



PALGRAVE ADVANCES IN
BEHAVIORAL ECONOMICS

Constructing a More Scientific Economics

John Tomer's Pluralistic and
Humanistic Economics

Edited by
Morris Altman

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Palgrave Advances in Behavioral Economics

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Morris Altman
Editor

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University of Dundee

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To John Tomer our dear friend and colleague

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CHAPTER 1

Introduction

Morris Altman 

1 INTRODUCTION

This book honours the memory of John Tomer, who passed away on 7 December 2019. We remember the multifaceted contributions of John. This book brings together the contributions of some of John's close friends and compatriots—many of whose approaches to behavioural economics differ from John's. But this celebration and acceptance of difference was core to John's approach to academic life.

Sadly, we are missing in this book some contributions from old friends who have since retired but played an important role in John's life. It is important to mention Charlotte Phelps, Emeritus Professor, at Temple University, who was involved with SABE from the very beginning and

Part of this introduction borrows from my introduction of the special issue of the *Journal of Behavioral Economic for Policy*, published in 2021 (<https://sabeconomics.org/jbep/>).

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attended most Society for the Advancement of Behavioural Economics (SABE) meetings over four decades, and Bijou Lester Yang who was a long-time SABE treasurer from 1992 at a critical time in its history. And then there is Louis Levy-Garboua, a past president of SABE, now retired, from Université de Paris I and Paris School of Economics, Centre d'économie de la Sorbonne. Finally, I must mention Richard Hattwick, who created and was the founding editor of the *Journal of Behavioural Economics* (later, the *Journal of Socio-Economics*) in the early 1970s, who shared with John and others an open-minded and inclusive methodological approach to behavioural economics.

2 JOHN TOMER AND SABE AND BIG TENT THINKING

John was not only an innovative thinker, but he also played a vital organizational role in the development of behavioural economics. In so doing, he held a door wide open to both younger and older colleagues who thought outside of the mainstream box using whatever methodological approach was believed to be most appropriate. Disagreeing with John never meant being denigrated or 'disappeared.' It only meant being subject to unending and probing questions from John. Fundamentally, John was a pluralist in his approach to both scholarship and organization-building. This led to his early organizational work in the founding of the Society for the Advancement of Behavioural Economics in the early 1980s. Actually, SABE was founded in 1982 by John Tomer along with George Akerlof (Berkeley), Richard Curtin (Michigan), Roger Frantz (San Diego State), Shoshana Grossbard, (San Diego State), Thomas Juster (Michigan), Harvey Leibenstein (Harvard), Fred van Raaij (Erasmus, Rotterdam), Harold Shapiro (Michigan), and Herbert Simon (Carnegie-Mellon). SABE's first meeting, attended by John, was organized by Benny Gilad (Rutgers University), which was held in 1984 at Princeton University. This was followed by a SABE meeting organized by Shlomo Maital at Kibbutz Shefayim, Israel, in which John also participated.

Then, behavioural economics was, more than anything, a big tent concept, working to transform economics by introducing non-traditional concepts into economic narratives and also allowing for both mathematical and non-mathematical approaches to theorizing. This followed from the early contributions of Herbert Simon to the development of

behavioural economics as a more enriched approach to economic analysis, counterposed to the rather narrow neoclassical framework as it had developed into the second half of the twentieth century. This early version of behavioural economics was very much open and embracing of a multiplicity of disciplinary perspectives. But John was also interested in social justice and the capacity of economics contributing to improving all of our lives. Economics, for John, was not simply about a better economics toolbox, but rather an enriched toolbox that could contribute towards improving social and individual well-being. This led him to his long-standing involvement with the Association for Social Economics, where social justice concerns and the contribution of economics to these are of preeminent importance. And, just about every year John would be presenting a paper at the Association for Social Economics meetings which took place under the auspices of the Allied Social Association Meeting (ASSA).

On a personal note, John was also a dear friend. I've known him since 1988. I first met John during an impressive Advancement of Behavioural Economics (SABE) meeting in San Diego organized by Roger Frantz. Roger invited to this SABE meeting when we were attending a workshop honouring the contributions of Harvey Leibenstein at the Rockefeller Foundation Bellagio Center in Lake Como in Northern Italy. At that time, I actually never hear of SABE. And, I was more focused on mainstream organizations. So, the Bellagio meeting and being introduced to SABE was a pivotal moment early on in my career. When attending the San Diego meeting, I'd only just read John's newly published, *Organizational Capital: The Path to Higher Productivity and Well-being*. At this time, I could only say hi and ask a few questions about his research which overlapped with my own. He was quite busy fielding questions.

3 THE DEATH AND RE-BIRTH OF SABE

Soon after the 1988 meeting, SABE was folded into the newly formed Society for the Advancement of Socio-Economics (SASE) headed by sociologist Amitai Etzioni. But economics was lost in the overwhelmingly sociological universe that was largely antithetical to economics as a discipline. Even the open-tent SABE had difficulties finding a true home in SASE. Fundamentally, John was an economist who saw the importance of economics as discipline, but a discipline that had become increasingly short-sighted and small-minded.

There was a need for a change. And, John and I became good friends soon after a meeting to revive the newly defunct SABE which took place during an American Economic Association meeting in New Orleans, January 1992, organized by John and Shlomo Maital.

John became the first and long serving President of SABE. Shlomo and I became the co-editors of our newsletter and part of the SABE executive. Li Way Lee (Secretary) and Bijou Lester Yang (Treasurer and future SABE President), who participated in this foundational meeting, also became vital members of this 'born again' SABE executive team. In the 1993, John organized the SABE 'revival' meeting in Rensselaerville, New York.

Under his leadership, SABE grew from about 30 members in its newly reconstituted form to well over 400 members. SABE was and continues to be made up largely of economists who are largely attracted to its open-tent esprit, championed by John. John participated in just about every SABE and joint SABE/International Association for Research in Economic Psychology (IAREP) meeting since 1992. IAREP became an increasingly important partner of SABE, with the latter centred in the UK and the European sub-continent and largely comprising of non-economists, mainly economic psychologists with a rather strong representation of economists. SABE, once again with the strong support of John, soon began a tradition of holding meetings in both North America and Europe. John and I would always hook up and hang out during these meetings, very often with his wife Doris and my wife Louise and daughter Hannah. This was all part of a mission to establish and maintain a rigorous, open-minded academic organization devoted to behavioural economics.

4 THE LIFE AND TIMES OF JOHN TOMER IN A FEW PARAGRAPHS

I should say that John and I disagreed on many methodological and even organizational issues. But what was so important about John was his open-mindedness, his imbued sense of methodological pluralism, his view that what counts is the person and her or his research not where this person came from or which university they graduated from. So, being open to disagreement and debate was natural to John. And, this perspective is fundamentally important to SABE. This is what provides SABE with its distinctiveness.

John earned his doctorate in 1973 at Rutgers University. His thesis was entitled, “Management Consulting for Private Enterprise: A Theoretical and Empirical Analysis of the Contribution of Management Consultants to Economic Growth in the United States.” And, this underpinned his lifelong interest in how firms actually operated and how real-world decision-makers functioned inside of the firm. John’s thesis supervisor was Professor Robert J. Alexander who was a political economist, a social activist, and a trade unionist, with a passionate interest in the human condition. John’s initial points of scholarly focus were: monetary theory, public finance, labour and human resources, econometrics, and the economics of technological change.

John spent most of his career in Manhattan College, located in the Bronx, New York (1983–2012), until his retirement. But John and his family (his wife Doris and sons, Russell and Jeffrey) maintained their residence in Troy, New York, the location of Rensselaer Polytechnic Institute where John taught from 1974 to 1981. In spite of being in a more teaching-intensive university, John remained a heavy-duty researcher and publisher, making significant contributions, especially in behavioural and social economics. And, Manhattan College provided John with the support required to pursue his research. He published five books and around sixty peer-reviewed journal articles and book chapters. And he was still actively working on research projects at the time of his death.

John was born on 11 July 1942, and passed away on 7 December 2019. This was only three months after we met for the last time during his last SABE meeting that took place in Dublin, Ireland. He made this trip in spite of being quite ill with cancer. He was determined to once again meet with his friends and colleagues, make new acquaintances, attend sessions (and ask questions, of course), and present a research paper, as he always would during a conference. John would not let the cancer get the better of him until the very end. And, even in Dublin, he exuded more energy than many of his much younger colleagues. John was only able to make it this time around with his wife Doris, who accompanied him on so many of his research trips. We all hung out along with my daughter, Hannah, now an economist in her own right, who attended most of John’s presentations during SABE and IAREP meetings since her birth, 26 years ago.

The last paper that John presented was, “Why Buddhist economics Is needed: Overcoming large scale biophysical and socio-economic dysfunctions.” This was an area that he was interested in for decades and also informed much of his thinking. We promised to meet up again during

the forthcoming American Economics Association meetings in January, another tradition that began in the 1990s. But this was not meant to be. But John's legacy lives on through his significant organizational contributions and his many contributions to research which are celebrated in this special issue. For your interest, in the Appendix, there is John's appreciated CV, with the list his contributions to the literature.

5 CONTRIBUTIONS TO THE TOMER BOOK

The contributions to this volume touch on many topics. On a more personal note, Shlomo Maital's "Behavioral Economics and the Birth (and Rebirth) of SABE: The Legacy of John Tomer" provides important insights on the evolution of behavioural economics and SABE and John's and his own role in this. This overlaps with some of the points that I address above. Shlomo was one of the pioneers of SABE and critical to its re-birth.

The general discussion of the life and times of John Tomer is followed by chapters that are inspired by John's efforts to introduce humane and human factors (real-world economic actors with real-world characteristics) to economic analysis. In the chapter, "Tomer's Humanistic Hand," Li Way Lee speaks to the interaction between Tomer's 'humanistic hand' and the more calculating modelling of traditional economics, to locate means to reduce current socioeconomic dysfunctions. Lee argues that this requires an understanding of the interaction between the use of the 'heart' and 'head' (more calculating neoclassical) for economic analysis and policy. He favours a more balanced application of heart and head to contribute to a more humane society. Gary Lynne (a long-time former Secretary of SABE) and Phyllis Saarinen also discuss socioeconomic dysfunction in their chapter, "Metaeconomic Solutions to Dysfunctional Water Markets." They critique the still dominant assumption that private property and narrow self-interested behave is the *only* way of achieving economic efficiency in water markets. They argue that economic efficiency can be better achieved by balancing self and other-interest, the market, and government. This approach will avoid dysfunction in water markets. In this chapter, "Inclusive Capitalism," Robert Ashford (a Professor of Law and a long-time friend of John), argues for a different analytical framework, wherein a broader distribution of capital acquisition with future capital earnings will yield greater growth, a more egalitarian distribution, and greater incentives to employ labour. Here, one has a more

egalitarian distribution of income without a redistribution of income. John Davis discusses how John Tomer's multidimensional and interdisciplinary perspective on human capital formation can contribute to a better understanding of human development and to the advancement of a more humane society, in his chapter, "John Tomer's Reconceptualization of the Concept of Human Capital." Of particular importance is the capacity of individuals to invest their human capital where this capacity is seriously wanting for large segments of the population. John Davis has been a leading scholar and activist in social economics and in the Association for Social Economics, which played an important role in John Tomer's academic and social life.

The theory of the firm played an important role in John scholarship, beginning with his doctoral dissertation. For John, how the firm was organized plays a determinant role in its productivity and in its contribution to worker and social well-being. Writing with Justin Ferguson and Cameron Xu, Mark Pingle, in their chapter, "John Tomer's Human Firm: How Behavioral Economics Has Helped Us Understand the Firm," examines how extending the neoclassical model to incorporate human factors enriches our understanding of the determinants of a firm's productivity. These typically intangible variables can not only positively affect productivity but also the well-being of all firm members and society as a whole. Mark Pringle has been a long-standing member of SABE and served as a President of SABE. He was actually recruited by John Tomer after Mark got John involved in a *Journal of Economic Behavior and Organisation* initiative some decades ago. In my chapter, "Community Embeddedness, Consumer Voice, Corporate Social Responsibility," I build upon Tomer's theoretical perspectives on the human and more humane firm. I model why there is no market imperative for firms to become more humane even if they are more productive, but how effective consumer voice, community embeddedness, knowledge of the profitability of being more humane, and fear of government intervention incentivize the development of a more humane firm and society. In "John Tomer, X-Efficiency Theory, and Behavioral Economics," Roger Frantz, a long-time colleague of John and a leading player in SABE and x-efficiency theory scholar, critically discusses John's application of x-efficiency theory to his modelling of the firm and how this fits into Harvey Leibeinstein's pioneering development of x-efficiency theory and the theory of the firm.

The next two chapters speak to an area of research and public concern that was very high on John's priority list: consumer behaviour and healthy

eating and living. Gerrit Antonides' chapter, "The Behavioral Economics of Healthy and Sustainable Food Consumption," surveys the literature on the determinants of consumer choice with regard to healthy versus relatively unhealthy food. Poor choices can result in obesity and related health problems, which was very much a concern of John Tomer. Gerrit investigates non-price determinants of consumer food choice behaviour such as social norms, defaults, and emotional appeals as important means of shifting consumer choice away from unhealthy foods. Gerrit was one of the leading voices of the born again SABE and played a critical role in forging a vibrant partnership between SABE and IAREP. He also served as a President of SABE and was a good friend of John. In the chapter, "Obesity, Wellbeing, Freedom of Choice, and Institutional Change," Hannah Josepha Rachel Altman and I build on some of John's insights on the determinants of unhealthy eating and obesity to extend the price-based homogenous agent model of consumer choice for the inputs for healthy living such as food and exercise. We argue that relative prices and income are important here as are income cohorts. But we also argue that variables such as information, access to healthy foods, and safe and affordable space for exercise are key determinants of health living. More important than the state nudging consumers into behaving in particular fashion, we argue that it is best to improve individuals' decision-making environments and capabilities.

Two chapters are devoted to the economics of the household, broadly speaking. In "Assessing the New Home Economics with 2020 Vision," Shoshana Grossbard and Andrea Beller review the literature on the New Home Economics (NHE), pioneered by Gary Becker and Jacob Mincer, to which Shoshana, whose PhD dissertation of was supervised by Becker, made important contributions. They also attempt to evaluate the success of the NHE project based on the criteria set out in this chapter. Although the NHE is very much in the tradition of neoclassical economics (price theory), it adds a vital sociological dimension, taking us beyond both price theory and psychological variables. Shoshana played a foundational role in SABE from its very beginnings, was a member of the SABE executive, organized SABE meetings, attended an abundance of SABE and SABE/IAREP meetings, and remained, throughout, a good friend of John. Art Goldsmith, in his chapter, "Intergenerational Inequality and Parenting: Making Room for the Parent-Child Relationship," builds on John Tomer's insights on the importance of the quality of child-parent relationship for the child's current and future human capital formation

and, therefore, for her or his socioeconomic well-being as an adult. This represents a critique of Gary Becker/James Heckman focus on time and resources as being of penultimate importance, arguing for more attention being devoted to the significance of the non-material ‘softer’ inputs (in addition to material considerations) into a child’s ongoing human capital formation. Art was an early SABE participant serving on its executive with John Tomer and organizing one its important annual meetings on the campus of Washington and Lee University in Lexington, Virginia.

The final two chapters of this book are explicitly devoted to public policy and methodology. A major concern of John Tomer was how behavioural economics, especially its more pluralist variants, can impact on public policy and the methodology underlying economic theory. Shlomo Maital in his chapter, “Crossing the Valley of Death Between Academic Research and Effective Policy: The Role of Behavioral Economics,” addresses the issue of why have economist found it difficult to have their research findings better understood by the public and implemented into policy. He argues that this is in part due to the economics profession rejection of the behavioural approach championed by Marshall and its adoption of strict mathematical approach of Walras whilst also rejecting ethical and moral considerations from its corpus. Maital is more hopeful with the more recent adoption of behaviouralist approach to economic analyses along with the rise in significance of randomized controlled experiments as an empirical foundation of behaviouralist modelling. In “Behavioral Economics, Public Policy and Basic Decision-Making,” Hugh Schwartz argues for a more nuanced approach to decision-making, breaking away for the simplifying assumption of the average individual as the ideal guide for understanding the determinants of decision-making and as a guide for good or successful decision-making. Schwartz argues that this approach ignores the vital importance of understanding how the most successful industry leaders behave, and how they engage in decision-making. He outlines how to incorporate an understanding of these outliers to generate a better overall understanding of the behaviour of organizations, especially of winning organization. This more enriched modelling can contribute to more enlightened policy in this domain.