E C O N O M I C S B U L L E T I N

Plato's Republic and liberal economic education for the twenty-first century

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Abstract

Much of the insight economists would like to share with non-economists derives from two fundamental concepts: division of labor and intrinsic versus extrinsic incentives. As Plato's Republic offers concise treatment of both concepts, it provides an excellent complement to standard principles of economics texts. Indeed, utilizing Republic enables a richer understanding of these two central economic concepts, in the process of promoting the importance of liberal education in general, and the ethical dimensions of economic policy design in particular.

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I. Introduction

It is fair to say that students, as a group, have difficulties understanding and retaining economics and that the group does not seem as impressed by what we have to offer as we think they should be.[1] As students are soon heads of households, civic leaders and business decision-makers, we cannot be surprised that the impact of college economics courses upon voters—and hence upon policy decisions—is not as strong as we know it could be.[2] How can we better encourage interest in and retention of economic principles? We must begin by articulating the most fundamental concepts that give rise to most work in economics. There are arguably two key concepts that appear in one fashion or another in almost all economic and social problems: the extent to which factors of production should be specialized/globalized, and the extent to which human beings respond to extrinsic and intrinsic incentives. While these concepts are indeed presented in the first two chapters of most principles texts, the rich intellectual history of these concepts is not typically presented. As a result, students cannot easily discern which current economic tensions in their immediate environments are particularly new from those that are quite old and that occur in all environments. This leads students to confuse the surface or *results* of economic tensions with the roots or *causes* of tensions. Much could be gained in terms of both student interest and learning if we complement the standard principles text with a brief historical, philosophical tract that deals with these two fundamental concepts.

The purpose of this paper is to suggest Plato's *Republic* as just such a tract. Written around 380 B.C. and dealing with these two concepts in as few as thirty-two pages of engaging dialogue, *Republic* quite efficiently sets forth for undergraduates that which is modern and environment-specific from that which is timeless and placeless. As I will illustrate below, the dialogue in *Republic* creates opportunities for instructors to draw upon further liberal arts materials for examples of the economic principles in action.[3] Moreover, economies of scope are realized as students gain additional direct exposure to a rich diversity of liberal arts perspectives in the course of learning the economic fundamentals.[4] Creating such economies of scope is perhaps most critical for the great majority of students who will take only one course in economics and perhaps only one or two courses in the humanities.

II. Plato's *Republic* and the Division of Labor

Republic is one of a series of dialogues Plato transcribed between Socrates, his students (including Plato himself and Plato's two brothers, Glaucon and Adeimantus) and small groups of other citizens.[5] The dialogue of *Republic* spans 292 pages; however, the

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[1] See, e.g., Gottheil (2002, xx), Case (2002), Hansen, Salemi and Siegfried (2002), and Allgood *et al.* (2004).

[2] See Harberger (1993) and Hahn (2000, 375, 395), among others.

[3] See, e.g., Kish-Goodling (1998), Turner (1999), Tinari and Khandke (2000), Hartley (2001) and Watts (2002) for several additional examples of how the greater liberal arts can inform the teaching of economic principles.

[4] Bartlett (1996) emphasizes the importance of nurturing greater diversity in economics lessons.

[5] See Karayiannis (1990) and Houmanidis (1995) for extended discussion of Plato's general economic doctrine, including the themes of division of labor and composition of the soul that I explore below. See also Petrochilos (2002) who relates the general basis of Hellenic political economy to Plato's economic

twenty-seven pages of Book II together with five pages of Book IV offer a concise and lively discussion of specialization/globalization (division of labor) and intrinsic/extrinsic motivation. Regarding the first concept—division of labor—Robbins (1998, 12) indicates that it is likely first presented in *Republic*. Adam Smith, a student of Greek philosophy and professor of moral philosophy, featured the concept of division of labor in the introductory chapter of his *An Inquiry in the Nature and Causes of the Wealth of Nations* (1776), essentially arguing that countries are relatively wealthy or poor according to the extent to which the labor force is specialized.[6] Most economists are familiar with his pin-making example, and it appears in many textbooks. Smith's view strongly influenced agents of the budding Industrial Revolution in the direction of seeking and rewarding greater and greater intensities of labor specialization. And economists and political scientists since Smith by and large accepted intense labor specialization as a cornerstone feature of modern economies.

However, even though this concept of intense labor specialization is of central importance in modern economies—and very much on the minds of students as they contemplate their working lives—the richness of the tradeoffs involved is not often presented in textbooks. There is much more discussion of its obvious importance in generating a greater volume of output at higher qualities than of its role as an interface between the ends and the means from which humans may choose (or be subject to). This view leads to problems in reconciling the general economic questions of "what to produce" and "how to produce" that are presented in economic principles courses and that are implicitly present in every economic policy discussion, including those regarding globalization and outsourcing. If we accept the premise that intense specialization of labor can only be positive, then the economic question of "how to produce" is fairly well reduced to its engineering aspects. In that case, it is clear that higher output at a higher quality is better than lower output and lower quality. However, it is also clear that the economic conceptual structure will continue to have difficulty understanding the concerns repeatedly raised in public and in political discussions regarding globalization and outsourcing.

To see how this reconciliation of theory and practice could take place in the introductory economics classroom, let us join Socrates in Section 369b of Book II. Socrates says, "I think a city comes to be because none of us is self-sufficient, but we all need many things / Do you think that a city is founded on any other principle?" He then says in 369c, "Come, then, let's create a city in theory from its beginnings / And its our needs, it seems, that will create it." The discussants go on to define a city as a place where humans specialize their productive efforts, produce a surplus, and trade those surpluses with nearby others. This argument for specialization is based upon two premises. First, it is argued that we are born with differences in willingness and ability to produce. Second, the creative process is thought to be sensitive to the degree of one's mental and physical presence (one's divided or undivided attention) with the work.

The first point leads students to contemplate the extent to which humans freely *discover* their natural talents and *choose* their specializations, as opposed to being

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view. See Weingartner (1994) regarding the rich possibilities for liberal education in studying Plato's work.

[6] See Foley (1976) for a comprehensive analysis of the influence Greek thought had upon both Smith's theory of moral sentiments and his theory of the wealth of nations.

assigned to those life tracks by others.[7] We shall revisit this important point below, when Plato addresses the essence of human nature and the role of education in the self-discovery of natural talents. The second point raised by Socrates regards the possibility that one's work would spoil if not given one's undivided attention. I let my students know that this point reminds me of a wonderful passage in Francis Crick's (1988, 78) *What Mad Pursuit: A Personal View of Scientific Discovery*. While reflecting on his work to co-discover the double-helix structure of DNA, Crick quotes artist John Minton, who said, "The important thing is to be there when the picture is painted." I describe to my students that I am struck by Crick's recognition of Plato's point that one must be quite present in order to seize the creative moment of one's specialized work. As a major figure in the history of science, Crick's statement is also an effective reminder to students that there is a degree of liberal artistic expression in each of our endeavors.

To conclude the discussion of the division of labor in *Republic*—and to bridge those concerns to the modern discussion of the concept in economics principles texts—we must pause to contemplate potential concerns with intense specialization and with the trade that specialization implies. While it is clear that specialization yields greater volume and higher quality of goods and services, the means (intense specialization and trade with relative strangers) of accomplishing the ends (goods and services) is but one manner of living. There is much evidence that some humans would be willing to trade off an increment of goods and services for an increment more of holistic, direct involvement in the production/consumption process. Thus, our concept of division of labor must encompass this concern.[8] Friedrich Schiller (1794, 39) articulates one such perspective in his work *On the Aesthetic Education of Man, In a Series of Letters*. Schiller addresses the parallel rise of specialization in the sciences, government and occupations, arguing that this evolution is tragically fragmenting human nature itself. Perhaps one of the strongest expressions of this concern for specialization is in Robert Musil's (1930, 696) novel, *The Man Without Qualities.* He argues that the most pernicious outcome of intense specialization is the severe weakening of the link between action and consequences. When production is parsed into finer and finer responsibilities, it becomes increasingly difficult to attribute both malfeasance and good deeds. Musil cautioned that in such an environment we may expect *any* means to be employed in the pursuit of approved ends. Interestingly, Musil's concern is very much present in the argument presented by Economics Nobel recipient Kenneth Arrow in his work *The Limits of Organization* (1974) and, one could argue, foreshadows the passage of the Sabanes-Oxley Act.

The clear implication of these views is that we must be vigilant to ensure that "how we produce" is a healthy complement to our decisions of "what to produce". Of course, as Taylor (1989, 203) emphasizes, the means and ends pursued by individuals and groups are inextricably bound to the question of human motivation. Our collective thinking about "what to produce" and "how to produce" is fundamentally parallel to our

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[7] See Bonar (1967) and Forde (1997) for extended discussion of the extent to which Plato, in the totality of his work, viewed humans as free agents. And see especially Taylor (1989, 135) on Plato's view that teaching does not impose or transfer knowledge to us as much as it leads us to understand the knowledge we already possess (i.e., the knowledge with which individuals are born).

[8] See, e.g., Nearing and Nearing (1989) on the merits of relative self-sufficiency. I am grateful to Carolyn Fearheiley for this reference.

thinking about how goals are created and how to respond to incentives that present themselves along the paths toward those goals. When we turn to Plato's view of this tension, we find that he encourages us to generalize our thinking about motivation in the same way that he encourages us to generalize our thinking about the division of labor. While most economic analysis pays close attention to the effect of extrinsic rewards and punishments on human decision-making, a complete characterization of the human endeavor requires a more general theory that captures the powerful effects of intrinsic motivation on our decision-making.[9]

III. Plato's View of the Soul: Incentives and Motivation in the Human Endeavor

A second major liberal economic theme in *Republic* regards the composition of the soul and its implications for understanding extrinsic and intrinsic motivation. Discussing this concept early in the principles course—and parallel to the concept of division of labor—enriches the discussion of utility and consumer choice that occurs around the midpoint of the principles course. Plato believes each person's soul possesses three components, which we may succinctly describe as the desire for material wealth, the desire for social recognition or esteem, and the desire for Truth.[10] Plato believes that we instinctually seek an understanding of the Truth—where the capital "T" suggests Plato's belief in an objective Truth—and that paying too much attention to the acquisition of goods and/or esteem from others may pollute one's clear vision of the Truth. He believes that one of these three components steers the others, so that each person lives one of three types of lives: material wealth-seeking, esteem-seeking, or Truth-seeking. In this regard, a person whose soul is dominated by the pursuit of material wealth will conceptualize good actions as those that accord greater material wealth. Plato believed that the role of education was to refine the desire for and knowledge of the Truth so that this component would grow stronger than—and hence dominate—the other two components. In Plato's view, this capacity to desire and know Truth is in every person, as is emphasized by Nettleship (1975, 75).

To illustrate what is being suggested here, let us turn again to Book II of *Republic* where Plato's brother Glaucon is arguing with Socrates about justice, and in particular whether just people would continue to be just if there is not a legal system in place to enforce justice. Glaucon disagrees with Socrates' argument that people are naturally motivated by truth and justice. Instead, he asserts in Section 359c, fundamental to human nature and therefore human motivation is "the desire to outdo others and get more and more. / This is what anyone's nature naturally pursues as good, but nature is forced by

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[9] See, e.g., Bewley (1995, 252): "In economics, it is normally assumed that people are entirely selfish and must either be coerced or bribed into performing tasks." Karni and Safra (2002, 264) state: "In contrast [to research in the field of evolutionary psychology], the prevalent attitude in economics is to model individual behavior as motivated soley by material self-interest." They posit a model in which individuals possess both a self-interest component as well as a moral value judgment component and show that if all individuals in a group share the same moral value judgments, then even though each individual may be self-interested, the common moral value judgments may largely shape institutions and institutional policies. Bilodeau and Gravel (2004), building upon Laffont's (1975) analysis of Kantian economics, show that structuring incentives to appeal to individual morality can motivate improvements in public good funding contexts. And Freitas and Wagner (2007) show how an agent's intrinsic sense of moral context can affect consumer choice.

[10] See Reeve's "The Main Argument of the Republic" (1992, xiv-xviii); Sections 580-583 in *Republic*; Cooper (1984); and Stevenson and Haberman (1998).

law into the perversion of treating fairness with respect." He then reminds the discussants of the legend of the Ring of Gyges, which undergraduate economics students are delighted to find anticipates to some degree the popular book and blockbuster movie, *The Lord of the Rings*.

But again, Plato argues (through Socrates) that it is not natural that everyone would take the unjust path in the absence of laws requiring people to treat fairness with respect.[11] This has serious economic implications, for if it is uniformly human nature to seek material wealth and/or esteem over Truth, then a system of extrinsic rewards and punishments makes a lot of sense. On the other hand, if each person's soul has a component that seeks the Truth, and that component can be nurtured, then it would make less sense to approach each other with expectations of extrinsic rewards and benefits. A person who seeks Truth could hardly be motivated by the promise of extrinsic rewards and punishments.

The key aspect of Glaucon's assertion is that *all* human beings are motivated by wealth, esteem or some combination thereof. In order to upend this assertion, we need only find a single counterexample—that is, someone that does not appear to be motivated by these extrinsic factors. Each of us could propose candidates. For me, Dr. Martin Luther King, Jr. comes immediately to mind. Consider first the introductory and concluding paragraphs of Dr. King's (1963) "Letter from Birmingham Jail." Dr. King wrote this letter from his jail cell in April 1963, in response to an open letter published in a newspaper in January 1963 by eight white clergymen, urging him to reduce the number of marches and sit-ins he was undertaking. The clergymen argued that improvements in civil rights would arrive more quickly and more permanently through the courts, and that the civil rights demonstrations were only slowing the legal and political processes. On the occasion of his April 1963 arrest in Birmingham (for marching without a permit), he wrote in the second line that he rarely responds to criticism of his work and ideas. And he closes the letter hoping that the contents did not overstate or understate the *truth* (my italics). Dr. King's letter and his life's work may thus be presented as a counterexample to Glaucon's assertion that *all* human beings are driven only by material wealth and/or esteem. And Dr. King's letter enables us to illustrate the important economic point of Plato's concern while at the same time sharing a great work of literature that some students will not otherwise read.

An additional aspect of utilizing *Republic* in this manner is the opportunity it creates to share with students the progress in economics—and the more general liberal arts—toward understanding the full range of human nature and human motivation. For instance, Frey (1994, 1997) and Frey and Oberholzer-Gee (1997) explore further the substitute and complement properties of intrinsic and extrinsic motivation. Plato's tripartite theory of the soul provides a compact framework within which to organize the forces of human motivation as well as the insights that are suggested by this most recent scholarly literature.

IV. Conclusion

Perhaps the two most pervasive economic concepts across both the space and time of the entire human endeavor regard grappling with the proper degree of factor specialization and the precise nature of human motivation. The purpose of this paper is

[11] Socrates returns to this point much later in *Republic*, Sections 588b-592b.

to suggest how greater teaching attention can be paid to these two economic concepts in the one or two economics courses undergraduate students may take. Plato's *Republic* is proposed as an efficient vehicle. I have delightfully employed this approach in multiple principles of macroeconomics courses, pre-principles courses entitled "Economics and Society", and in "Honors Economics: Microeconomics and the Law" courses. In addition to emphasizing core economic concepts we would like undergraduate students to permanently remember, this approach of drawing upon several literatures enables us to actively and simultaneously promote greater awareness of our cultural diversity and of the ethical dimensions of public policy design.

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