

Reconnecting Morality with Political Economy

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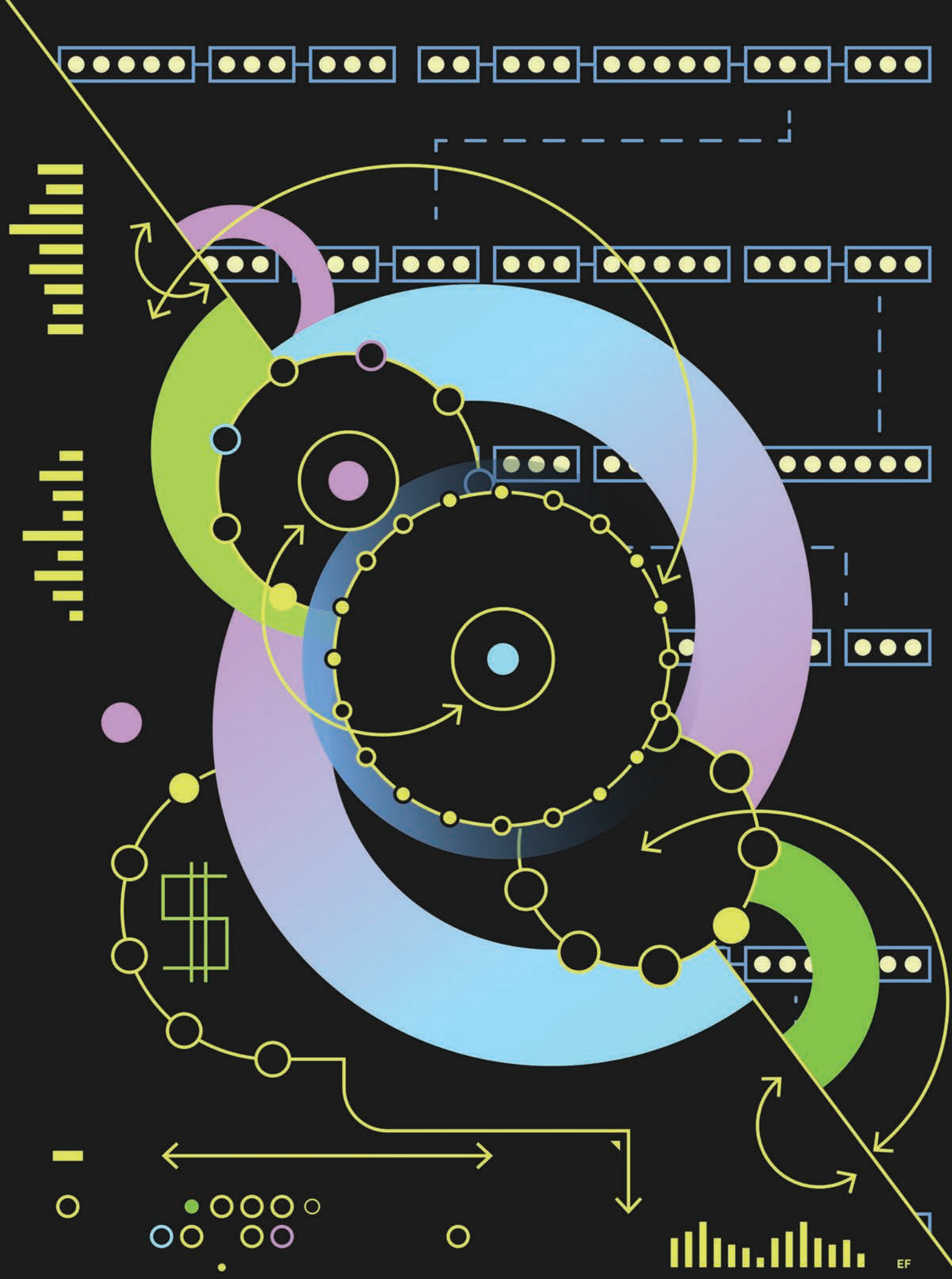
PUTTING MORAL INSIGHT BACK INTO ECONOMICS ENHANCES UNDERSTANDING OF POLITICAL OUTCOMES

For much of the 20th century, the disciplines of moral psychology and economics were seen as distinct—each focused on separate concerns, with little cross-pollination. This wasn't always the case.

If we look back to philosophers such as Adam Smith and Karl Marx, discussions of political economy were deeply intertwined with questions of morality. More recently, these fields have started to reconnect, recognizing that morality influences economic behavior, and vice versa, in profound ways. It's something I discussed in a recent review of the latest literature in this field (2024).

As an economist, I believe this growing intersection offers valuable lessons not only for academia but also for policymakers grappling with today's biggest challenges, such as greater inequality, political polarization, and diminishing trust in institutions.

One of the most foundational ideas driving the reconnection of moral psychology with economics is the notion, originating from moral psychology, that



morality evolved as an economically functional tool, as, for example, Jonathan Haidt, the American psychologist, noted in *The Righteous Mind: Why Good People Are Divided by Politics and Religion*.

In simple terms, morality is thought to be a mechanism through which societies enforce cooperation, enabling large-scale production, exchange, and social cohesion. The idea that morality is socially and economically functional is deeply rooted in an evolutionary perspective: As humans formed increasingly complex societies, cooperation became essential for survival, and moral systems emerged to enforce prosocial behaviors.

Economic imperialism

From an economist's perspective, this framing of morality as a response to economic problems—like ensuring cooperation in transactions—suggests that morality is not fixed but adaptable. As economic environments change, so too do moral values. The rise of globalized markets may, for instance, shift societies from particularist moral frameworks—those that prioritize close-knit, in-group cooperation—to more universalist values that emphasize fairness and equality across broader social networks.

Economists have used these ideas from moral psychology and expanded them. This phenomenon, often referred to as “economic imperialism,” occurs when economists apply their tools and methodologies to areas traditionally explored by other social sciences, such as psychology or anthropology. While this approach has occasionally been criticized for encroaching on other disciplines, it can be highly productive when done collaboratively.

Rather than attempting to replace moral psychology, economists have successfully tested and validated its theories—like the functional role of morality—through large-scale empirical work. By doing so, they have contributed valuable insights, especially when empirical testing in broader, real-world settings is required.

To understand how moral systems evolve in response to economic environments, we can look at several key examples. First, historical kinship structures offer a compelling case study. Societies with strong extended family networks often rely on close-knit cooperation within families, which leads to particularist moral values. These societies prioritize loyalty to family and local communities, and their moral systems reflect this emphasis.

Societies with looser kinship networks, however, tend to develop more universalist moral values, with fairness extended to strangers and distant relations alike, as I showed in a 2019 paper. This distinction between universalist and particularist

morality, and its link to historical kinship structures, explains much of the cross-cultural variation in moral beliefs, values, and emotions.

Second, exposure to markets also plays a critical role in shaping moral values. In societies where market interactions among strangers are common, universalist values—such as fairness in dealings with people outside one's immediate circle—are likely to thrive. A growing body of research, including my own 2023 paper, shows that societies with greater historical exposure to markets exhibit higher levels of universalism. The more people interact with strangers in markets, the more they develop moral norms that favor impersonal cooperation and trust.

Finally, ecology—the natural environment in which societies are embedded—can also influence morality. Where intensive cooperation with neighbors was necessary for survival, such as in regions with homogeneous and fertile land, particularist values often developed. These values emphasize close community ties, which were essential for agricultural productivity.

Conversely, regions with more variable or fragmented ecological conditions may have fostered universalist values, as cooperation with (and learning from) close neighbors was less important for economic production, as noted by the Israeli economist Itzhak Tzachi Raz.

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Political, economic outcomes

The influence of morality on economic behavior goes both ways: Economic conditions shape moral values, but those values, in turn, shape political and economic outcomes. In today's politically polarized climate, moral differences often underpin divisions over economic policy. For example, the distinction between universalist and particularist values helps explain why different groups hold opposing views on issues like taxation, redistribution, immigration, climate change, globalization, and foreign aid.

The main insight is that many traditionally left-wing policies are relatively universalist in nature. Universalist individuals, who prioritize fairness and equality for all, are more likely to support redistributive policies aimed at reducing income inequality, including for people from foreign countries. They are also more supportive of "globalist" policies such as foreign aid, globalization, and climate change prevention. Particularist individuals, who prioritize loyalty to their in-group, often oppose such policies, fearing that redistribution may benefit out-groups or strangers at the expense of their own community, or that immigration may harm their neighbors' prospects of finding a job. This moral cleavage contributes to political polarization and complicates efforts to reach consensus on economic policies.

One of my studies on US voting patterns shows that the moral values of voters closely align with the rhetoric and policies of political candidates. Recent evidence I gathered with Raymond Fisman, Luis Mota Freitas, and Steven Sun strengthens this connection further. We quantify moral universalism using large-scale donations data. According to our approach, US districts are said to be more universalist when a larger share of donations from that district goes to more distant beneficiaries, geographically or socially. Universalists are thus not more or less prosocial—instead, universalist districts give more to faraway places but less to local community causes.

We document that districts with higher universalism tend to vote more for Democratic candidates and elect representatives who use universalist moral language in their speeches. In addition, these districts' representatives exhibit more left-leaning roll-call voting behavior, even within the same party, further demonstrating how these moral values shape both electoral outcomes and legislative actions.

Interdisciplinary approach

Economists have traditionally been cautious about delving into moral questions, preferring to stick to empirical, data-driven analysis. However, I believe that economists stand to gain by engaging more

deeply with moral psychology, just as psychologists can benefit from incorporating economic insights into their work. Each discipline brings unique strengths to the table: Economists excel in managing and analyzing large-scale data, while moral psychologists are adept at understanding the intricate processes of individual decision-making and moral reasoning.

This interdisciplinary approach can lead to richer, more nuanced understanding of complex social and political phenomena. Take, for example, the issue of redistribution. Psychological research can shed light on why people hold certain moral beliefs about fairness and equality; economic data can reveal how these beliefs translate into voting patterns and policy preferences. By combining these approaches, we can develop a more comprehensive picture of how moral values influence economic behavior and outcomes.

What does all this mean for policymakers? Above all, it suggests that effective economic policy cannot ignore moral considerations. Policymakers must recognize that people's economic preferences are often shaped by their moral beliefs, which can vary widely across different groups. As a result, policies that align with the moral values of one group may be strongly opposed by another group with different values.

Understanding these moral divisions can help policymakers craft more effective and equitable policies. For instance, redistributive policies that appeal to universalist values might be more successful if they are framed in ways that resonate with particularist individuals as well, such as emphasizing the benefits to local communities.

In addition, recognizing the role of morality in economic behavior can help policymakers anticipate and address political polarization. This could prove vital to bridging the moral divides that push us farther away from consensus. **F&D**

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