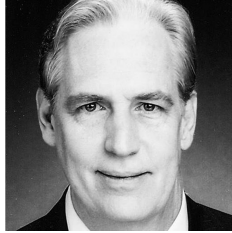


Humanistic Economics and Forensic Reports

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*“Anything that we can destroy,
but are unable to make is,
in a sense, sacred,
and all our ‘explanations’ of it
do not explain anything.”*

--E (Ernst) F (Friedrich) Schumacher (1911 – 1977),
German-British Statistician and Economist



In this month’s column, we break from our ongoing series “Sufficient Affluence/Sustainable Economy” to introduce our readers to the field of Humanistic Economics. The nuances of Economics may befuddle even the brightest of minds. However, by creating a hybrid of the Social Science of Economics with the various fields of Humanities, we may refer to the emerging product as Humanistic Economics—an approach to the puzzle of life, grounded in common sense and in the humane and empathetic treatment of our fellow beings. When economists bring their talents to the legal community, we bring more than a bag of numbers, equations, and charts to the table. We hope that we travel with, and share, some deeper understanding of human behavior. Mostly, we find the Humanistic Economics in the narrative while the mathematics appears in the spreadsheets.

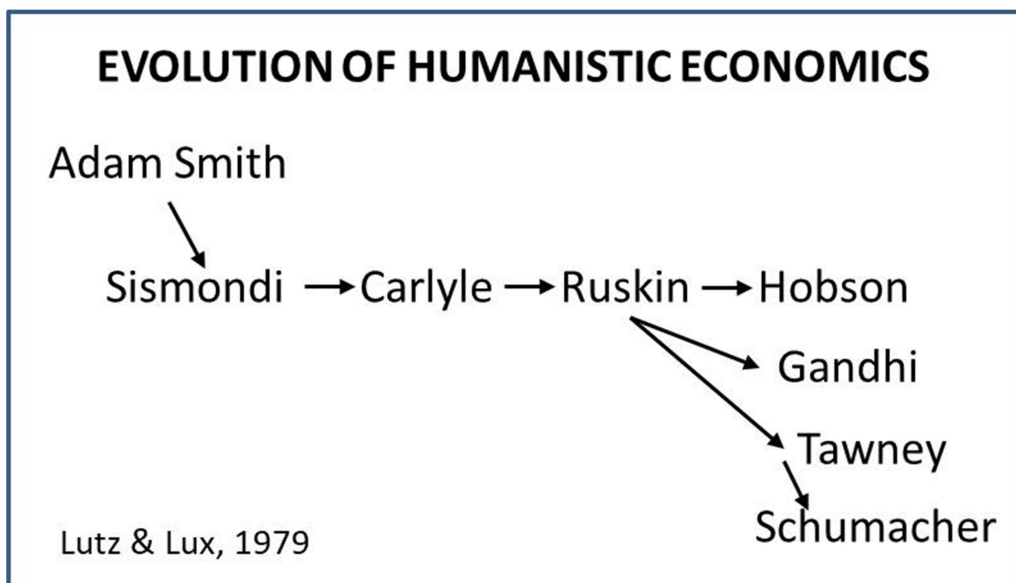
Understanding Humanistic Economics has become critical for all facets of the Law, which consider outcomes for human beings. Though many humanistic elements exist in areas of legal practice, these elements appear most pronounced in matters of Employment Law, Personal Injury, and Wrongful Death. Economic Determination, put forth as numbers and calculations, demands reflection on the nature and behavior of the human beings involved in a case.

In order to help us to summarize and to build the integral thought process that is Humanistic Economics, we turn to the presentations made in unity by economist Mark A. Lutz and psychologist Kenneth Lux some forty years ago. Given the current state of the world, it feels appropriate to revisit this older, well-established approach for understanding and solving economic problems. We may apply this approach on an individual basis, such as to a plaintiff or to a defendant in a court case, or on a global basis, to understand and perhaps to resolve larger issues.

To move toward these goals, Lutz and Lux provide a well-grounded evolution of Humanistic Economics from the 18th through the 20th Centuries in their books *The Challenge of Humanistic Economics* (Benjamin-Cummings Publishing Co., 1979) and *Humanistic Economics: The New Challenge* (Rowman & Littlefield, 1988). We will use their synthesis, mixed with a plethora of other sources, as our foundation and framework.

Modern Evolution of the Concept

Lutz and Lux present us with a grand summary of the evolution of the humanitarian legacy that is embedded within the traditions of both Economics and the Law. We will use this map to find our way in 2021 and beyond, relying upon the tracings of these two authors to comprehend the development and emergent purpose of this legacy. In addition, we will rely upon the combined thoughts of eight notable polymaths and their key publications that address the matters at hand. These critical thinkers include Adam Smith (1759 and 1776), Count Sismonde de Sismondi (1819), Thomas Carlyle (1841), and John Ruskin (latter 19th Century). At this point, the path splits off and follows the thoughts of Humanistic Economics through John Atkinson Hobson (early 20th Century), Mahatma Gandhi (1920s), and Richard Henry Tawney (1920 and 1931). In order to establish the foundation for moving forward in our present age, the core concepts filter down through the writings of E.F. Schumacher (1973), who contributed our opening quote.



We will provide our readers with an overview of Humanistic Economics as developed through the writings of the authors cited above and will leave our audience with the relevant original citations, making it easier for those who choose to explore these thoughts to find available reprints of the original texts.

Adam Smith



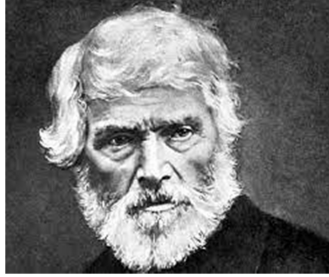
Many of us, exposed even to small amounts of Economics, have heard of Adam Smith (1723 - 1790), the Scottish economist, moral philosopher, and pioneer of Political Economy, and his highly noted book *The Wealth of Nations*, (aka *An Inquiry into the Nature and Causes of the Wealth of Nations*, W. Strahan and T. Cadell, London, 1776). However, Smith previously wrote *The Theory of Moral Sentiments* (Alexander Kincaid and J. Bell, Edinburgh, 1759), a book in which he sets the humanistic foundation for *The Wealth of Nations*. This title, which states that our moral ideas and actions constitute the best of our nature as social beings, posits that this forms a better guide to moral action than reason. Smith provides us with the philosophical underpinnings to understand the practical ideas presented in his more famous book of 1776. *The Wealth of Nations*, which describes the elements that build national wealth, remains the fundamental work in Classical Economics. By focusing upon the economics at the beginning of the Industrial Revolution, Smith address topics such as free markets, the division of labor, and productivity. He concludes that the division of labor, accompanied by improvements in the tools used in manufacturing, has led to an increase in the production of goods traded among countries in a free-market setting. Smith emerged as a key figure during the Scottish Enlightenment. Now he has become known as “The Father of Economics” or “The Father of Capitalism” and has attained the status of the modern “Father of Humanistic Economics” for many who have studied his works in this light.

Count Sismonde de Sismondi



Smith continued to influence other thinkers throughout his life as well as after his death. Through a representative humanitarian protest against the dominant orthodoxy of his time, the French/Swiss historian and political economist Sismonde de Sismondi (1773 - 1842) follows the lines of thought presented earlier by Smith. In his liberal critique of laissez-faire economics, *Nouveaux Principes d’Economie Politique (New Principles of Political Economy)* (1819), Sismondi insists that economic science addresses the increase of wealth too much and the use of wealth for producing happiness too little. Sismondi arose as one of the pioneering advocates of Unemployment Insurance, Sickness Benefits, a Progressive Tax, Regulation of Working Hours, and a Pension Scheme. Furthermore, he coined the term *proletariat* in order to refer to the new laboring class created under Capitalism.

Thomas Carlyle



Many of us know of Thomas Carlyle (1795-1881) as a Scottish historian, satirical writer, essayist, translator, philosopher, mathematician, and teacher. He began his career by translating the humanistic economic work of Sismondi into English. Forever after, Carlyle remained highly critical of political economy, which he contemptuously labeled “the dismal science,” while taking the pro-slavery side in an ongoing debate with English philosopher, political economist, and Member of Parliament John Stuart Mill in *Frazier’s Magazine for Town and Country*.

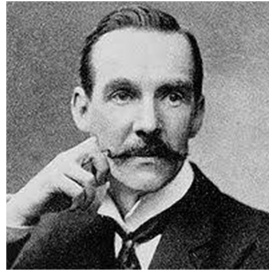
In his book *On Heroes, Hero-Worship, and the Heroic in History* (Chapman and Hall, London, 1840), Carlyle argues that the actions of what he calls the “Great Man” play a key role in history while claiming that “the history of the world is but the biography of great men.” During the 19th Century, the “Great Man” emerged as the entrepreneur, bringing capital together in order to reach a societal goal. The large iron foundries, steel mills, railroads, and other industrial combines come to fruition through the efforts of the “Great Men.” Carlyle provided the man of straw for reformers to attack.

John Ruskin



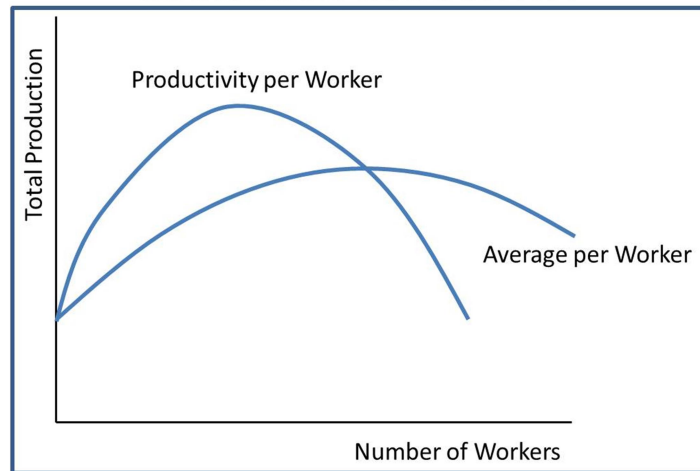
As a contemporary of Carlyle, his student Ruskin (1819 -1900), an English philosopher, writer, and art critic, lived during the latter Victorian Era and wrote on the varied subjects of architecture, botany, education, geology, literature, myth, ornithology, and political economy. Ruskin directly and systematically addressed this latter subject and its inner logic. However, his thoughts on political economy also appear in a number of his non-economic books, including ones on art and architecture. In summary, Ruskin believed that individuals have the responsibility to consume wisely and to stimulate a beneficent demand for goods and services. He remained influential throughout the latter half of the 19th Century until the time of the First World War. Though his ideas and works suffered through a period of relative decline, Ruskin’s reputation has improved steadily since the 1960s through the publication of numerous academic studies of his works. Currently, academics recognize Ruskin’s ideas and concerns as anticipating an interest in environmentalism, the Arts and Crafts Movement, and the sustainability of humanistic ventures.

John Atkinson Hobson



English social scientist and economist John Atkinson Hobson (1858 -1940) became best known for his writings on Imperialism through his early contribution to the field of economic principles known as the Theory of Under-Consumption. This theory scathingly criticizes the notion that free markets can solve economic problems automatically (in contrast to Say's Law—Supply creates its own Demand--and the emphasis from Classical Economics on thrift, for which production constitutes the source of demand). Unfortunately, Under-Consumption discredited and excluded Hobson from the professional community of economists. Today, we might simply consider under-consumption as not how much one CAN eat but rather how much one SHOULD eat. Nonetheless, other works of Hobson critiqued the Classical Theory of Rent through anticipation of our modern theory of Marginal Productivity for the distribution of agricultural and industrial goods.

MARGINAL PRODUCTIVITY



Mahatma Gandhi



The Indian activist, writer, and attorney Mohandas Karamchand (aka Mahatma) Gandhi (1869 - 1948) commenced his public life as a lawyer who favored anti-colonial Nationalism. As a political ethicist, he employed nonviolent resistance to lead the successful campaign for the independence of his homeland from British rule. Through his work, Gandhi inspired decades of movements for civil rights and freedom throughout the world.

During his early years, three books influenced this young lawyer practicing in (British) South Africa: *Ethical Religion* (1889) by William Salter, *On the Duty of Civil Disobedience* (1849) by Henry David Thoreau, and *The Kingdom of God Is Within You* (1894) by Leo Tolstoy. However, the works of John Ruskin were of particular significance, inspiring Gandhi to live an austere life on a commune, first on the Phoenix Farm in Natal and then on the Tolstoy Farm near Johannesburg, South Africa.

During the 1920s, the insistence of Indian monk, activist, and publication manager Swami Anand, along with other closely allied co-workers, encouraged Gandhi to explain the background of his public campaigns. In response, Gandhi wrote his autobiography, which was serialized in the magazine *Navajivan* in 166 installments from 25 November 1925 to 3 February 1929. The collection was published as *Satya Na Prayogo (Experiments with Truth)*, subtitled *Atmakatha (The Story of a Soul)*. The English translation, *The Story of My Experiments with Truth*, was published by The Public Affairs Press of Washington, D.C., in 1948. In 1998, a committee of global spiritual and religious authorities led by Philip Zaleski, editor of HarperSanFrancisco's annual collection of the best spiritual writings, designated *The Story of My Experiments with Truth* as one of the "100 Best Spiritual Books of the 20th Century."

Richard Henry Tawney



English economic historian, social critic, Ethical Socialist, and Christian Socialist Richard Henry Tawney (1880 -1962) became an important proponent of adult education. Observers recognized him for making a significant impact in all of these interrelated roles. In his book *Historians I Have Known* (Gerald Duckworth & Co., London, 1995), English historian Alfred Leslie Rowse insists that "Tawney exercised the widest influence of any historian of his time, politically, socially and, above all, educationally."

Tawney held that Christian Socialism, which blends the beliefs of Christianity and Socialism, represents both a religious and a political philosophy. Given the basis of the Bible and the teachings of Jesus, Tawney endorsed left-wing politics and Socialist Economics. Along with his influence and that of others, Christian Socialism and Social Justice emerged as major movements in the United Kingdom during the late 19th and early 20th Centuries.

Two books written by Tawney stand out as his most influential social criticism--*The Acquisitive Society* (Harcourt, Brace and Howe, 1920) and his seminal work *Equality* (Allen & Unwin, 1931). In the first title, he criticizes the selfish individualism of modern society that encourages acquisition, thereby corrupting everyone through the promotion of economic self-interest. Tawney asserts that this self-interest leads to aimless production in response to greed and insatiable acquisitiveness. By

extension, he attests that Nationalism leads to the perversion of Imperialism accompanied by a necessarily failed balance of strategic power, which results in unnecessary wars. Following these thoughts in his latter book, Tawney argues for an Egalitarian Society. He promotes equality of opportunity, which enables us to succeed according to our abilities. Both of his books reflect the Christian moral values held by Tawney. These exercised profound influence in both Britain and abroad while anticipating the concept of the Welfare State. Since that time, opposition from Christian Churches toward the new idolatry of wealth has surfaced intermittently from time to time. However, most observers believe that no individual critics have arisen with the combination of political wisdom, historical insight, and moral force than that of Tawney.

E.F. Schumacher



Rounding up our exploration of Humanistic Economics, we explore the thoughts of Schumacher. Born in Germany, Ernst Friedrich “Fritz” Schumacher (1911- 1977) became an internationally influential economic thinker through his professional background as a statistician and economist in Great Britain. During his career, Schumacher also served as Chief Economic Advisor to the UK National Coal Board for two decades. In his best-known book *Small Is Beautiful: Economics as if People Mattered* (Blond & Briggs, 1973), Schumacher expands on his essay “Small Is Beautiful” in the periodical *The Radical Humanist* (August, 1973) in which he reminds us, “Any intelligent fool can make things bigger, more complex, and more violent. It takes a touch of genius—and a lot of courage--to move in the opposite direction.”

Schumacher served as an adviser to the India Planning Commission as well as to the governments of Zambia and Burma, experiences that led to his interest in Buddhism. In his work *An Economics of Permanence/Buddhist Economics*, published by the Institute for the Study of Nonviolence in 1975, Schumacher explains, “The modern economist ... is used to measuring the ‘standard of living’ by the amount of annual consumption, assuming all the time that a man who consumes more is ‘better off’ than a man who consumes less. A Buddhist economist would consider this approach excessively irrational: since consumption is merely a means to human well-being, the aim should be to obtain the maximum of well-being with the minimum of consumption.” He continues, “The ownership and the consumption of goods is a means to an end, and Buddhist economics is the systematic study of how to attain given ends with the minimum means. Modern economics, on the other hand, considers consumption to be the sole end and purpose of all economic activity, taking the factors of production--labor and capital--as the means. The former, in short, tries to maximize human satisfactions by the optimal pattern of consumption, while the latter tries to maximize consumption by the optimal pattern of productive effort.”

A Guide for the Perplexed

Over a period of eleven years, Schumacher used the pages of the pioneering British environmental magazine *Resurgence* in order to develop his ideas on a wide variety of subjects (what a novel idea!). Twenty-one of these articles were published as *A Guide for the Perplexed* (Harper Perennial

Modern Thought, 1995). The great majority of articles by Schumacher remain unpublished. However, here we present some of his high points *A Guide* for reflection.

- “From the point of view of the employer, it [labor] is in any case simply an item of cost, to be reduced to a minimum if it cannot be eliminated altogether, say, by automation. From the point of view of the workman, it is a ‘disutility’; to work is to make a sacrifice of one’s leisure and comfort, and wages are a kind of compensation for the sacrifice.”
- “From a Buddhist point of view, this is standing the truth on its head by considering goods as more important than people and consumption as more important than creative activity. It means shifting the emphasis from the worker to the product of work, that is, from the human to the sub-human, surrender to the forces of evil.”
- “The Buddhist view ‘takes the function of work to be at least threefold’: “to give a man a chance to utilize and develop his faculties; to enable him to overcome his ego-centeredness by joining with other people in a common task; and to bring forth the goods and services needed for a becoming existence.”
- “To organize work in such a manner that it becomes meaningless, boring, stultifying, or nerve-racking for the worker would be little short of criminal; it would indicate a greater concern with goods than with people, an evil lack of compassion and a soul-destroying degree of attachment to the most primitive side of this worldly existence.”

The Schumacher Center for a New Economics Library in Great Barrington, Massachusetts, holds his personal collection of books and archives.

The Wrap

In a future segment of this series, we will demonstrate the process for developing quantitative sections of Forensic-Economic reports accompanied by personal reflection, thought, and commentary. Often, these qualities mirror the writings from some of the thinkers that we have reviewed, which have contributed to the small but meaningful subfield of Humanistic Economics. Namaste.