



The Forum

The Moral Effects of Economic Teaching¹

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Over the past 2 decades, dozens of studies have explored the relationship between exposure to economics and antisocial behavior. With a few exceptions, these studies find the economists and economics students are more likely to exhibit a range of “debased” moral behavior and attitudes, both in the controlled environment of the laboratory and in the outside world. This article presents a review of these studies. It draws on the various studies to address the question of whether the found differences are due to a selection effect—that is, those with antisocial tendencies tend to study economics—or an indoctrination effect whereby exposure to economic theory causes antisocial behavior. The article suggests there is evidence that both effects play a role in explaining the debased behavior of economists and students of economics.

KEY WORDS: antisocial behavior; economic man; economic theory; game theory; neoclassical economics; social norms.

INTRODUCTION

Neoclassical economics has been criticized for being unrealistic, generating poor predictions, and engendering flawed public policies. This article examines a fourth charge: that teaching the subject has a morals-debasing effect. The charge holds that neoclassical economics’ focus on self-interest, pleasure, and, hence, consumer goods—what critics refer to as its hedonism and materialism—renders those influenced by its teachings less moral and more antisocial. This issue has been particularly relevant in recent years, when a societal focus on individualism and deregulation are said to have contributed to the near-global financial and economic crisis that has led hundreds of millions of people—across the world—to lose their jobs, homes, and lifelong savings.³

TYPICAL FINDINGS

One of the first experiments to test the “debasement” hypothesis is one conducted by Marwell and Ames (1981). In this study, the social scientists designed a prisoner’s dilemma–type game where participants were given an allotment of tokens to divide between a return-generating private account and a public fund. If every

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³ See Boylan (2015) for a response to these ideas.

player invested all of their tokens in the public fund, they would all end up with a greater return than if they had all put their money into their respective private accounts. However, if a player defected and invested in the private account while the other players invested in the public fund, s/he would gain an even larger return. In this way, the game was designed to promote free-riding: the socially optimal behavior would be to contribute to the public fund, but, with respect to economic theory, the dominant strategy would be to defect.

Marwell and Ames found that most subjects divided their tokens nearly equally between the public and private accounts. Economics students, by contrast, invested *only 20%* of their tokens in the public fund, on average. This tendency toward free-riding was accompanied by a divergence between the moral views of the economists and noneconomists. While three-quarters of noneconomists reported that a “fair” investment of tokens would necessitate putting *at least* half of their tokens in the public fund (with 25% reporting that only putting *all* of the tokens in the public fund would qualify), over one-third of economists didn’t answer the question or gave “complex, uncodable responses” (Marwell and Ames 2001:309). The remaining economics students were much more likely than their noneconomist peers to say that “little or no contribution was ‘fair,’” or to indicate that notions of fairness did not influence their decisions (Marwell and Ames 2001:309).

Following Marwell and Ames, a broad range of studies have found economics students to exhibit a stronger tendency toward antisocial behaviors relative to their peers. For example, Carter and Irons (1991) had both economics students and noneconomics students play the “ultimatum” game—a two-player game where one player is given a sum of money to divide between the two. The other player is then given a chance to accept or reject the offer; if s/he accepts it, then each player receives the portion of money proposed by the offerer; if s/he declines, then neither player gets any money. Carter and Irons found that relative to noneconomics students, economics students were much more likely to offer their partners small sums, and, thus, deviate from a “fair” 50/50 split.

Similarly, Frank, Gilovich, and Regan (1993) found that economics majors were significantly more likely than their peers to defect in a standard prisoner’s dilemma game—with a much higher proportion of economics students justifying their choice simply in terms of the rules of the game rather than via appeal to notions like “fairness.” Furthermore, these social scientists found that such antisocial behavior persists outside of the laboratory: they conducted a survey revealing that economics professors were both twice as likely to give *no* money to charity than were their peers and were “among the least generous in terms of their median gifts to large charities” (Frank et al. 1993:162).⁴

Finally, these researchers had both economics and noneconomics students fill out two “honesty surveys”—one at the start of the semester and one at the conclusion—regarding how likely they were to either report being undercharged for a purchase or return found money to its owner. The authors found that after taking an economics class, students’ responses to the end-of-semester survey were more likely to reflect a decline in reported honest behavior than students who studied

⁴ The authors received 576 completed surveys from professors chosen randomly from professional directories. Seventy-five of these surveys were filled out by economists.

astronomy. While 23.3% of exiting astronomy students were recorded as being less likely to report a billing error where they were undercharged, 38.25% of exiting economics students were recorded as being less honest in this respect. And while 10% of astronomy students recorded less-honest responses regarding whether they would return found money, 27.2% of economics students reported that they were less likely to return the money than they were at the start of the semester (Frank et al.1993:169).⁵

Other studies supported these key findings. Frey, Pommerehne, and Gygi (1993) report that economics students are less likely to consider a vendor who increases the price of bottled water on a hot day to be acting “unfairly.” Cadsby and Maynes (1998) find that economics and business students are more prone to defect, even in games that have been tweaked to create an efficient equilibrium that can be reached by cooperating. Selten and Ockenfels (1998) find that economics students who played a lottery game were willing to commit less of their potential winnings to fund a consolation prize for losers than were their peers. Frank and Schulze (2000) find that economics students were significantly more corruptible in that they were more likely to accept bribes than other students. A survey conducted by Gandal, Roccas, Sagiv, and Wrzesniewski (2005) find that economics students valued personal achievement and power more than their peers while attributing less importance to social justice and equality. Rubinstein (2006) reports that economics students were much more likely to favor profit maximization over promoting the welfare of workers when faced with a business dilemma. Faravelli (2007) finds that economics students were significantly less likely to favor egalitarian solutions to problems than their peers outside of economics. Haucap and Just (2010) find that a survey of economists revealed they were more likely than their peers to consider the allocation of scarce resources in accordance with who can afford to pay the price set by supply and demand to be a fair method of rationing and distributing resources. And Bauman and Rose (2011) report that economics majors are less likely to donate to local social programs.

SELECTION EFFECT?

One may ask whether studying economics is a *cause* of moral debasement. The findings cited so far could reflect not an indoctrination effect of teaching economics, but rather, a *selection effect* whereby students prone to immoral behavior are more likely to choose to study economics than more moral students. Carter and Irons (1991:174), for example, note that selfish behavior exhibited in the ultimatum game was already present in entering economics first years, contending that “economists are born, not made.” The general consensus among researchers is that if there is an indoctrination effect, it ought to manifest itself in the form of students with greater exposure to economics expressing more pronounced antisocial behavior.

Frey et al. (1993) note no difference in evaluations of the fairness of a price increase between beginner and advanced economics students, thus endorsing the

⁵ The percentages of economics students listed here are averages calculated by the author under the assumption that the two economics classes surveyed by the authors were identical in size. They are, thus, approximations rather than exact representations of the collected data.

selection hypothesis. Frank and Schulze (2000) find that older and younger economics students are equally corruptible, suggesting a selection effect rather than indoctrination. And Gandal et al. (2005:1237) find that entering economics students' tendency to endorse more self-interested normative values did not intensify after completing a year of economics education—findings that provide “support for a self-selection process.”

In contrast, a set of other studies *do* find evidence of an indoctrination effect. Frank et al. (1993) report that, while defection—that is, playing a “dominant” strategy that will leave a player better off independent of his or her opponent's strategy but, if chosen by both players, will leave him or her worse off than if both had chosen a different strategy—by noneconomics students in the prisoner's dilemma game steadily declines with education, the rate of defection for economics students remains constant.

More convincing is the researchers' analysis regarding how honesty surveys reveal an indoctrination effect. Their study compared the percentage of students who expressed more “dishonest” attitudes after exiting an economics course with the percentage of astronomy students who exhibited a similar moral slide—their finding being that economics students were significantly more likely to experience such moral decline. More importantly, however, the researchers *also* compared the results from the students of *two different economics classes*. One class was taught by a professor who focused upon game theory and prisoner's dilemmas with an emphasis on “how survival imperative often militate against cooperation.” The other was taught by a professor who did not focus on these topics. The result? Although the entering economics students for both classes reported similar levels of dishonesty scores at the start of the class, but by the end, those in the class with a focus on game theory reported significantly higher levels of dishonesty scores than their peers. Such results show that it is *not* just selection that is responsible for the reported increase in immoral attitudes.

Later studies support this conclusion. Faravelli (2007) finds that there are measurable ideological differences between lower-level economics students and upper-level economics students that are similar in kind to the measured differences between the ideology of economics students as a whole and their peers. He finds that upper-level students are even less likely to support egalitarian solutions to distribution problems than lower-level students, suggesting that time spent studying economics does have an indoctrination effect.

Finally, Bauman and Rose (2011) compare donations to social programs over time relative to exposure to economics and find a combination of selection and indoctrination effects: while senior economics and younger majors who had taken far fewer classes were equally unlikely to give money to social causes—suggesting selection rather than indoctrination is to blame—*nonmajors* who were exposed to economics were *less* likely to donate money than their peers who did not take economics courses. This suggests that, although those drawn to economics already have more “debased” orientation compared to their peers, exposure to economics adds a debasing effect.

QUALIFICATIONS

It should be noted that the debasing effect is often significant but far from total. There are areas of attitudes that will not be affected by exposure to economics. Thus, even in games like the prisoner's dilemma, the economics students' tendency to defect disappears when given the opportunity to interact with their fellow player beforehand and make promises to cooperate once the game has begun—a finding reported by Frank et al. (1993) and later replicated by Hu and Liu (2003). In addition, other studies such as Seguino, Stevens, and Lutz (1996) and Frey and Meier (2003) fail to find evidence of economics producing the particular antisocial behavior under consideration. Others find such evidence, but without the results crossing the threshold of statistical significance (see, e.g., Ahmed 2008 and Ahlert, Funke, and Schwettmann 2013).

Few studies find that the study of economics correlates with *pro*-social behaviors. Yezer, Goldfarb, and Poppen (1996) find that economics students are more likely to deliver a found letter filled with cash to the recipient listed on the envelope than are noneconomics students. And Laband and Biel (1999) find that professional economists are less likely to cheat on their association dues than are political scientists and sociologists.

CONCLUSION

The fact that even taking one course in neoclassical economics may make people less moral may reflect the fact that the course merely reinforces preexisting inclinations toward such a position. The problem is not that students are exposed to such views, but that there is no “balancing” course taught in typical American colleges in which a different view of economics is presented. Moreover, while practically all such classes are characterized by the neoclassical viewpoint, in classes that embrace a different view—for example, social philosophy, political science, and sociology—a thousand flowers bloom such that a great variety of approaches are advanced, thereby leaving students with a consolidated debasing exposure and a cacophony of conflicting *pro*-social views. (For more discussion, see Etzioni 1988.)

The fact that those who become professional economists are more affected is most likely not merely due to much more exposure to the neoclassical message, but also to the fact that these students join a peer group and subculture that undergirds these views.

Finally, one should note that not all economists will agree that what is considered here “debasing” is actually debasing. Some share with libertarians the conservative, *laissez-faire* view that, if everyone will follow their own self-interest and seek pleasure, the invisible hand will ensure that the greatest happiness for the greatest number is realized. Some even go so far as to argue that greed is good. If anybody doubted that this viewpoint is mistaken, the economic developments since 2008 should have disabused them of this notion.

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