

# **Glasgow Centre for Population Health**

## **Seminar Series 10: Lecture 1**



### **Reflecting on Money, Love & Virtue**

**OCT. 29, 2013**

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# Blame for Financial Crisis



- **Government and agencies**
  - Policy error
  - Deregulation
  - Supervision deficit
  
- **Banks**
  - Inadequate risk control
    - **Poor credit quality**
  - Unethical behavior
    - **Excessive rent extraction**
    - **Fraud**

# Financial Ideology behind Crisis



**Wealth maximization**

For self (*self-interest*)

leads to (*invisible hand*)

**Benefits for all**

**Purpose**

**Driver**

**Action**

**Result**

**Government's role:** to keep the economic wheel turning

# Adam Smith: *The Wealth of Nations*



- *Self-interest*

- “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

- *Invisible hand*

- “[the merchant] intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”

# Liberty, Equality & Fraternity



- **Wealth**
  - Precondition to liberty
  - Allowing for equality
  - Enabled by fraternity
- **John Locke: property as way to freedom and protection**
  - Fundamental natural law of self-preservation
  - Continuity in political society: joining generation to generation
  - Freedom: not simply absence of restraint; but positive: creation of society and government and laws
  - Virtue: “other regarding”
  - Civil society: principle of unity – *living Body* out of separate selves

# *Homo economicus*



- **John Stuart Mill**
  - *Homo economicus*:
  - Standard economic agent
  - Rational wealth-maximiser: model of motivation
  - “Abstraction of every other human passion or motive.”
  - Simplification necessary, “because this is the mode in which science must necessarily proceed”
- **Jeremy Bentham**
  - *Felicific calculus*
  - Mathematical expression of happiness
  - Hedonistic: maximization of pleasure and minimization of pain

# Economics: Pure Science



- **Science without bias**
  - Purge all philosophy – too subjective
  - Include only what can be measured - objective
- **Neoclassical school**
  - Maximizing economic *utility*: “law of human nature”
  - *Instrumentality*: economic preferences w/o regard for motivation
  - *Efficiency*: minimizing input and maximizing output
  - Tools, systematic laws, quantitative analysis
- **London School of Economics founded 1895**
  - Economics as “science” arrived

# Aristotle



- *Oiko-nomus*: home management - economy
- Market: place of exchange - money
- Harmony in the *polis* >
  - **Good life: eudaimonia**
- **Required**
  - *Philia*: friendship
  - Virtue
    - Justice, the virtue that permits all other virtues
      - Proportionality

# Economy & Money



- **Economy**

- **A way to organize society**
  - Focus not just on money, but also on the **person**

- **Money**

- **Life-blood of society**
  - Quesnay: economist and physician to Louis XV
  - Franciscan monks
  - **Bringing nutrients, but also toxins**

# Civil Economy: Antonio Genovesi



- **Civil society: the common good**
  - Reciprocal relations
- **2 foundations**
  - Justice
  - Humanity
- **Essential preconditions**
  - Reciprocal confidence in the other
  - Public trust in the system
  - Mutual assistance
  - Friendship or fraternity

# Virtue in Markets?



- Prevailing theory: pricing mechanism
  - Self-interest alone required
  - Choice and preference based on instrumentality
  - Contract w/o moral content: no virtue necessary
  - Private incentive, not mutual assistance (**sacrifice**)
  
- Virtue in markets (Bruni & Sugden)
  - Trust and reciprocity (**no sacrifice**)
  - Market allows for dignity (humanity)
    - Liberty: no need to beg
  - Fairness in exchange (justice)
    - Each party must reap benefit

# The Person in Society



- **Who is the person?**
  - Material: the *ego* (primal needs)
  - Spiritual/cultural: capable of generosity
- **The person in society**
  - Each person as part of the whole (contributes & receives)
  - Interdependent (impacting on each other and the whole)
- **The common good**
  - Not just collection of public commodities and services
  - But also the sum of the civic conscience
    - Liberty as a mirror image
    - Sense of what is right

**Money,  
Love &  
Virtue**

# Competition vs. Cooperation



- Darwin's *survival of the fittest*: **competition**
- Later Darwin: **cooperation**
  - Humans possess “social instinct...becoming more tender and more widely diffused until they are extended to all sentient beings.”
  - “[as] soon as this virtue is honored and practiced by some few of us it spreads through instruction and example to the young and eventually becomes incorporated in public opinion”

**Survival is as much about cooperation, symbiosis and reciprocity**

# Ontology of Love



- **Compassion**

- Sharing in another's suffering

- **Empathy**

- “Entering the private perceptual world of the other and becoming thoroughly at home in it...moving in it delicately without making judgments” (Carl Rogers)
  - **“The glue that makes social life possible” (Martin Hofmann)**

- **Love**

- Not simply emotion
- Moving power of life
  - **Drive towards unity > harmony/happiness**
- Commandment of love – ethical nature

# Power in Love



- Common polarized view (Paul Tillich)
  - Love is soft and weak: resignation of power
  - Power is strong and forceful: denial of love
- Martin Luther King
  - “Power without love is reckless and abusive and love without power is sentimental and anemic. Power at its best is love implementing the demands of justice, and justice at its best is love correcting everything that stands against love.”
- **Love as power that enables justice, the greatest virtue**

# Love: the Infinite Resource



- ***Ego amans*: Jean-Luc Marion**
  - The *ego* thinks, but also loves
  - Via feeling, but not egotistical nor possessive
  - “There is only one single proof of love – to give without return or chance of recovery...But love itself is never lost, because it is accomplished in loss.”
- **Second humanism: Luc Ferry**
  - New moral order, through recovery of wisdom > love
  - Manifested in fraternal love
    - Permeating interactions
    - Providing substance to civic and political action
- **Not a limited resource, but the only infinite resource**

# JS Mill: Happiness & Love



- Happiness derives mainly from love
  - Not from aiming to maximize own happiness
  - But by
    - **Fixing on some object other than oneself**
- Ultimate happiness comes from experiencing another's happiness
- **Love = Friendship**

# Neuroscience: Antonio Damasio



- Brain is connected to the body through *feeling*
  - The primordial self feels pain and pleasure
  - The core self drives action
  - The autobiographical self is the social and the spiritual self
- Reflective conscious mind
  - Tempered by feeling
  - Guided by memory
    - Seeks wellbeing of
      - Individual
      - Compounded to society
        - > moral rules and laws and justice system

# M Sandel: 3 Approaches to Justice



- **Rawls: perfect institutions and law (freedom)**
  - Justice as *fairness*
  - Primary goods distributed via incentives: instrumental
- **Sen: how to enhance justice and remove injustice (welfare)**
  - Human capability: organizational opportunity
  - Not advantage seeking: reciprocity and mutual benefit
  - Government by discussion: civic action
- **Aristotle (virtue and the good life)**
  - The examined life
  - Promoting virtue: self-actualization

# 3 Pillars of Financial System



- **Macro-prudential**
  - Safeguard financial system and control systemic risk (not too big to fail)
  - Reintroduce legislation re financial activity
  - Reinforce supervision
- **Micro-prudential (Basel III)**
  - Ensure solvency of banks
  - Risk management systems, capital ratios, and balance sheet/liquidity management
- **Behavioral**
  - Ensure transparency of bank products and proper understanding of risks, both by bank and consumer (not *caveat emptor*, or buyer beware)
  - **Is it not more than this?**

# R Shiller: Finance & the Good Society



- Finance is science of goal architecture
  - Achievement of set of **goals** (what goals?)
  - **Stewardship** of assets
  - Financial theory focuses on the **ST**, on portfolio optimization: trading strategies and risk management
  - But finance can be involved in constructive deal making: the structuring of projects, enterprises and systems - **LT**
- Uses *finis* to justify finance as the goal or the end of society
  - But finance is *fides* or trust and a means (life-blood) to an end (the common good)



# A Second Enlightenment



- Rethink Enlightenment in context of different world

Martha Nussbaum

- 3 important criteria today:
  - **Critical thinking: reflection**
    - What do I stand for? Aristotle's self-examination
  - **Sense of global citizenship: civic action**
    - Genuine curiosity about plurality of world, combined with respect for human dignity
  - **Empathy**
    - Capacity to think in the shoes of someone else

# Core Enlightenment Principles



- **Autonomy (Liberty)**
  - Anti-clerical culture from Enlightenment needs to be removed: rethinking our idea of autonomy; **self-examination**
- **Universalism (Equality)**
  - Double-sided nature of empathy
  - Tensions between empathy and principles
    - Willingness to throw principles out of window
    - **Empathy w/o principles does not work**
- **Humanism (Fraternity)**
  - Word needs to be carefully understood: not atheistic
  - Therefore, prefers to use word “human dignity”
  - **Need to learn to think critically, first as children**
- **Martha Nussbaum**

# Skidelskys: Basic Goods



- **Basic goods (universal and indispensable)**
  - Health
  - Security
  - Respect
  - Friendship
  - Leisure
  - Harmony with nature
  - Personality/autonomy: ability to express oneself
- **Keynes: “take wings into the future” – caring for future generations and justice towards them**

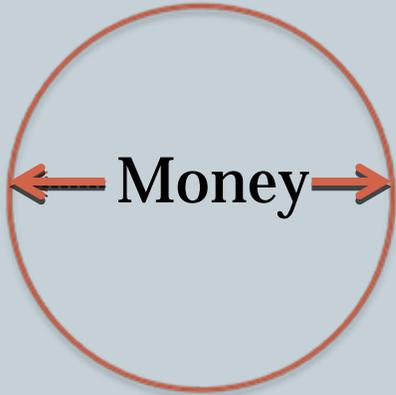
# Economics & the Good Society



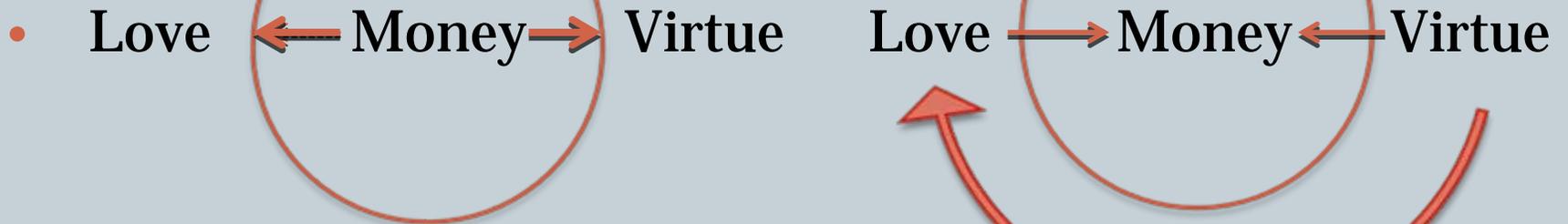
- An economist must be “mathematician, historian, statesman and philosopher” (JM Keynes)
- **Good Society requires humanism**
  - Empathy and collaboration
  - Trust and justice
  - Long-term and integral vision
  - Liberty/autonomy: one’s liberty is dependent on the other – mirror image (Sartre & Ricoeur)
  - Virtue: responsible behavior – what impact on the common good?
  - Common good: material goods/services and civic conscience
  - **Interpersonal relationships/reciprocity: economic resource**

# Money, Love & Virtue



- Love  Virtue

# Money, Love & Virtue



- “Heroic example...calling forth mimesis and catharsis...more important than the publication of thousands of books” (Pitirim Sorokin)

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