hidden in undeveloped economic conditions, the utopians attempted to evolve out the human brain” (SUS 36). A synthesis of materialist philosophy, economic structure, and historical vision was needed. Absent such a synthesis, which could explain the progression of history, ideas for change could only be rationalized via appeals to ideals, themselves merely the product of the system.

\section*{V. Marx: Economic Inevitability and Consistent Materialism}

\subsection*{A. The Metaphysical Questions behind Marxism Are Our Questions Too}

Before examining Marx’s ideas, we must say a few words about the end of the story: communism failed. But what does that mean? Certainly, at the basic level of economic organization, capitalism proved itself more efficient. This is an important discovery and economists emphasize it heavily. Another important lesson, though less well addressed, are the

\footnote{A similar point is expressed in \textit{Fundamentals}: “Among pre-Marxist thinkers the materialist philosopher Ludwig Feuerbach came nearest to a correct understanding of the meaning and significance of the basic philosophical question. Criticising the religious doctrine of the creation of the world by supernatural, spiritual forces, by God, Feuerbach put forward the opposite view, that the spiritual arises from the material. However, it was Engels who first gave a consistently scientific formulation of the basic question of philosophy. What is the relationship of the spiritual to the material, of consciousness to the objective world? ‘The answers which the philosophers gave to this question,’ wrote Engels, ‘split them into two great camps. Those who asserted the primacy of the spirit of nature, and, therefore, in the last instance, assumed world creation in some form or other…comprised the camp of idealism. The others, who regarded nature as primary, belong to the various schools of materialism’” (21). Note that by this formulation, they reduced the word “spirit” to mean simply consciousness, rather than the soul, which they rejected.}
moral failings under communist regimes: from inequality, to moral corruption of character and social relations, to oppression. Most importantly, communist regimes were responsible for the deaths of perhaps 100 million people, and the forced imprisonment into labor camps of scores of millions of others.\textsuperscript{20} But the corrosion of character and relations, common across economic systems, though worse in Communist nations, imply something more is at stake in the answer. Simple lessons in efficiency don’t explain Benedict’s interpretation, that the fall of Communism points us back not to the invisible hand, but to humanity itself. Marxist theories about the effects of capitalism on society, and the potential for communist regimes to resolve them, were based upon critical assumptions about people and the nature of the universe. That is what we wish to examine here.

In the following, we do not attempt to offer new insights into Marxism, nor resolve longstanding disputes regarding Marxist theories or history. We do not want to skirt the fact that the communist nations produced some of the most oppressive regimes in human history.

We’re not looking for places where Marxism was wrong. The labor theory of value was wrong, and communism was less efficient, infeasible and thus far from inevitable. Moreover, we’re not looking for inconsistencies in either Marxist theory or how it was carried out. For example, communist revolutions (especially in the later 20th century) did not happen spontaneously, and were less likely in the more advanced capitalist countries where the class structure was more developed. Similarly, while attacking “utopian” socialists for proposing socialism according to ideals (that the systems could just work with a change in ideas), Marx and Engels themselves did not escape holding assumptions about human nature and how people ought to live: that it would be better if people weren’t exploited, that people would get along under communism, etc. Such critiques shouldn’t stop at finding the errors of Marxism, but see in the failures a reminder of the need for a moral law.

We’re also not specifically interested in some places where his critiques were correct or provide important new insights. That includes how economic factors may drive historical events and even the extent to which interests, institutions, and values themselves may derive from economic (and/or class) interests. Those are helpful discoveries. And we agree that Marxist theories can provide important insights into economic roots of social phenomena from alienation to reification.

Instead, we focus on the general package of Marxist theory as an attempt to provide the most consistent story of how to think about the world if philosophical materialism is true.

Marx knew what questions had to be addressed. As noted above, Figure 1 helps clarify the choice of materialism or not. These weren’t concerns simply at the ethical level, but were

\textsuperscript{20} Beyond the economic failure, the social failures of violence, oppression, alienation, crime, distortion of truth, undermining of relationships, moral decay, etc. are reasonably well documented, though not as well as they should, and nowhere near as well-known as they ought for their lessons to humanity. Among the most authoritative source for this is The Black Book of Communism (1999), which gives an historical account of Communism in each country. Paul Hollander’s From the Gulag to the Killing Fields (2006) provides excerpts of numerous first-hand accounts of repression in different countries. Leon Aron (2012) documents the growing recognition that communism had failed even to solve the social problems. John Clark and Aaron Wildavsky (1990) provide a similar examination for Poland, though with more emphasis on the channels of moral corrosion. Alexander Yakovlev’s, The Fate of Marxism in Russia (1993) ascribes the failures of Communism to the materialism inherent in Marxism itself, while his Century of Violence in Soviet Russia (2002) documents many of the findings from a commission he headed which investigated Soviet atrocities. Given his position as head of the Committee on Propaganda for the Communist Party in the U.S.S.R., appointed by Gorbachev to be the intellectual force for explaining how Communism had failed, his insights are especially helpful.
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deeper, at the basic level of existence. Does truth exist? Is there a moral law? Are there any ideals? Is there a purpose to life? How do we think about history and people if there is neither God nor soul? Can such exist if the material world is all that exists?

<table>
<thead>
<tr>
<th>Materialism and Six Fundamental Questions of Human Existence (Metaphysical)</th>
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<tr>
<td><strong>Is There More Than the Material World?</strong></td>
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<tr>
<td>YES Religiously Grounded</td>
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<tr>
<td><strong>What can be true (or even possible) if...</strong></td>
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<td>More than the material world exists?</td>
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<td><strong>Is There:</strong></td>
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<td>God? Yes/No</td>
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<td>Moral Law? Yes/No</td>
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<td>Meaning/Purpose? Yes/No</td>
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Marx and Engels realized the starting point must be that either the material world was all there is, or there was something more. That is the first fundamental question. But they also realized that materialism demands a level of consistency far beyond what most people suspected then (or now). An important part of understanding Marxism is recognizing the consistency materialism requires.

The various religions and human traditions, as in the left column, have offered wildly varying answers for questions about the nature of God, truth, sin, revelation, moral law, the human soul and spirit, the purpose of life or human history, human dignity, free will, etc. This experience induces us to expect variety within philosophical traditions.

But materialism is different.

Marx and Engels realized that materialism cannot involve such variety. If the material world is all that exists, the other questions must all be answered in the negative, or with greatly reduced meaning. If there is nothing but the material world, there can be no transcendent entity or being, no God of any type. As Fundamentals states,

There are only two main streams in philosophy: materialism and idealism. This means that any philosophical doctrine, no matter how original, is ultimately either materialist or idealist in content. The struggle between materialism and idealism is closely connected with the struggle between science and religion. Since it is clearly opposed to idealism and religion, materialism rejects faith in God and the supernatural; materialism is inseparable from atheism (26).
Second, with nothing beyond us as a guide, goal, or source, there are thus no important truths to life beyond the most trivial.\(^{21}\) Moreover, there can be no moral law, nor ideals of any type. On the one hand, with no God, there is neither a lawgiver nor even transcendent force by which to establish any ideals. With nothing but the material world, there would be no way for concepts (moral or otherwise) to exist outside of human beings: how did some principle of justice exist before people existed? For example, Engels attacks Duhring for his claim that socialism was based upon the principle of justice, and that this principle was eternal or universal. Engels ridicule Duhring for presuming that his concept would even apply on other planets in the universe.\(^{22}\) Why? Because such eternal or universal principles would require that something more than matter exists. Thus appeals to principles or ideals in either attacking capitalism or proposing another rely on or even foster a religious world-view. Instead, morality cannot derive from some moral law, but must reduce to principles inculcated in us via evolution or by social arrangement.

This was compounded at the level of human capacity. Without a soul, as just another form of animal, there come sharp limitations of how much agency individuals can have. How can matter act on its own, initiate action? How can people be subjects of action?\(^{23}\)

And for what direction or purpose would one live? Beyond the absence of moral law is lack of human purpose individually or collectively. If there is nothing but the material world, people exist due historical accident. There is no direction to history, or calling or purpose to individual lives, or direction for humanity. This too deprives another ground for human action and individual worth. These were the problems on which French materialism had faltered, nor could earlier materialist socialist thought surmount them.

These are the challenges Marx faced.

The following section presents an overview of Marx’s thinking following these issues, and how he tried to be consistent across them. We do not claim that the consistency was Marx’s driving goal. But it was important to his and Engels’ project. And while this did not carry to many of his followers, *Fundamentals* testifies to how the logical necessity was important in Soviet rationale, however imperfectly followed or understood.

The problem of consistency isn’t one of whether Marx got everything right, or even the extent to which regimes got his ideas right, really tried to follow them, or that everyone understood them. These are the philosophical challenges that must be faced, and Marx, Engels, and the U.S.S.R. tried to face them. The problem isn’t Marxism or communism; it’s materialism. Materialism itself demands a ruthless consistency. And Marx did perhaps the best job in human history of offering a complete story within those requirements.

What does this mean for Christian economists? Assuming, of course, the materialism is wrong from the start, the pursuit of consistency at the level of the metaphysical questions provide important lessons about our own approach. The consistency sought by Marx is a consistency we seek also. They are the most basic concerns of human existence. While we disagree with the

\(^{21}\) Engels devotes several chapters to this point in *Anti-Duhring*, noting that the categories for which truth could exist are those most trivial (e.g. Paris is in France), while no truths exist for the most important questions, other than there is no deep meaning or purpose.

\(^{22}\) Engels’ arguments were intended to refute the Platonic system, which assumed ideal forms or shapes existed of which the material were just copies. But that would require some means by which those ideas, ideals, or laws could exist outside of matter, something not possible if the material world is all that exists.

\(^{23}\) This was never effectively resolved within Marxist thought. Shifting the locus to human freedom collectively, and not engaging the issue of for what purpose or direction would people live once under communism didn’t solve the problems.
starting point, conclusions or the results, we encourage Christian economists to consider the
questions Marx wrestled with as a way to inspire pursuit of the consistency we believe exists
across our own metaphysical foundations and ethical conclusions.

For example, the issues of utopian socialism being inadequate, or revolution in more
advanced capitalist countries and whether a party is needed arise not merely from the
requirements of some social theory called Marxism, but depend on questions of human nature:
how much can purely material beings act upon ideas rather than material factors? The more one
saw people as merely material beings, the less scope present for collective action based solely
upon ideas and the more one had to emphasize material conditions. Even if people had any/much
capacity, on what ideas could they justify their actions? Toward what ends? Rather than simply
discounting such discussions as arcane details of ideological rationalizations for totalitarian
regimes (some of which did occur), where appropriate we should recognize that the questions
Marx tried to deal with are our questions too.

We note two last points before proceeding. First, we have taken their philosophical
materialism seriously. While Engels’ commitment to materialism is widely accepted, it is less
clear for Marx how much this dominated his own thinking. We believe it is still safe to contend
that they understood these implications of materialism.24 The best characterization is likely not
that they were motivated by materialism, but revolutionary activists who nonetheless tried to be
completely rational and logically consistent within materialism. Second, we follow a common
interpretation, well captured by Gouldner in his The Two Marxisms, that Marxism always
included two mutually incompatible yet interdependent strands. One was what Gouldner terms
“scientific Marxism,” based upon Marx and Engels’ own term of “scientific socialism,” which
contended that communism was inevitable based upon objective laws. This was strongly behind
Soviet theorizing. The other strand emphasized human action in history, what Gouldner terms
“critical Marxism,” which was both critical of capitalist society and voluntaristic, and was a
dominant feature of many Western Marxist writers and later communist nations.

Scientific Marxism assumed inevitability, and justified human action to support the
revolution as moving with the direction of history. But it could just as logically be interpreted as
inducing people to wait for history, thus undermining the incentive to act immediately, not to
mention critique society. Moreover, in emphasizing physical forces driving history, it de-
emphasized the role of people. In fact, while attacking capitalism for alienation, in which people
were simply moved around by the movements of the economic system, scientific Marxism still
seems to make people the product of social and economic forces, not by markets but by the
movement of the economic base of society.25 On the other hand, critical Marxism tried to
emphasize the importance of human action. Scientific Marxism could thus be characterized as

24 *Fundamentals* claims they began as atheist idealists in the early 1840s before realizing that idealism required a
belief in some divinity, and thus abandoning idealism. As it states, “[Marx] decided that consistent atheism was
incompatible with idealism, which actually justified the religious view of the world” (55).
25 This is a challenge for Marxist theory. It is likely that Marx and Engels mean people are not free under other
systems, particularly capitalism, but become free under communism (or, perhaps earlier, at the moment of
revolution). But this still implies that people cannot be adequately free in thought unless physical conditions have
adequately changed…i.e. material conditions still dominate human capacity. And the problem of the vicious circle
remains: even if people ever become free to act, they need principles upon which to act, and these must be
independent of the system. But how can they be if materialism is true and everything, ideals included, is a product of
material factors?
most consistent with philosophical materialism, while critical Marxism tried to restore a place for humanistic values and activity.

While inconsistent, each needed the other. Critical Marxism gave a worth to human activity and the active role of the proletariat (and immediately, rather than waiting for unconscious economic forces to move history). Scientific Marxism provided a sense of the inevitable workings of history which otherwise would have no direction, a “totality,” a combination of everything as connected and moving along toward a particular ends, which served as a grounds for criticizing capitalism and choosing another way, which would not exist if materialism were true and no moral law exists.

Rather than take a stand as to which is the “true” Marxism, Gouldner contends these are simply both present in Marxism and never resolved because they cannot be. They are the problems of materialism, not Marxism, and Marx couldn’t overcome them. While we take that stance, we more heavily emphasize the scientific side with its role for objective laws and inevitability to highlight how that interpretation provided the means to get around the six basic questions, as well as capture some of the attraction it provided Marx’s followers to believe history was working in that direction.

In the following treatment, we engage two points related to this discussion. The first is how Marx and Engels presented their scientific socialism as grounded on objective forces rather than the ideals which could not exist. Second we review how they developed their entire view of historical materialism, particularly the role of economic factors and the economic system, to provide a view of how history would move. In this we include references from both Marx and Engels, and their followers, but also include selections from Fundamentals and the work of Alexander Yakovlev to illustrate how metaphysical issues were incorporated into Soviet self-characterization and rationalization, (again, however much in reality they believed it).

B. The Philosophical Challenge: Getting Past Utopian Socialism If Ideals Don’t Exist

How does one avoid a conclusion like that of Nietzsche, especially if the goal is to motivate revolution to advance society? Marx agreed with Nietzsche’s reasoning that philosophical materialism means that such ideals do not exist. In fact, Marx and Engels caustically attacked others (whom they called “utopian” socialists) who argued for reforms on the basis of ideals Marx and Engels realized could not be rationalized if materialism is true. Moreover, appeals to principles such as “liberty, equality, fraternity” could never be adequate since they were mere ideas, not changes in the economic relations which alone could be truly formative. This critique involved two major metaphysical questions: how much can people, who are simply material beings, shape their own behavior according to principles? Second, according to what principles? Even reason needed principles on which to work, but any ideals must themselves be simply products of material conditions.

Attacking other socialists for this “utopian” method of attempting to ground socialism on universal principles (that cannot exist), distinguishing Marx and Engels’ “scientific” socialism

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26 Marx notes this issue of method/approach in *The Poverty of Philosophy* (76). Plekhanov describes the Utopian method as arguing for what is good based upon their interpretation of human nature (*Materialist Conception of History*). However, as Lukacs argues, the issue of “method” goes much deeper. The Utopians, lacking the inevitable outcome of socialism, could only appeal to ideals for its justification. But ideals cannot exist. Moreover, appealing to eternal ideals implicitly supported theism, and thus was supportive of religions and the existing order (including capitalism), rather than being hostile to it. On the contrary, the Marxist method of dialectical materialism was inherently revolutionary.
from that of the utopians, is a frequent theme of their works, both individually and jointly published, across the years.\textsuperscript{27} This includes \textit{The Holy Family} (Marx and Engels, 1845); \textit{The Poverty of Philosophy} (Marx, 1847); \textit{Anti-Duhring} (Engels, with Marx’s review, 1878); and \textit{Socialism: Utopian and Scientific} (Engels 1892).\textsuperscript{28} Marx and Engels’ criticisms involved several basic features. These included attacks on attempts to make society follow a principle and on arguments which ultimately boiled down to certain enlightened intellectuals having special insight into reform before others. But the more important issues were at the metaphysical level, particularly the failure of the individual/group to take materialism to its ultimate conclusion, in all areas possible. This included especially the non-existence of ideals, i.e. ideals could be nothing but mental responses to/the product of external conditions. Since no ideals existed, one could not justify attempts to reform society toward any direction (or criticize the current). The same reasoning applied to economic theory. Economic analysis which sought to understand the world as it was, indirectly assumed the various parts and mechanism should exist and required some reason they should change. Any approach which did not simultaneously combine the dialectical flow of ideas, economic systems, and history overall was destined to collapse to idealism and/or be unable to rationalize changing the existing order.

By arguing in terms of concepts that were fluid, and in light of the “totality” of the Marxist vision, which included the inevitable collapse of capitalism and advent of socialism, dialectical materialism provided a vision in which capitalism was simply part of a process that would ultimately give way to socialism (i.e. it was temporary). This undermined not only philosophical appeals, but also the type of economic reasoning of Smith and Ricardo which, in seeking to explain the contemporary world, ended up instead rationalizing and validating it as if it were permanent. Thus reasoning which assumed both economic laws and moral laws were eternal laws is part of Marx’s entire objection. His dialectical approach simultaneously undermined both the system’s legitimacy and the economic and philosophical methods, while providing a direction in which society could move.

\textsuperscript{27} Lukacs also writes, “The mythologizing remnants of the ‘eternal values’ which Marx eliminated from the dialectic belong basically on the same level as the philosophy of reflection which Hegel had fought his whole life long with such energy and bitterness and against which he had pitted his entire philosophical method, with its ideas of process and concrete totality, dialectics and history” (\textit{History and Class Consciousness}, 11).

\textsuperscript{28} That theme is raised in their other works, long and short as well. For example, in Engels’ (1895) “Review of Karl Marx’s Contribution to the Critique of Political Economy,” Engels cites Marx’s themes that “…the mode of production of material life determines the social, political, and intellectual life processes in general; that all the social and political relations, all religious and legal systems, all the theoretical outlooks which emerge in the course of history, are to be comprehended only when the material conditions of life of the respectively corresponding epochs are understood and the former are derived from these material conditions,” and “It is not the consciousness of men that determines their being; but their social being that determines their consciousness.” Engels then writes, The proposition is so simple that it must be self-evident to anyone who is not bemused by idealist delusions… This apparently simple proposition, that the consciousness of men depends upon their being and not vice versa, at once, and as its first consequence, runs directly counter to all idealism, even the most concealed…All traditional and customary outlooks on everything historical are negated by it. The whole traditional mode of political reasoning falls to the ground. The new mode of outlook, therefore, necessarily came into conflict, not only with the representatives of the bourgeoisie, but also with the mass of French socialists who would fain shake the world by means of the magic formula \textit{liberte, egalite, fraternite!} But above all it aroused great wrath among the German vulgar democratic screamers (\textit{Ludwig Feuerbach} 73-4).
These themes are visible in the following passage by Engels in *Socialism: Utopian and Scientific*

The Utopian’s mode of thought has for a long time governed the socialist ideas of the 19th century, and still governs some of them. Until very recently all French and English socialists did homage to it. The earlier German communism, including that of Weitling, was of the same school.

To all these, socialism is an expression of absolute truth, reason, justice, and has only to be discovered to conquer the world by virtue of its own power. And as absolute truth is independent of time, space, and the historical development of man, it is a mere accident when and where it is discovered. With all this, absolute truth, reason, and justice are different with the founder of each different school. And as each one's special kind of absolute truth, reason, and justice is again conditioned by his subjective understanding, his conditions of existence, the measure of his knowledge and his intellectual training, there is no other ending possible in this conflict of absolute truths than that they shall be mutually exclusive one of the other. Hence, from this nothing could come but a kind of eclectic, average socialism, which as a matter of fact, has up to the present time dominated the minds of most of the socialist workers in France and England. Hence a mish-mash allowing of the most manifold shades of opinion; a mishmash of such critical statements, economic theories, pictures of future society by the founders of different sects, as excite a minimum of opposition; a mish-mash which is the more easily brewed the more the definite sharp edges of the individual constituents are rubbed down in the stream of debate, like rounded pebbles in a brook.

To make a science of socialism, it had first to be placed upon a real basis (43-44).

This was derived from the far more extensive work *Anti-Duhring* in which he attacked Eugen Duhring, leader of the German Socialists in the 1870s, for proposing socialism as the answer to universal principles of justice,

To Herr Duhring, socialism in fact is not at all a necessary product of historical development and still less of the grossly material economic conditions of today, directed toward the filling of the stomach exclusively. He's got it all worked out much better. His socialism is a final and ultimate truth; it is “the natural system of society,” whose roots are to be found in a “universal principle of justice”; and if he cannot avoid taking notice of the existing situation, created by the sinful history of the past, in order to remedy it, this must be regarded rather as a misfortune for the pure principle of justice (396).

This criticism of idealistic/utopian thinking begins much earlier, of course. Marx and Engels attack other Young Hegelians for it in *The Holy Family* in 1845. Similarly, while Engels attacks Duhring for his goal of justice, Marx attacks Proudhon for his goal of equality in *The Poverty of Philosophy* in 1847

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29 *Anti-Duhring* was written by Engels, but Engels read the entire manuscript to Marx before publication, and Marx contributed a chapter to it (*Anti–Duhring* 14).
The aim that social genius, speaking through the mouth of M. Proudhon, set itself in the first place, was to eliminate the bad in every economic category, in order to have nothing left but the good. For it, the good, the supreme well-being, the real practical aim, is equality. And why did the social genius aim at equality rather than inequality, fraternity, Catholicism or any other principle? Because…equality is M. Proudhon's ideal....Henceforth, the good side of an economic relation is that which affirms equality; the bad side, that which negates it and affirms inequality (87).  

Ultimately, such approaches distill to be merely moral arguments, not scientific theories. Never has M. Proudhon spoken more truly. Indeed, from the moment the process of the dialectic movement is reduced to the simple process of opposing good to bad, of posing problems tending to eliminate the bad, and of administering one category as an antidote to another, the categories are deprived of all spontaneity; the idea “ceases to function”; there is no life left. …Dialectics has ceased to be the movement of absolute reason. There is no longer any dialectics, but only, at the most, absolutely pure morality (83). 

And this is problematic for all the socialist reformers of the period, not just Proudhon. Describing other socialists, he writes “…these theoreticians are merely utopians who, to meet the wants of the oppressed classes, improvise systems and go in search of a regenerating science (Poverty of Philosophy 92). 

How much such concerns drove Marx’s thinking can be seen in one of his letters of the time, to P.V. Annenkov, written in December 1846. The sole point on which I am in complete agreement with Monsieur Proudhon is in his dislike for sentimental socialistic daydreams. I had already, before him, drawn much enmity upon myself by ridiculing this sentimental, utopian, mutton-headed socialism…And as for our own Party, it is not merely that it is poor, but a large section of the German Communist party is also angry with me for opposing their utopias and declamations… (135). 

Twenty years later, in a 1865 letter to J.B. Schweitzer (in response to a request to offer commentary on Proudhon’s work just after Proudhon had died), Marx wrote 
There I showed…how little he has penetrated into the secret of scientific dialectics and how, on the contrary, he shares the illusions of speculative philosophy in his treatment of the economic categories; how instead of conceiving them as the theoretical expression of historical relations of production, corresponding to a particular stage of development in material production, he transforms them by his twaddle into preexisting eternal ideas, and in this roundabout way arrives once more at the standpoint of bourgeois economy. 

I also further show how very deficient and sometimes even schoolboyish his knowledge is of the “political economy” which he undertook to criticize, and how he and the 

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30 He makes a similar charge in his letter to Annenkov when describing Proudhon’s work. Note also his mocking of Proudhon’s use of the concept of alienation. Mr. Proudhon is therefore obliged to take refuge in a fiction in order to explain development. He imagines that division of labour, credit, machinery, etc., were all invented to serve his fixed idea, the idea of equality. His explanation is sublimely naive. These things were invented in the interests of equality but unfortunately they turned against equality (131).
utopians are hunting for a so-called “science” by which a formula for the “solution of the social question” is to be excogitated a priori, instead of deriving their science from a critical knowledge of the historical movement, a movement which itself produces the material conditions of emancipation (138)\(^3\)

Marx and Engels argue that ultimately, the utopian method effectively decays to little more than the religions they were all (Marx, Engels, and other atheist reformers) attacking: the proponents merely seized on a preferred goal they could not justify, then rationalized everything in accordance with it. As Marx writes in *Economic and Philosophical Manuscripts of 1844*

This *lack of thoroughness* is not accidental, since even the *critical* theologian remains a *theologian*. Hence either he had to start from certain presuppositions of philosophy accepted as authoritative; or if in the process of criticism and as a result of other people’s discoveries doubts about these philosophical presuppositions have arisen in him, he abandons them without vindication and in a cowardly fashion, *abstracts* from them showing his servile dependence on these presuppositions and his resentment at this dependence merely in a negative, unconscious and sophistical manner” (16; emphases in original).

Engels expresses the same point in *Ludwig Feuerbach*

The real idealism of Feuerbach becomes evident as soon as we come to his philosophy of religion and ethics. He by no means wishes to abolish religion: he wants to perfect it. Philosophy itself must be absorbed in religion (33).

Feuerbach was incapable of disposing of Hegel through criticism; he simply threw him aside as useless, while he himself, compared with the encyclopaedic wealth of the Hegelian system, achieved nothing positive beyond a grandiloquent religion of love and a meager, impotent system of morals (42).

Engels praises Feuerbach for breaking free of Hegel’s idealism, and recognizing that God must merely be the product of men’s minds. But then Feuerbach stopped, not wishing to push the materialist idea to its conclusion: that ideas must be too. Feuerbach stood before the abyss and wrote, “Backwards I…agree with the materialists; but not forwards” (29). He could not take the next step. Instead he advocated what Engels attacks as a religion of love and self-restraint, i.e. a morality of ideals, ungrounded on any material basis, with no change in the underlying arrangement of production. As Engels caustically describes the result

But love! --yes, with Feuerbach, love is everywhere and at all times the wonder-working god who should help to surmount all difficulties of practical life--and at that in a society which is split into classes with diametrically opposite interests. At this point, the last relic of its revolutionary character disappears from the philosophy, leaving only the old cant--fall into each other's arms regardless of distinctions of sex or estate--a universal orgy of reconciliation (40).

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\(^3\) For Marx, Proudhon embodies both errors of economists and philosophers. The error of the economists is to operate as if their laws are eternal and fixed, instead of conditional to the historical phase (and that there can be no eternal laws because, as ideas, they would need to be held by God). The error of the philosophers and utopians was to search for a principle on which to organize society, but again, no such principle can exist.
Engels contends that this effectively decays to an idealism with a simplistic liberal implication of letting everybody do what they want as long as they don’t interfere with others. Engels ridicules this argument by noting that by that standard, the stock market is the highest form of morality because everyone is enabling everyone else to bet with one another, thus helping each other to do what they all want (39).

C. Historical Materialism: How Economic Inevitability Can Get Around Foundational Questions

This helps illustrate the two crises Marx faced: the ravages of society from the industrial revolution, and the collapse of philosophy from the onslaught of philosophical materialism. If philosophical materialism were true, there were no eternal moral truths, and ideals were merely the product of material conditions. Then how could one justify reforming capitalism for something else? Across human history, people had reasoned from values to system. Many at that time reasoned that way regarding socialism: it is preferable because it is more just. But post Feuerbach, such reasoning could no longer be done. As Engels wrote, “…this apparently simple proposition, that the consciousness of men depends upon their being and not vice versa, at once, and as its first consequence, runs directly counter to all idealism, even the most concealed. All traditional and customary outlooks on everything historical are negated by it. The whole traditional mode of political reasoning falls to the ground” (Ludwig Feuerbach 73).

But how does one avoid the utopian path? Ideals don’t exist if materialism is true. But any outcome involving human choice would require moral truths by which to make the decision. To be consistent with materialism, socialism needed another foundation. Marx’s brilliant solution was to develop a “scientific” (i.e. grounded in what he believed were physical laws about humans and nature) model about how society will ultimately move to Communism. It had to be the guaranteed outcome of observable laws of human society working in a demonstrable way, grounded in purely physical understanding of the universe, including man and human motivation. This they called “scientific socialism.” Since it is inevitable, it doesn’t have to be based upon trying to achieve any specific ideal. 32 It was a fact of existence, not to explain morally but to be dealt with, like the seasons, or, better yet, a process following laws to be harnessed like electricity. In one fell swoop, Marx thus tried to solve the eternal problem of moral choice while supplying a program of action and a hope for the future (replacing the idea of providence) by using the inevitability of Communism to obtain a normative foundation and vision ex nihilo (Gouldner 58; Kautsky 104). 33 As Engels wrote in his Preface to Marx’s Poverty of Philosophy,

32 Marx (and the Soviets: see Fundamentals, 160-91) more generally used the concept “necessary”/“necessity” rather than only inevitability. This distinguished the theories from a simplistic/mechanistic determinism or fatalism. More importantly, it incorporated a Hegelian sense that every piece was involved in pressing toward an outcome. This left wiggle room for individual action: all the essential forces were pressing toward a definite/certain outcome, but individual people and events along the way were not forced to behave in any particular matter. (A river moves inevitably toward the ocean, and remains within certain bounds, but the path is not determined at every point.) This was intended to allow for statistical uncertainty at the individual level (thus avoiding the charge of determinism), but not the aggregate level (thus retaining the inevitable outcome critical for the model). But the end result is the same, communism happens.

33 Gouldner and Kautsky both describe Marxism as solving this problem of how morality can exist if materialism is true. Karl Kautsky, among the most faithful of Engels’ followers in holding to the philosophical materialism, observes that many (most) philosophical materialists had been daunted by the problem of morality. Recognizing that materialism undermined the possibility of moral law, they feared pushing the issue further, and many retreated to
The two propositions which Ricardo proclaimed in 1817 right at the beginning of his Principles, that the value of any commodity is purely and solely determined by the quantity of labour required for its production, and that the product of the entire social labour is divided among the three classes: landowners (rent), capitalists (profit) and workers (wages), had ever since 1821 been utilized in England for socialist conclusions (8).

[Proudhon] suffers like those of his predecessors from the fact that he adopts, uncritically and without the least examination, the economic categories of labour, capital, value, etc. in the crude form, which clung to their external appearances, and in which they were handed down to him by the economists. He thereby not only cuts himself off from all further development—in contrast to Marx, who was the first to make something of these propositions so often repeated for the last sixty-four years—but, as will be shown, he opens for himself the road leading straight to utopia.

The application of the Ricardian theory, that the entire social product belongs to the workers as their product, because they are the sole real producers, leads directly to communism. But…formally it is economically incorrect, for it is simply an application of morality to economics.

According to the laws of bourgeois economics [i.e. Ricardo], the greatest part of the product does not belong to the workers who have produced. If we now say: that is unjust, theism or to some version of Providence or natural law. Darwin’s theory of evolution eliminated such escapes. The theory of evolution, by wiping out distinction between animals and humans, implied moral behavior could simply be explained by social impulses no better or worse, higher or lower, than other impulses like reproduction or self-preservation. In providing a naturalistic account of moral behavior, there was no longer a need for a moral ideals, and in fact they could no longer be justified. Marx and Engels solved this problem by demonstrating how moral ideals nonetheless arose within materialism, and what to do given that. This is visible in Kautsky, who, after concluding “What appeared to Kant as the creation of a higher world of spirits, is a product of the animal world” (96), “an animal impulse and nothing else is the moral law” (97) and “the moral law is of the same nature as the instinct for reproduction” (102), writes.

If nevertheless a new Philosophy could arise which not only reawakened the belief in God and a supersensuous world but put it more firmly on a higher form, as was done in ancient times by Plato, and on the eve of the French Revolution by Kant, so did the cause lie in the unsolved problem of the moral law, to whose explanation neither its deduction from pleasure nor from the moral sense sufficed—and yet these offered the only ‘natural’ causal explanation which seemed possible. Darwinism was the first to make an end to the division of man, which this rendered necessary, into a natural and animal on the one hand, and a supernatural heavenly, on the other.

But with that was the entire ethical problem not solved. Were moral impulse, duty, and conscience as well as the ground type of the virtues to be explained from the social impulse, yet this breaks down when it is a question of explaining the moral idea. Of that there is not the least sign in the animal world. Only man can set himself ideals and follow them. Whence come these? Are they prescribed to the human race from the beginning of all time as an irrevocable demand of nature or an eternal Reason, as commands which man does not produce but which confront man as a ruling force and show him the aims toward which he has ever more and more to strive? That was in the main the view of all the thinkers of the 18th century, atheists as well as theists, materialists and idealists. This view took even in the mouth of the boldest materialism the tendency to assume a supernatural Providence, which indeed had nothing more to do in nature but still hovers over human society. The evolution idea which recognized the descent of man from the animal world made this kind of idealism absurd in the materialistic mouth.

All the same before Darwin founded his epoch making work that theory had arisen which revealed the secret of the moral ideal. It was the theory of Marx and Engels. (103-104: Emphases added)
that ought not be so, then that has nothing immediately to do with economics. We are merely saying that this economic fact is in contradiction to our sense of morality. Marx, therefore, never based his Communist demands upon this, but upon the inevitable collapse of the capitalist mode of production (10; emphasis added).

After this recognition (that inevitability seemed to provide a means around the metaphysical problem that materialism implies there are no ideals on which to critique the current system or propose another), they realized that they needed to push the materialist theory more fully than had ever been done before, in all its implications, to every area of thought. As Engels described their project, “[T]he Hegelian method was absolutely unusable in its available form. It was essentially idealistic, and the problem here was that of developing a world contemplation more materialistic than any previously advanced” (“Review of Contribution to Critique of Political Economy” 77). Similarly, in Ludwig Feuerbach he explains “And materialism means nothing more than this. But here the materialistic world outlook was taken really seriously for the first time and was carried through consistently—at least in its basic features—in all domains of knowledge concerned” (43).

That meant facing, more seriously than ever before, all the implications of philosophical materialism: If there was nothing but the physical world, that meant no God, no moral law, no ideals, no soul, no meaning to human action or providential direction to history, purely physical causation of human behavior, etc. Previous thinkers had recognized many of these implications of philosophical materialism, a few had recognized the non-existence of ideals, but none could provide a mechanism.

It was not enough to provide a critique of economic and philosophic writings at the time. What was then needed was the systematic working out of a model of human nature, knowledge, and economic systems which would progress to an inevitable result.

Moreover, if problems were inherent to the human condition (e.g. human nature, sin, alienation, lack of meaning, etc.), they could not be solved by material changes. Thus Marx also had to explain how all personal and social problems ultimately arose from the current economic circumstances, so they would be resolved not by appeal to ideals, but from the change of economic conditions. It wasn’t merely a simplistic, utopian expectation of an intellectual obsessed with his pet theory of the cause of everything. It had to locate the source of all problems in economic conditions so all problems would be solved by the inevitable change, not by human choice implementing policies according to ideals. And it had to work.

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34 As Engels explains, the dialectical method’s assumption that matter is in motion is also necessary to avoid needing a God to have started the whole system (Anti-Dühring 88). As Fundamentals states, “If we see the world as the interaction of different phenomena, we realize that its motion and development require no external push, no supernatural force, such as God” (175). Richard De George writes of this “The technique of argument which Engels very frequently uses against Dühring consists of showing that Dühring’s position leads necessarily to idealism, that is, to some notion of God or of creation. Since Engels feels that the has already shown that God does not exist and that creation is an impossibility (these are postulates of his materialism), once he has reduced Dühring to idealism he need go no further” (83-85). De George’s statement, while correct, misses the force of Engels’ argument: he doesn’t need to go any further because if there is nothing but the material world, further reasoning is ungrounded. This is a problem of materialism, not Engels, and Marx and Engels understood its implications.

35 Gouldner describes how Marx changed alienation from Hegel’s source in the human condition to the result of the production process, which could be changed (180-81). Similarly, Lukacs writes, “[Marx] took the historical tendency in Hegel to its logical extreme: he radically transformed all the phenomena both of society and of socialized man into historical problems: he concretely revealed the real substratum of historical evolution and developed a seminal method in the process” (11: emphasis added). This is implied in Lukacs’ argument that inherent
Marx recognized this challenge, and provided what must be appreciated as a brilliant solution: what if a “good” outcome resulted not from human choice in response to ideals (which do not exist anyway), but from purely physical forces which moved inexorably and could be proven to be at work? This outcome had to be as inevitable as the tides falling today or the sun rising tomorrow and due to physical phenomena, not the subject of metaphysical speculation. Only that combination could eliminate the existential problems of moral choice (there are no moral laws on which to decide, people are material beings that do not have souls that can contemplate these laws, there is no ultimate meaning to human action, etc.) yet nonetheless provide a direction in which humanity is heading, and a plan of action.

But how? What process? His solution had to explain the past, the problems of the present, and give a guaranteed future which would solve them. It had to connect history, economics, human behavior in society, and politics.

Starting with human nature, since people are simply material creatures, there is no “spirit” which can propose or override the material drives. People, including ideas, must be the product of circumstances. As Marx wrote, this insight had long been a part of French materialism. But it still lacked several pieces: the historical mechanism, the analytical method, the scientific approach of explaining everything in terms of material forces, not ideals.

Earlier writers could only argue about reforming the general system, largely in terms of politics, but could not justify why or explain how. While treating people as material, they didn’t go far enough to recognize that principles to which they appealed could not exist, nor could they provide a mechanism by which purely physical beings could understand their circumstances in enough mass to change them. Marx believed that sufficient masses of the people would only acquire consciousness of their position when circumstances had changed to make it adequately

in Marxism is a totality, of everything as part of some larger whole and having its own part (“Rosa Luxemburg” in History and Class Consciousness). As he notes, “This means that ‘ideological’ and ‘economic’ problems lose their mutual exclusiveness and merge into one another.” Later he adds

IT is no accident that Marx should have begun with an analysis of commodities when, in the two great works of his mature period, he set out to portray capitalist society in its totality and to lay bare its fundamental nature. For at this stage in the history of mankind there is no problem that does not ultimately lead back to that question and there is no solution that could not be found in the solution to the riddle of commodity-structure. Of course the problem can only be discussed with this degree of generality if it achieves the depth and breadth to be found in Marx’s own analyses. That is to say, the problem of commodities must not be considered in isolation or even regarded as the central problem in economics, but as the central, structural problem of capitalist society in all its aspects. Only in this case can the structure of commodity-relations be made to yield a model of all the objective forms of bourgeois society together with all the subjective forms corresponding to them (“Reification and the Class Consciousness of the Proletariat” in History and Class Consciousness).

36 Again, it is likely Marx did not mean it all worked out without human action, conscious of acting deliberately and freely at least at the revolutionary moment. An excessive emphasis on the inevitable workings of material forces runs the danger of implying we are simply being moved along by those forces. But materialism requires extremes that are mutually incompatible. How can the outcome be inevitable if human action is required and free? And if the outcome is not inevitable, on what grounds does one justify the action? But for it to be inevitable, how can there be free action? These are the unresolved (and unresolvable) tensions.

37 While pointing out their limitations, he nonetheless praises their metaphysical assumptions about human nature. For example, Marx writes, “In Helvetius, who likewise started from Locke, materialism assumed a really French character. Helvetius conceived it immediately in its application to social life. The sensory qualities and self-love, enjoyment and correctly understood personal interest are the basis of all morality. The natural equality of human intelligences, the unity of progress of reason and progress of industry, the natural goodness of man, and the omnipotence of education are the main features in his system” The Holy Family, 153.
clear to them. Writing too early, they could not see what Marx did: that capitalism was finally creating the conditions to demystify the world so that the masses would become aware of the superiority of socialized ownership and overthrow the current system. In its unprecedented power and progress thus far, he was able to discern the solution: economic forces could be powerful enough, and embody the purposeful behavior of human nature, but in a directed way (*Economic and Philosophical Manuscripts of 1844*, 154). If he could only show how history was moving along economic lines toward communism, and how observable social problems were due to economic factors that would be solved by economic change, it would work.

Capitalism doesn’t just improve productivity—though that was critical to establishing the enormous productivity needed for the future Communist society—it transformed people, their relationships and understanding. The profit motive induced the bourgeoisie to pursue the division of labor to reduce costs and maintain profits. This divested workers of private property, and homogenized their identity by homogenizing their (atrocious) working conditions, with other types of personal interests fading in comparison. This resulted in ever greater consolidation of people, concentrating them into just two classes: the proletarians without property, and the ever smaller group of bourgeoisie. The extreme harshness of its conditions also changed people themselves, preparing them to welcome common ownership of the means of production, ending alienation and exploitation.

Only Marx was able to combine the implication of philosophical materialism with a materialist historical mechanism by which a desirable society would occur, not by choice, but by pressure of economic forces. Marx boldly embraced materialism’s implication of the non-existence of ideals, believing their effects would be preserved as the inevitable outcome of verifiable social forces. This critical combination of quasi-religious conclusions, making the case for this ideal society without needing any normative grounding, proved enormously attractive to an intellectual class that faced the loss of the Judeo-Christian metaphysical and epistemological understanding. It also implied the place for action must be society itself. The way to affect people must be to change social organization.

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38 Marx doesn’t call it epistemological here, but that would be appropriate since it deals with how people come to knowledge and understanding.

39 Several charges were often made about this monistic (one factor) theory: that it was demeaning, and too simple, ignoring other material factors. Plekhanov responded by acknowledging that other materialist factors (geography, genes, biology, mechanical causes, random atomic motion, etc.) could have some influence. But none provide any consistent direction to history, or offer much explanatory power. Only the economic materialism of dialectical materialism offered so much. As he wrote

This materialism is, of course, a particular case of the materialist view of history, but it explains it more fully, more universally, than could those other ‘particular cases.’ Holbach said that the historical fate of peoples is sometimes determined for a whole century ahead by the motion of an atom which has begun to play tricks in the brain of a powerful man. This was also a materialist view of history. But it was of no avail in explaining historical phenomena. Modern dialectical materialism is incomparably more fruitful in this respect. It is of course a particular case of the materialist view of history but precisely that particular case which alone corresponds to the modern condition of science. The impotence of Holbach’s materialism showed itself in the return of its supporters to idealism (Appendix I in *The Development of the Monist Theory of History*)

40 Lukacs relaxes the “objectively verifiable” part by arguing that one had to consider everything in totality, i.e. part of an overall total process which is too complicated for simplistic scientific study which focuses only on simple, particular pieces. He writes, “There can be no material guarantee of this certitude” (“Rosa Luxemburg” in *History and Class Consciousness*)
Marx’s model of the inexorable working out of history to produce communism was thus not merely one ingenious theory about how economic development would occur. The inevitability is not merely a piece of the model. It is the absolutely necessary element one needs to deal with philosophical materialism. Engels’ description in *Anti-Dühring* of their work and process now becomes clearer.

From that time forward Socialism was no longer an accidental discovery of this or that ingenious brain, but the necessary outcome of the struggle between two historically developed classes—the proletariat and the bourgeoisie. Its task was no longer to manufacture a system of society as perfect as possible, but to examine the historically-economic succession of events from which these classes and their antagonism had of necessity sprung, and to discover in the economic conditions thus created the means of ending the conflict. But the socialism of earlier days was as incompatible with this materialistic conception as was the conception of nature of the French materialists was with dialectics and modern natural science. The socialism of earlier days certainly criticized the existing capitalistic mode of production and its consequences. But it could not explain them, and, therefore, could not get mastery of them. It could only simply reject them as bad. The more strongly this earlier socialism denounced the exploitation of the working class, inevitable under capitalism, the less able was it clearly to show in what this consisted and how it arose.

But for this it was necessary to present the capitalistic method of production in its historical connection and its inevitableness during a particular historical period and therefore, also, to present its inevitable downfall; and to lay bare its essential character which was still secret, as its critics had hitherto attacked its evil consequences rather than the process of the thing itself. This was done by the discovery of surplus value. It was shown that the appropriation of unpaid labour is the basis of the capitalist mode of production and of the exploitation of the worker that occurs under it; that even if the capitalist buys the labor-power of his labourer at its full value as a commodity on the market, he yet extracts more value from it than he paid for it; and that in the ultimate analysis this surplus value forms those sums of value from which are heaped up the constantly increasing masses of capital in the hands of the possessing classes. The genesis of capitalist production and the production of capital were both explained. These two great discoveries, the materialistic conception of history and the revelation of the secret of capitalistic production through surplus value, we owe to Marx. With these discoveries socialism became a science. The next thing was to work out all its details and relations (42).

Several conclusions flow from this. First, Marxism (and then the Soviet Union itself), was not based on an argument that communism more completely fulfilled eternal ideals—that was “utopian socialism”—but on the exact opposite premise that societies could not appeal to such ideals since materialism implies these do not exist. Instead it was based upon the triumphant belief that “scientific” study had discovered the inexorable working out of economically grounded historical forces which would produce a socialist society in which such ideals will be lived out, and in which social problems formerly due to previous economic relations would be resolved.

Second, the idea behind Marx’s historical materialism (and its associated method of historical inquiry) that history is ultimately driven entirely by economic forces, is not merely one
insight which focuses on one method or cause among others, nor is it a fanatic’s fixation on a single, all-explaining cause.\textsuperscript{41} It is the best hope for philosophical materialism. Once you have lost the metaphysical foundations, you have to replace that with a guaranteed, specific, historical outcome that happens inexorably to avoid the problem of human moral choice. If there is any uncertainty, any choice, society would have to appeal to (non-existent) ideals to rationalize one path over another.\textsuperscript{42}

Finally, this required overweighing the role of the economic factors in inducing personal and social problems. Of course, many of these mechanisms do not require the materialist assumption of human existence, and are mechanisms with which a religious person could agree, but their heavy presence distorted theories about the impacts of capitalism on society for the past century and a half. That overemphasis implied other factors were irrelevant. Non-Marxist materialists might find Marx’s model simplistic for ignoring other material factors. Religiously grounded individuals would further fault this for implying values, civil society, and religions don’t matter. But criticizing the Marxist model for narrowness or simplicity misses the point: to get around the implications of philosophical materialism, it had to be narrow to give a guaranteed outcome. Inevitability and economic causality weren’t merely distracting errors, they were its necessary essence.

Moreover, these assumptions resulted in a tremendous urgency about the system. Whatever political/economic mix is chosen, the arrangement bears the enormous role of insuring that a society full of people who cannot be moral agents, for whom no purpose or moral law exists, including responsibility for others, nonetheless will decide to get along harmoniously. Thus economism induced Marxism to undervalue civil society (Gouldner 346-48). As materialists, they were boxed in: Everything must be explainable and solvable physically. As above, this issue is captured in Fundamentals:

Depending on how we answer the basic question of philosophy, we are bound to draw certain definite social conclusions concerning men’s relationship to reality, the understanding of historical events, moral principles, and so on. If, like the idealists, for example, we regard consciousness, spirit as primary, as definitive, then we shall seek the source of social evils…not in the character of man’s material life, not in the economic system of society, not in its class structure, but in man’s consciousness, his errors, his wickedness. Such a belief gives us no opportunity of determining the main directions in which social life changes (22-23).

Note how their conclusion arises from their metaphysical position. They allow complete idealism as the only alternative to materialism, which, if true, would make it hard to change conditions for society. But the logic works the other way, with its own implications: if materialism is true, there is nothing but the material world that can be changed, and no ideals to appeal to as grounds to do

\textsuperscript{41} Of course, Marx’s contributions to historical and political analysis, of recognizing when economic factors may influence people, society, and history, some of the time, and in some ways, are critical. What is at issue is that Marx and Engels recognized that ultimately, materialism required everything to be driven by economic factors. That extremity makes little sense unless one recognizes Marx’s need for inevitability.

\textsuperscript{42} Lukacs does not state this so boldly, but the implication is lurking behind his critique of the neo-Kantian Marxists and reformers who wavered on inevitability. “[E]very ‘Marxist’ student of socio-economic realities who abandons the method of Hegel and Marx, i.e. the study of the historical process from a total point of view … will be forced to return to the abstract ethical imperatives of the Kantian school as soon as the question of action becomes imminent. (“Rosa Luxemburg” in History and Class Consciousness, emphasis added).
so. Naturally, while we disagree over the foundation, the imperative they felt is visible. And we recognize their concern as our concern.

This provides an important way to view communism and Marxism. We must recognize that it was not feasible, and that it shockingly resulted in extensive oppression in nations that tried communism around the world. But even if those horrors are past, and communism is unlikely in the future, the questions Marx faced remain. The connection between the state of the universe, the question of moral law and human purpose must still be faced. While rejecting the wild economic failure, and the social tragedies, we should not neglect these additional lessons about human nature and economic theory and policy.

V. Applications to Contemporary Theory: An Integral Approach

Development Economics with an Integral View of the Human Person

Background

The issues about the human condition central to Marxism remain with us: how much capacity do people have for free action? On what basis can people make decisions even if free? Assuming people are both physical and spiritual, we assume that while they are affected by physical factors such as the environment and institutions they face, we also assume that people nonetheless have some capacity for free action according to their understanding of truth about life, moral laws that exist, and an ultimate purpose for our lives. That also leaves important room for institutions that form people in these spiritual dimensions, especially civil society ranging from families to churches to civic organizations.43

In recent decades, economists have broadened the scope of their study of human behavior via work in institutions, psychology, sociology, and even biology. All provide richer insights into human behavior. Nonetheless, these still run the risk of broadening the models beyond narrow analysis of self-interest without getting out of a fundamentally materialist (reductionist) account of humanity. Ultimately, they must face the same types of questions Marx did for economic systems.

We believe this will gradually recognize important levels of human agency directly, as well as indirectly. Directly, as individuals, we expect that people have some level of capacity to directly act freely in response to ideas. Indirectly, we expect that many institutions from families and churches to civic organizations may be shaped around human truths such that while the formation may occur indirectly (e.g. via friendship in an organization, moral formation early in life) the influence on behavior is still ultimately connected to the existence of such truths (and would be lost if they didn’t exist).

One area in which these points are visible is development economics. Today, development economists know that good economic policies alone will not ensure economic development; effective civil and social institutions are required—indeed, they provide the most fruitful context for sustainable development.44 Sustainable development is an outcome of more

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43 Robert Fogel provides an interesting argument regarding the role of what he calls “spiritual resources” such as sense of purpose, discipline, motivation, etc., in *The Fourth Great Awakening and the Future of Egalitarianism*.

than economic processes alone. It is an outcome of economic, social, and political processes that interact with and reinforce each other in ways that either hinder or facilitate the achievement of economic development. To reach it, opportunities need to be generated, effective initiatives at all levels facilitated, and stability ensured. This requires a better understanding of the socio-economic dynamics underpinning economic development as well as actions at local, national, and international levels.

At the center of these dynamics is the human person, the economic agent, who generates and is served by the economic activity. It is a fact of experience that the human person *is body* and does not just *have a body*. The body of the person is not an accident, but is rather as essential a component of his or her personhood as is his or her rationality. An individual lives and develops his personhood in his body. A consequence of this reality is that the person needs material things to develop, and, furthermore, what he does and how he lives in his bodily dimension makes a difference in his personal development. It is important to take this fact of experience into consideration, as one of the functions of the economy is to meet the material needs of the economic agent. This latter function is especially relevant in the context of economic development. This function is even more relevant, however, because it indicates that how the economic agent seeks to meet these needs is not value neutral. In his pursuit of material needs the economic agent can further develop as a person and help others do the same or it can undermine his development and those of others.

A simple example can perhaps be of assistance in clarifying this point. Within an economy, individuals make decisions about distribution of food to other persons. These decisions typically take into consideration more aspects than the delivery itself, such as need, age, health, location, costs, etc. Yet, if the individual making the decision is to help develop himself and those persons he intends to feed, the decision maker cannot ignore the fact that those involved cannot be either fed or treated in the same way as other living creatures such as dogs or horses. The corporality and dignity of the human person requires feeding these persons in a way which is proper to them.

It is also a fact of experience that this same economic agent exists, lives, and acts together with others, i.e. human beings have a social nature. This suggests that, in cooperating freely with others, a person also shares in the responsibility and the outcomes of those actions while, at the same time, he shapes his own way of living and direction. In this manner, he determines himself in such a way that through his interpersonal interactions, he contributes towards or jeopardizes his personal development and that of others. This additional fact of experience is also very

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45 For a more complete analysis of this human interaction or participation in economic development see Karol Woytyla, 1979, *The Acting Person: A Contribution to Phenomenological Anthropology*, Dordrecht: Reidel; and
relevant to the understanding of the economic process. Once again, to illustrate this point with an example, one can think of the role that overconsumption and corruption played in the sub-prime crisis. Both the corporality of the economic agent and his interpersonal interactions influence the economic process and other economic agents in society. The influence exercised by these two components of being and of human behavior underlines their importance for economic activity. This is so because it suggests a connection between these realities in the life of the economic agent and the production or destruction of human, social, and moral capital. These, in turn, also suggest a connection to the efficiency and the productivity of the economic activity. Yet, often they are absent from economic analysis, which instead assumes an economic agent who is a self-interested, utility maximizing individual.46

What framework is needed to ensure economic growth and an effective distribution of wealth that would generate equality of opportunities for individuals and societies? This paper suggests that to accomplish sustainable development the way economic development has been researched and conducted thus far is not sufficient. An integral approach to economic development is also needed. An integral approach is one that seeks to respect the dignity of the human person, strengthens the family, and fosters civic and social responsibility. Behind this are some broad assumptions about human existence: that people are both physical and spiritual beings, with spiritual and material needs, who live in a universe with a moral law, and for whom a purpose of life exists. While affected by material factors, people have some capacity to act freely, even counter to those pressures, in accordance with their understanding of moral law and human purpose, some of which includes living in accordance with some transcendent view of human life and in relationship with others. Their social setting (including especially families, churches, and civil society) is simultaneously a formative environment, and may itself be shaped by collective understanding of moral law and human purpose. In other words, this is an approach that provides an integrated and holistic view of the person in society, which locates the economic agent’s decision process within his social dimension.

In the following, we review current findings within the field of development economics which provide strong support for a richer behavioral model in which people are both self-interested and socially aware, affected via their social connections to others. Some of these connections may be purely material, but some leave room for human action according to personal understanding of human purpose and moral law. Perhaps all we can do as economists is discover people appear to have some capacity to act freely in accordance with ideas and self-understanding. But we should recognize that these findings about human capacity touch upon questions of human nature, as well as the existence of moral law and human purpose, and the institutions of society which build up the ideas and norms which build up and shape the moral view of individuals.


**Economic Development, Institutions, and Measurements**

Development economics studies the causes and effects of poverty and low income in countries around the world. It also studies the causes and effects of the slowdown of progress in some countries. Based on its findings, it seeks to improve policy design in such a way that individuals, regions, and countries can achieve greater economic prosperity.

Functioning social institutions such as the family, the local community, the rule of law, domestic security, infrastructure, and public institutions, are absolutely essential in order for development programs and policies to achieve their objectives. In practice, however, these institutions are often inadequate to meet the demands of development. Many problems of development result from barriers to the introduction of new technology, violation of property rights, and the distortion of prices due to protectionist policies. Furthermore, these institutions and disruptive policies are in place, more often than not, not due to ignorance on the part of policy makers, but rather purposefully, for them to remain in power, to enrich themselves, or to protect interest groups. Successful development initiatives, then, must identify the institutions that are relevant to the development effort, determine the improvements needed within those institutions, and then strengthen those institutions so that they are able to perform the tasks required for development. It is important to underline, however, that behind these institutions, it is the economic agent, i.e., a person who when engaged in economic activity, seeks to make his decisions by maximizing the outcome of his choice given certain preferences and a limited amount of resources.

International organizations and nongovernmental organizations (NGOs) now realize the importance of implementing systems that not only ensure more effective management of development but also measure the impact of their development efforts in the broader macroeconomic context as well as on the immediate recipients. Such is the goal of the Human Development Report, which ranks the well-being of countries not only based on their Growth Domestic Product (GDP) but also includes health, education, and civic participation among others. It is also the case with the Millennium Development Goals (MDGs) which seeks to encourage the improvement of developing countries in several aspects in addition to mere economic ones and thus also sets goals on health, environmental conditions, and education, among others.

As a consequence of this broader understanding of economic development, concerns have been raised with regard to traditional measures of development. One of the reasons for such concerns has been the metrics typically used to measure and analyze the progress made in advancing the development agenda. For example, an organization that implements a job training program will typically measure the participants’ improvement in specific skills or in income.

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47 The European Commission (EC), has embarked on the “GDP and Beyond initiative” based on a successful series of conferences aimed at improving measures of progress, wealth, and well-being. In 2011 the EC published a roadmap and in May 2012 reported on the implementation and outcomes of the key actions, High Representative of the European Union for Foreign Affairs and Security Policy, *Partnership for Democracy and Shared Prosperity: Report on Activities in 2011 and Roadmap for Future Action*, Brussels, May 15, 2012, SWD (2012) 121. The initiative’s intention is to complement GDP with environmental and social indicators relevant to the challenges of today. The Organization for Economic Cooperation and Development (OECD) is also developing a Global Project trying to assess society’s progress. Its goals were approved in 2007 in the Istanbul Declaration, which urges “statistical offices, public and private organizations, and academic experts to work alongside representatives of their communities to produce high-quality, facts-based information that can be used by all of society to form a shared view of societal well-being and its evolution over time.”

This is good and even important, but I would suggest that it is not good enough. I would like to propose that in addition, the organization should also measure the resulting impact on the participants’ families and communities. This is so because, as previously explained, the social dimensions of a person play an important role in his decisions, conditions, and improvements. Consequently, the success of a program can only be measured fully when it includes all aspects involved in a decision making process and in the results of such decision. It should also include a more complete definition of quality of life, one that acknowledges and respects the dignity of each economic agent. Furthermore, in measuring the impact of development interventions, it is not only its impact on actual income, but the impact on its use as well as on the building of human, moral, and social capital needed to achieve sustainable development that matters in terms of fundamental human development. An integral approach to development can contribute towards the improvement of these measurements.

**Recent Developments in Development Economic Research and Policy**

Significant portions of the population in developing countries live in poverty or close to it. The economic choices of the population, and more specifically of the poor, are constrained by their market environment and by the lack of shared infrastructure. As a consequence, they often lack income and assets to attain basic needs: food, shelter, clothing, and acceptable levels of education and health. They also lack access to human assets, natural assets, infrastructure or physical assets, as well as access to financial structures such as savings or credit. In addition, they often lack aging security, as they have no access to sound social security systems. In fact, in most developing countries, the social security system is provided by the extended family. The extended family is becoming smaller however, and this shrinking process is taking place at a faster pace than the aging population experienced by developed countries. In developing countries the speed of aging in the population has significantly declined in the past three decades. These conditions make the poor in developing countries highly vulnerable to adverse shocks, as they are less able to cope with them.

Sachs advocated large increases in aid to finance a package he considered would end the precarious condition of the population in developing countries. His recommendations were remarkably similar to those put forward in the 1950s and 1960s by those researching and designing economic development policies. Today, as then, this reliability on large aid overlooks the unsolvable information and incentive problems faced by large-scale planning exercises. A more promising approach, as proposed among others by Easterly and by Banerjee, seems to be the design of incentives for aid recipients that can then be implemented through piecemeal interventions. These, in turn, deliver effective and large benefits for the poor relative

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49 For a review of the institutional and economic situation of the poor and middle class in developing countries see Banerjee and Duflo “The Economic Lives of the Poor,” and “What is Middle Class about the Middle Classes around the World?”

50 For example, it took France 115 years for the reverse of the population pyramid to take place while it is only taking Colombia 20 years. See Maria Sophia Aguirre, “The Family and Economic Development: Socioeconomic Relevance and Policy Design,” 2007, in *The Family in the New Millennium*, vol. 1, ed. Scott A. Loveless and Thomas B. Holman, London: Praeger: 54-92.


52 Some of these initiatives and studies include the substitution polices suggested by Prebisch (1959) and Singer (1964) as well as Rosenstein-Rodan’s (1943) “Big Push” framework.

to costs. After years of relying strictly on theory and some general empirical aggregated evidence for policy, today many development economists abandoned these approaches. They have realized that economic development is a complicated interplay of imperfect markets, politics, social norms, institutions, and government policies, social services, and microeconomic interventions. Development economists realize that new research approaches need to be devised if sustainable development is to be achieved. Nevertheless, as Easterly writes, “the idea of an aid-financed takeoff into growth has maintained its appeal in the development policy community,” more noticeably United Nations and European Union development related efforts (98).54

In spite of much advances in the technical aspects of economic research and financial aid, the problem of poverty and underdevelopment remains very much present around the world. Some economists blame this failure on theories of economic development suggested by advisors and implemented by policy makers without taking into consideration the particularities of different countries at specifics points in time.55 Another possible explanation, as it has been earlier suggested, and which has not been as extensively explored, is that the understanding of the economic decision making process in mainstream economic theory is incomplete as it fails to capture the social nature of the economic agent.56 Perhaps the problem is really a combination of these two things.

Today, consensus seems to have been reached on the merit of drawing from all branches of economics as well as from other sciences such as sociology, psychology, political science, and medicine, among others, when studying the processes of development. Several alternatives have been put forward in the past decade to fill the gaps encountered in the field, especially in the area of understanding microeconomic mechanisms and in the role that institutions play in the economic process. Alternatives have also been sought for more accurate and comprehensive measurement techniques to measure the efficacy and impact of development interventions.

Hausmann et al., in an attempt to overcome the problems caused by the use of pre-conceived models for specific approaches to development like the ones experienced by Latin America in the 1980s and 1990s, developed a new framework for diagnosis.57 This framework aims at helping policymakers identify binding constraints and prioritize policy reforms in multilateral agencies and bilateral donors in order to assist decision-makers in choosing the right economic model and remedy in specific circumstances. This approach is experimental in nature, emphasizing experimentation as a strategy for discovering, as Rodrick says, “what works along with monitoring and evaluation to learn which experiments work and which fail. It tends to look for selective, relatively narrowly targeted reforms. … [It looks] for policy innovations that

54 Similarly, in The End of Poverty, Sachs states, “Each low-income country should have the benefit of a united and effective UN country team, which coordinates in one place the work of the UN specialized agencies, the IMF, and the World Bank. In each country, the UN country team should be led by a single UN resident coordinator, who reports to the United Nations Development Program, who in turn reports to the UN secretary-general” (285). The approach is one that suggests that aid agency officials and national government leaders should do planning from the center to make everything happen. Easterly (2003) summarizes the evidence provided by decades of research on aid and growth, which indicates a failure to generate evidence for this prediction.
55 See, for example, Rodrick, “Diagnostics before Prescriptions.”
57 See Hausmann, Rodrick, and Velasco, “Growth Diagnostics.”
provide a shortcut around local second-best or political complications” (41). Such has been the approach taken by the Chinese government.58

Similarly, Deaton suggests that in the efforts to advance the field of economic development, specific mechanisms need to be studied. He notes that it is not enough to know whether a given approach works. Why it works is more relevant. He thus proposes an approach to research which investigates, tests, and modifies mechanisms that can be potentially widely applied, allowing in this manner the “integration of disparate findings … [comprising] progressive empirical research strategy” (3). The inspiration for this positivist approach is the hypothetic-deductive method of Cartwright. Deaton describes it as an approach where “mechanisms are proposed, key predictions derived and tested [through randomized mechanisms], and if falsified, the mechanisms are rejected or modified. If predictions of the mechanisms are confirmed, if they are sufficiently specific, and if they are hard to explain in other ways,” (4) the mechanisms are accepted until it is undermined by new evidence. In this framework, there is no possibility of confirmation; falsification is the only way to learn. “Sometimes the falsification can be repaired by changing supplementary assumptions and sometimes they involved long steps backwards where the model is abandoned; and often there is disagreement about which is the correct response. But the end result is an accumulation of useful knowledge and understanding” (Deaton 4). To be useful, this approach requires cross-fertilization between theory and empirical work as well as taking into account historical evidence, institutions, and measurements. Under this approach, studies in important aspects of economic growth such as the behavior of savings and its relation to growth, the dynamics of commodity prices and food distribution have been undertaken and new insights have been found to help explain aspects of the behavior of these variables in developing countries at the microeconomic level.59 However, this approach assumes a self-interested utility maximizing economic agent and, thus the cross-fertilization intended falls short and/or is misused.

Banerjee and Duflo complement this mechanistic approach with a proposal for field experimentation as the basis for understanding of economic issues relevant to poor people and countries. This manner of conducting research “by enabling the researcher to precisely control the variation in the data, allows the estimation of parameters and testing of hypothesis that would be very difficult to implement with observational data” (Banerjee and Duflo 2010, 62). By fostering interaction between empirical findings in the literature and theoretical models and predictions, a deeper understanding of economic realities as occurring in the developing world is reached. Work in this area has provided significant advances in the understanding of imperfections and

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inefficiencies in developing and underdeveloped countries’ credit markets. It has also been helpful in the area of education.

The diagnostic approach and the randomized approach to understanding mechanisms are very similar. In both cases the process has three components:

1) the identification of variables that hamper economic development;
2) the generation of solutions to solve these problems;
3) finding ways to test the effects of the proposed solution (Rodrick 42).

Both approaches have their limitations but they can complement each other. The diagnostic approach can provide important information to microeconomic randomized efforts regarding what to test and on what to focus on. It can also provide insights as to the implementation and development of follow up tools to monitor the impact of policy. Furthermore, both can be fruitful by feeding into and being fed by the findings of field experimentation work.

The aspirations of a person are typically generated and influenced by the experiences of others in the individual’s social milieu. A research agenda in economic development should not ignore these components of human behavior since they affect a plethora of relevant economic outcomes. Among these are: the decision to migrate, the rate of savings, the patterns of consumption, the fertility rate, the approach to marriage and children, technology adoption, the respect for the rule of law, work ethic, the choice of ethnic and religious identity, etc. Thus, the understanding of how this interpersonal aspect influences the economic agent decision process, and of how it leads a person to cooperate or not with others, is very relevant to the understanding of institutions and economic activity as well as to their interplay in the economic development process. In most cases, the previously mentioned approaches have failed to address some relevant aspects of human behavior, more specifically the interpersonal reality of human decisions.

Contribution of an Integral Approach to the Recent Developments in Development Economic Research and Policy

How could this interpersonal dimension of economic activity be identified and incorporated into economic theory and impact measures? One way to do so is through the inclusion of this interpersonal dimension of any economic activity in the economic decision

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process of the economic agent. Another way to do so is to acknowledge its relevance when measuring impact. Both of these require the modification of the most basic assumption present in mainstream economic theory and analysis, i.e., the conceptualization of the economic agent as a self-interested utility maximizer.

In order to capture a fuller understanding of human behavior, the conceptualization of the economic agent can be enriched by substituting the assumption that he is a self-utility maximizer with the reality of his social nature. Along these lines, Aguirre provides a possible alternative. Specifically, Aguirre proposes an expansion of Becker’s original model to capture altruistic behavior. In the former, altruism is incorporated in the budget constraint not in the utility function. In addition, an economy of scale feature is also incorporated in the budget constraint, which captures the efficiency gains/losses derived from the economic agent acting together with others/against others. Efficiency in the allocation of goods, under this framework, calls for the consideration of others’ needs in the maximization decision process of the economic agent.

Using as an experiment the most basic institutional level we have in society, the family, the proposed modified model of economic maximization is able to replicate the empirical evidence available regarding the economic benefits of marriage and the negative effects of divorce. The modification is also able to provide a theoretical framework to explain why empirical evidence is found across countries indicating that family structure is a significant factor in determining wealth, savings, human and social capital across countries, some observed patterns in the allocation of remittances, and the poverty alleviation effect of marriage in very low income level households.

An integral understanding of the economic agent also has consequences for the way we understand and measure the impact of any intervention for development. As the person is social by nature and as this sociability is required for sustainable development; it is important that any intervention that seeks development, may also seek to build human, moral, and social capital. Therefore, any measure of impact should also include these aspects. With this in mind, the integral approach to measuring impact brings together three bodies of research: neuroeconomics, market research, and econometrics so as to be able to measure the interpersonal dimension of any intervention for development. In doing so, it analyzes not only the immediate impact of an intervention, i.e., whether a student can read or not. It analyzes also how this educational effort helps those reached by the program live according with their dignity, how it helps their families, and how it helps their communities by fostering social and civic responsibilities in their beneficiaries.

The integral approach proposed requires an innovative way of utilizing market research techniques. It resorts to them in a way that meets the standards required for rigorous econometric

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64 Aguirre, “Revisiting Altruism in the Family: A New Perspective.”
analysis while exploiting its capacity to capture interpersonal interactions. The use of these techniques can be very effective in capturing the interpersonal dimension of the economic agent. This is of relevance when considering that perceptions, opinions, attitudes, and decisions are formed and changed through social interaction. It also resorts to neuroeconomics to run experiments with a framework that does not require assuming a self-utility maximizing economic agent. The measures are developed and the experiments conducted with an integral approach, normally seeking to capture pro-active behavior instead of the monetary incentive-response model typically used in experimental economics. These techniques help recreate a more natural setting than a one-on-one interview, allowing access to measurements of interpersonal dynamics that often are unknown to researchers using mechanistic or experimental techniques. As is the case for experimental economics, the integral approach to measuring impact can be applied to any intervention for development where there is a possibility of obtaining a control group as well as to natural experiments. Thus far this approach has proved to be enriching and promising in the quest to improve the way we understand and therefore carry out economic development. It is also a good fit for a bottom-up piecemeal approach to economic development interventions.

The Human Person in Development Economics Theory

Economic development research and implementation has experienced, especially in the past two decades, a significant transformation. New research avenues have been opened and these, in turn, have been shaped by and shaped development theory. In fact, the diagnostic approach combined with field experimentation and efforts to understand the mechanisms of economic development have set a very fruitful agenda for both the understanding of the development reality and for ground efforts directed to achieving sustainable development.

It has also inspired thinking “outside the box” when engaging in foreign financial aid. Specifically, it has made clear that rather than a top-down approach to reducing poverty, a bottom-up piecemeal approach is more effective. Furthermore, through the exercise of field experimentation specific initiatives have been identified as effective in achieving economic development.

One aspect regarding human behavior has been missing in these efforts. In this article, it is suggested that the inclusion of this piece in a systematic manner, both at the theoretical and the empirical level, can significantly enrich the understanding and achievement of sustainable development by bringing an integral dimension. Specifically, the paper proposes the incorporation of two facts of experience in the life of the economic agent: a person is body, and exists, lives, and acts together with others. The way in which the economic agent lives his embodiment and in which he interacts with others makes a difference in the economic process. It either builds human, moral, and social capital or it diminishes it. Similarly, the way he interacts with others in the economy and the way he utilizes the available resources, either contributes to efficiency and productivity or it does not. Therefore, it is very important to understand these processes and to include them in economic analysis.

Understanding the impacts of this interpersonal dimension on the economic agents’ decisions and in society, can provide important insights on some of the puzzles we find today in economic development. It can also help us in the understanding of the connections that exist between the most basic manifestation of this interpersonal reality, the family, and the production

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67 These include, among others, subsidies to families for education and health inputs for their children, reducing class size, distribution of drugs and nutritional supplements, vaccination, indoor spraying for malaria, and distribution of bednets.
or destruction of human, social, and moral capital. Likewise, it can assist in achieving a fuller understanding of the role of institutions in the economic process, as well as a better comprehension of the connection between the social dimension of the human person and efficiency and productivity in economic activity.

With regard to economic development and foreign aid, the inclusion of an integral approach could improve the efficiency and efficacy in the use of aid. Furthermore, it can help economic development professionals carry out fieldwork. Institutions are essential components of the economic growth process. Despite the importance of these institutions, development professionals working “on the ground” often fail to understand the critical role that institutional effectiveness plays in economic development. Finally, an integral approach to development can help identify the skills required to design, implement, and evaluate more accurately programs that can effectively contribute to integral economic development.

VII. Conclusion: Linking Economics to the Core by View of the Human Person

As a social science, economics takes a positivist approach toward the study of human behavior, limiting itself to the examination of nothing beyond the observable. As economists in religiously grounded institutions, we participate in the university mission which goes further, not merely into the ethics, but also to the metaphysical level. To be religiously grounded is to assume there is a moral law and purpose to human life, and that people have some degree of free capacity to accept or reject that law. While commitment to basic ethics of human development and cooperation provides an important level of connecting to the university mission, engagement via the vision of the human person involved, while difficult, provides an extremely rich way to operationalize the university mission. Often the material regarding philosophical debates and views of the human person covered in other areas in the university can equip students to recognize how those debates shaped even the discipline itself. We believe this can help provide a more sophisticated view of the economics profession.

Challenging as this may seem, this can be done in numerous places, whether in the history of the discipline, the struggle with Marxism and communism, and/or in contemporary theory. This can start with Smith himself. Since faith based universities frequently require more philosophy, and in specified areas, often student background with the metaphysical and epistemological questions of the 1700s help them develop a richer appreciation for Smith’s development of the invisible hand and his reflections on the market. Rather than a burden, this perspective helps them understand the foundation of the discipline more fully. They can also see how he attempted to fit his economic model to the conception of human existence he held.

This attempt at consistency is even more relevant to the treatment of Marx and its Soviet variation. Sure, from the perspective of Marx as a theorist, he failed, and from the view of economic systems, communism proved unworkable. Again, however, approaching Marx via his conception of human existence provides a better understanding of Marx and his project, helpful insights into part of what drove the USSR after his works, and important lessons twenty five years after communism’s collapse.

Although he adopted a materialist conception of the universe which rejected any spiritual dimension, including God, truth, moral law, the soul, and human purpose, his consistency in doing so serves as an important example of the consistency we too seek between our metaphysical understanding of the universe, the behavioral theory it implies, and the ethical views we hold. The combination of Marx’s intent, with the conclusion that the experiment failed (not merely economically, but also to produce transformed people), provides important lessons
regarding human nature and materialist theories about human nature. This treatment takes it out of historical reflection, as well as important lessons about market efficiency, and incorporates dimensions of eternal significance about human life which are relevant at any time, even if communism is past.

The benefits of approaching the discipline via the conception of the human person also extend to contemporary theory. The profession’s current engagement in richer study of human behavior provides important opportunities to reflect upon the view of the human person involved. This includes broader views of human needs, goals, and interactions. Ultimately, we assume they include strong sense that part of human behavior can be free, that people can operate on the basis of ideas and self-understanding, and that truths about moral law and human purpose exist upon which to make such decisions. We thus expect space for human free capacity to act on ideas directly, as well as to be influenced by institutions which themselves may be structured around ideas of human purpose (e.g. families, churches). Recent advances in development economics provide an important opportunity in which to examine this richer view of human nature. But many of these concepts can be pursued in other areas, such as labor economics, public assistance, poverty and inequality, etc., in their own particular ways.

Overall, when done well, these types of perspectives on the discipline can help students develop a stronger perspective on the historical dimensions of the discipline, familiarity with the more complex views explored currently, and, hopefully, prepare them for more sophisticated engagement of their own in the future.
Canadas Larrivee: Human Nature and Economic Theory

References


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