

**Controversy:
Is Economics a Moral Science?**

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Introduction

Economics, to put it bluntly, is a moral science. Of course, this may sound brazen to some, especially to economists who are used to conceiving of their science as value-free. However, in making this claim, due caution must be exercised on several accounts. My concern with the moral basis of economics does not refer to moral conjecture or imperialism but to the epistemological status of economic science. It seems to me that the correct epistemological framework for economics is that of a classical practical science. This is not to imply, however, that economics is reducible to ethics. It only means that economics is not a value-free science. There is general agreement among scholars of the social sciences that the argument for value-neutrality has been settled. Unfortunately, economics—at least the mainstream of modern economics—has not yet resolved this question. My argument, in short, is that economics should be viewed as a practical science classically understood.

The Intrinsic Morality of Human Action

One of the most pressing problems today has to do with the environment. Few deny that this is so. Nature is being threatened by technique. This problem reveals the present prevailing disorder in human actions.¹ Many scholars argue that the action of the production or acquisition of goods should be separated from the ethical imperative to respect the cosmic, personal, and social order. Such arguments provide justification for an amoral action guided solely by technique or efficiency. Some older perspectives of economics focused on production and led to what Lionel

Robbins called “materialistic definitions” of economics.² This perspective blends well with the tendency to separate efficiency from ethics. But even for modern economists—who overcome the older perspective and focus on the consumer’s demands, choices, and preferences—economics is still seen as a value-neutral science. For economics, they say, is only concerned with means; ends are a matter of political or personal decision-making. In fact, they convert economics into a sort of value-free technique both in the allocative and the acting perspectives.³

The Meaning of the Moral Sciences

When action is viewed from the perspective of the agent, I think its moral nature is incontrovertible, regardless of whether an agent’s action is intentional. To investigate this further, we must first recall Aristotle’s understanding of practical science and then juxtapose it to modern notions.

Aristotle’s Notion of Practical Science

For Aristotle, practical rationality is reason applied to *prâxis*. *Prâxis* is human action; while practical reason has to do with the capacity of guiding action toward an adequate end. Thus, practical rationality is motivated by ends, and seeks after corresponding means to achieve its objectives. In the human realm, moral values are always included.

Practical science aims to produce correct statements on human rational action. It is a prudential science that seeks to answer the questions: “What should we do?” “What should we choose?” and “How should we achieve it?” Supporters of practical science, such as Aristotle, maintain that a rational investigation of values is not only possible but necessary. What are the traits of such a science?

First, the Aristotelian model is less demanding than the modern rationalist one in the sense that practical science acknowledges the inexact character of its conclusions, due to the contingency of human action deriving from its freedom and singularity. Aristotle asserts in the *Nicomachean Ethics*:

Now our treatment of this science will be adequate, if it achieves that amount of precision which belongs to its subject matter. The same exactness must not be expected in all departments of philosophy alike, any more than in all the products of arts and crafts ... We must therefore be content if, in dealing with subjects and starting from premises thus uncertain, we succeed in presenting a broad outline of the truth: when our subjects and our premises are merely generalities, it is enough if we arrive at generally valid conclusions.⁴

We should not demand of the practical sciences more than they can deliver in relation to the nature of their subjects. Despite their inexactness they are respectable disciplines, because, for Aristotle, science is an analogical term.⁵

A second feature directly follows the first. Practical sciences must be closely connected with the concrete case. “Now no doubt,” Aristotle says, “it is proper to start from the known. But ‘the known’ has two meanings—‘what is known to us,’ which is one thing, and ‘what is knowable in itself,’ which is another. Perhaps then for us at all events it is proper to start from what is known to us.”⁶ An adaptation to the particular case, considering its cultural and historical environment, is necessary. This way of knowing leaves room for inductive as well as rhetorical and hermeneutical procedures in economics. In fact, Aristotle was a precursor to the inductive, rhetorical, and hermeneutical methods. For him, induction does not mean skepticism of knowledge of the real essences and causes, or being resigned to establishing observable regularities, or simply making reliable predictions—as in Friedman’s instrumentalist view. Nor does the link of practical science with hermeneutics compress reality into the unsavory posture of narrative discourse. As for Neville Keynes’ notion of political economy, economics as a practical science discovers laws of causal connection and investigates the *verae causae*.⁷ A wise blending of adequately chosen theories and historical, cultural, and empirical elements is the key to a correct interpretation of human economic action.

Third, while inexactness and conformability to reality are features that originate from the freedom and singularity of human action, the ethical engagement of practical science arises as a consequence of its other side, namely, morality. Yet, practical science is not tantamount to ethics. Ethics is only one of the Aristotelian practical sciences, the one that analyzes personal conduct. The others are politics, which focuses on actions in the *polis*, and economics.

Finally, a fourth trait of practical science is pragmatism. A heavy stress upon quantification has invaded the social sciences, and this process has led to a certain sterility in economics that is evident in the mainstream journals. A social science may have a formal or theoretical aim, but it is always joined to action, for the essentially practical character of its subject defines its epistemological status. Normativity is the reverse of description. In this way, the framework of practical science successfully resolves the dichotomy between positive and normative science, simultaneously affording a certain degree of autonomy for both positive and normative analysis.

Modern Notions of Practical Science

For supporters of the Enlightenment, scientific reason can only be applied to means. Ends are a matter of private decision that surpasses the limits of science. Consequently, a gap has arisen between is- and ought-statements that fosters a theoretical and neutral treatment of practical questions. Ends are seen as irrational elements that exceed the scientific realm. Jürgen Habermas attributes to Max Weber an important role in this dissolution: “Since Max Weber clarified the so-called dispute about value judgments ... the social sciences have come completely apart from the normative element, from the already forgotten heritage of classical politics.”⁸ This disconnection between science and extra-scientific ends points to another disconnection, namely, that of the social sciences themselves. The social sciences have been transformed into an assembly of private knowledge that lacks unity.⁹

Since human action is essentially free and, therefore, essentially moral, sciences whose subject is an aspect of human action must include ethical considerations as well. Some years ago, before theory-ladenness was largely accepted, Leo Strauss stated that it was impossible to study social phenomena without making value judgments, and that if these judgments were forbidden to enter through the front door of political science, sociology, or economics, they would enter through the back door.¹⁰

Economics As a Moral Science: In What Sense?

By arguing that economics is a moral science, I do not intend to fuse it with ethics. Rather, economics is a moral science insofar as it is a practical science. While ethics studies the ethical problem in itself, economics studies the economic problem; but this problem cannot be isolated from its ethical aspects. Aristotle distinguished between ethics, which is a science, and the practical sciences, which are ethical insofar as they consider ethical aspects of the analyzed subject. Value-neutrality is an Enlightenment concept that originates in gnosiological and metaphysical agnosticism.

For Aristotle, rationality, like science, is an analogical term. In transitive human actions, a three-fold rationality may be distinguished, i.e., practical or moral, technical, and logical. Practical *immanens* rationality embeds a whole action to the extent that the existence of a purely technical *transiens* action cannot be sustained. Whatever the action, it always maintains an essentially ethical aspect.¹¹ Since human action is ethical, and all economic action is human action, economics has a latent ethical commitment. Economic rationality is a technical rationality that has been immersed in a practical rationality. Gilles-Gaston Granger affirms that in economics an

intertwining between the different perspectives of rationality has to take place in order to arrive at an adequate epistemology.¹² Practical science assumes this task.

In order to arrive at a better understanding of the classical account of economics as a moral science, it would be fitting for me to provide a short exposition of Aristotle's theory of economics. The first item to note is that Aristotle's *oikonomiké* is more than household management, as many economic historians have shown.¹³ Aristotle pointed out that *oikonomiké* deals with the house and also with the *polis*.¹⁴ Second, Aristotle considered *oikonomiké* as the use of what was necessary for the Good life, i.e., the moral life. *Oikonomiké* can only be oriented toward the Good. It is essentially moral (1) because it is a human act—*enérgeia*—belonging to the *práxis*, i.e., practical category; (2) because this act is aimed at the Good life; and (3) because the person must technically and morally esteem what is necessary.

On the contrary, for Aristotle, *chrematistics* is a technique subordinate to economics that deals with the acquisition of what is used by *oikonomiké* (production, finance, and commerce). *Chrematistics* is not essentially oriented toward the Good. Therefore, according to Aristotle, a harmful *oikonomiké* is unthinkable. Two kinds of *chrematistics* can be considered: a subordinate, limited, and natural one, and a wicked, unlimited, unnatural one. Thus, *oikonomiké* is an act, the right act of using things in order to achieve the Good, i.e., virtuous life. Therefore, virtue is needed as a habit that facilitates the performance of the technical act.

For Aristotle, *oikonomiké* is also embedded in the political environment.¹⁵ An example of this can be seen in his analysis of the market in the *Nicomachean Ethics* (Book V, Chapter 5). He concludes that the principle that rules demand and therefore, prices and wages, is *chreia*, which is economic necessity. *Chreia* is relative and subjective but intrinsically moral, tied to prudence or practical wisdom, which also has objective referents. It should not be forgotten that this chapter on economic exchange belongs to his *Treatise on Justice* and that justice, for Aristotle, is the primary social virtue. To sum up, Aristotle's *oikonomiké* is an ethical act with an inner relation to the historical, cultural, social, and political factors that surround it.¹⁶

In many respects this Aristotelian concept of economy is highly modern. He emphasizes the consumer, views the economy in terms of human action, and differentiates economic activity from technique and production through *chrematistics*. The only difference is that, while for modern economics ends are subjectively determined, Aristotle identifies the end as

the Good life, which is reminiscent of Sir John Hicks' warning regarding the danger of a sort of Machiavellianism in economics when treating social problems as technical matters, not as facets of the general search for the Good life.¹⁷ In that way, Aristotle avoids the circularity of modern 'myopic' economics, i.e., economics deals with unknowable subjective ends; thus, it cannot exercise the capacity for choosing.¹⁸

Aristotle's understanding of practical science has had a venerable history. The official birth of political economy began in the work of Adam Smith. Classical and neo-classical economics, in fact, elude the moral problem. As Mark Blaug notes, the first supporter of the separation between positive and normative economics was Nassau William Senior.¹⁹ For Smith, over against Senior, political economy was still "a branch of the science of the statement or legislator." Its goals were, "first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the publick (sic) services."²⁰ Smith did not elude morality in his political economy, but his moral theory was not yet an inquiry of practical reason, that is, a well-defined morality.

In the last century, John Neville Keynes also recognized the moral aspect of political economy, with its new name, economics. He wrote in his classic treatise on the methodology of economics: "It is universally agreed that in economics the positive investigation of the facts is not an end in itself, but is to be used as the basis of practical enquiry, in which ethical considerations are allowed their due weight."²¹

While the majority of economists today sustain the value-neutrality principle as a scientific requirement, some voices have arisen that support the contrary position. For example, Albert Hirschman argues for economics as "a moral-social science in which ethical considerations will not be avoided or put into brackets, but they will be systematically intertwined with analytical thought."²² We should also note the affirmation by Kenneth F. Boulding, who, after pointing out the absurdity of the concept of a value-free science, pleaded: "Let us return then to economics as a moral science."²³ But my preference is to expound a bit more on two authors who belong to the Austrian tradition broadly: Wilhelm Roepke and Lionel Robbins.

Roepke, as with Ludwig Erhard, was a sound moralist and believed that the market economy could work well only in a morally tutored society. Roepke's affirmation is quite clear:

The conclusion is unavoidable that Science is inseparably attached to value judgments, especially the moral sciences ... and any attempt to eliminate these would end only in absurdity. The real question can only be at what point within the value judgments the borderline is to be drawn, i.e., what type of value judgments is legitimately scientific and for what reasons.²⁴

Practical rationality provides a solution to that question. However, economics would not have to change its technical procedures and devices but would subordinate them to a broader point of view that would “inform” and permeate them. Roepke’s way of thinking stems from his treatment of moral norms as transcendent, absolute, and objectively valid.²⁵ He says that “markets and competition are far from generating their moral prerequisites autonomously. This is the error of liberal immanentism.”²⁶ Thus, the market economy “may be regarded and defended as part of a wider general order encompassing ethics, law, the natural conditions of life and happiness, the state, politics, and power,”²⁷ which supposes a broader knowledge of economics.

We find a similar tone in Lionel Robbins.²⁸ Robbins supported the Weberian *Wertfreiheit* as a scientific condition and, because of this, excluded the matter of ends from scientific knowledge. However, he maintained the need to develop a normative knowledge of economic reality. Robbins first studied economic theory (science) but quickly affirmed that “all this was in a very high plane of abstraction ... There was another level, however, on which economic analysis was conjoint with assumptions about the ultimate desirable ends of society which ... had no less a hold in my attention.”²⁹

Thus, Robbins began to publish a group of writings about the theory of economic policy. His contact with the classical English economists, which increased throughout the years due to his historical interests, gave him further justification to pursue his new point of view. Precisely what the classical authors had called *political economy* was a theoretical study similar to the one proposed by Robbins. As he indicates,

I adopted the habit of designating such interests by the old-fashioned term Political Economy to make clear their dependence on judgments of value and distinguish them from pure science. Thus I announced my *Economic Planning and International Order* as ‘essentially an essay in what may be called Political Economy, as distinct from Economics in the strict sense of the word. It depends upon the technical apparatus of the analytic Economics; but it applies this apparatus to the examination of schemes for the realization of aims whose formulation lies outside Economics, and it does not abstain

from appeal to the probabilities of political practice when such an appeal has seemed relevant.³⁰

This idea, taken from *Economic Planning*, first published in 1937, grew stronger as time went by. Robbins saw that the use of the term *economics* had become the usual name for value-free economic science. Ignoring the distinction between political economy and value-free economic science is a mistake. The idea that a system can be built with principles that are consequences of the results of a positive analysis implies almost the same confusion. Every theory of political economy has to depend, in part, on conventions and appraisals that come from outside the science.³¹

Robbins realized that a theoretical knowledge concerning economic policy exists, i.e., concerning the application of economics to concrete matters of social life. The strength of the paradigm that identifies science with value-neutrality prevents him from calling it science, but it is at least a type of knowledge. While political economy is not a science, it is worthwhile intellectual knowledge. Robbins acknowledged that economics cannot be an end in itself. There are only a few economists interested in the strictly theoretical aspect.³² Economics, for him, is the theoretical study of a practical matter, directed toward a subsequent application. Economic science, taken by itself, is not sufficient. However, neither is political science, political philosophy, nor ethics. The economist is concerned with specific matters that do not belong to the political field. The economist cannot accomplish his practical task by only using theoretical knowledge. He needs an additional field of knowledge similar to political economy. Robbins indicates the need for this knowledge and also suggests the studies that should compose it. He says:

We must be prepared to study not merely economic principles and applied Economics ... We must study political philosophy. We must study public administration. We must study law. We must study history which, if it gives rules for action, so much enlarges our conception of possibilities. I would say, too, that we must also study the masterpiecepieces of imaginative literature.³³

In sum, Robbins realized the need for a value-concerned treatment of economic affairs, although he did not abandon the value-neutrality requirement for economics.

Even leaving aside the moral question for a moment, a powerful case can be made in favor of practical science, namely, its fitness to solve the problems pointed out by the most relevant criticism of the mainstream

economists. In fact, the critics of mainstream economics support seeing economics as a practical moral science, yet they also argue for its limitations. Some examples may illustrate better what I mean.³⁴

The Austrian school focuses on human action and argues for features such as abandoning mechanistic analogies, adopting an appropriate epistemology, and considering the role of institutions and time calculations. All this constitutes an approach to the practical view. However, Menger's unintentionally originated social structures, Mises' laws of praxeology, and Hayek's spontaneous order entail a mentality that does not leave room for morality. If order arises almost automatically, say the Austrians, why worry about ends? Radical subjectivists remark that this tendency toward equilibrium is not necessary. Lachmann, who is strongly influenced by Max Weber, even defends human ontological freedom.³⁵ In such a way, this position takes another step toward practical science. However, Lachmann defends the value-free requirement. It is worth pointing out that radical subjectivists join hands here with their traditional adversary John Maynard Keynes, as interpreted through the work of George Shackle and Paul Davidson.³⁶ There is a kind of uncertainty inherent in human nature that avoids any possible calculus.³⁷ Following the Austrians, Lavoie renounces value-neutrality and proposes an interesting hermeneutical approach, but he goes beyond practical science by adopting a postmodern view of reality.

Conclusion

Most economists nowadays criticize neoclassical theory for its deterministic view of human conduct. They support the inexactness of economic conclusions and predictions, they stress the necessity to adapt economics to its subject, and they propose to consider in economics formerly exogenous factors like institutions, time, historical and cultural elements, and, even for some authors, values. If we look for an epistemology that satisfies these former complaints and that takes care of these proposals, and if we compare it with the Aristotelian practical science paradigm, we arrive at the conclusion that the latter constitutes a useful framework in which to resolve these basic problems.

Notes

¹ Nevertheless, some ecological movements acquire an overt ideological character. For an interesting appraisal of these movements and tendencies, cf., Robert Whelan, Joseph Kirwan, and Paul Haffner, *The Cross and the Rain Forest: A Critique of Radical Green Spirituality* (Grand

Rapids, Mich.: Acton Institute/Wm. B. Eerdmans Publishing Company, 1996).

² Cf., Lionel Robbins, *Essay on the Nature and Significance of Economic Science*, 2d. ed. (London: Macmillan, 1935), 6 ff.

³ Cf., Ricardo F. Crespo, *La Economía como Ciencia Moral: Nuevas perspectivas de la teoría económica* (Buenos Aires: Ediciones De La Universidad Católica Argentina, 1997).

⁴ *Nichomachean Ethics*, I, 3, 1094b, 11–27.

⁵ For the legitimation of the scientific character of the practical sciences, see Ricardo F. Crespo, *La Economía como Ciencia Moral*, 48–52.

⁶ *Nichomachean Ethics*, I, 4, 1095b 2–4.

⁷ Cf., John Neville Keynes, *The Scope and Method of Political Economy* (New York: A. M. Kelley Reprints, 1963 [1917]), 176, 224.

⁸ Jürgen Habermas, *Teoría y praxis* (Buenos Aires: Sur, 1966), 10. Originally published as *Theorie und Praxis* (Berlin: Luchterhand Verlag, 1963).

⁹ Cf., Wilhelm Hennis, *Política y filosofía práctica* (Buenos Aires: Sur) [*Politik und Praktische Philosophie* (Berlin: Luchterhand Verlag, 1963)].

¹⁰ Cf., Leo Strauss, *What Is Political Philosophy? and Other Studies* (Glencoe, Ill.: The Free Press, 1959), 21.

¹¹ For a thorough treatment of this argument, see Ricardo F. Crespo, *La Economía como Ciencia Moral*, chap. 2.

¹² Cf., Gilles-Gaston Granger, “Les Trois Aspects de la Rationalité Économique,” *Forme di Razionalità pratica*, ed. Sergio Galvan (Milan: Franco Angeli, 1992), 80.

¹³ I prefer to use the term *oikonomiké*, due to the relevant differences between this Aristotelian concept and modern economics.

¹⁴ Cf., Aristotle, *Politics*, I, 8, 1256b 12–4; I, 10, 1258a 19–21; I, 11, 1259a 33–36.

¹⁵ Cf., Karl Polanyi, “Aristotle Discovers the Economy,” in *Primitive, Archaic and Modern Economies: Essays of K. Polanyi*, ed. G. Dalton (Garden City, N.Y.: Doubleday, 1971).

¹⁶ I have analyzed the Aristotelian concept of economy and economics at length in other places. Reputed Aristotle expert, W. L. Newman, thinks that the idea of political economy originated with Aristotle. Cf., *The Politics of Aristotle* (Oxford: Clarendon Press, 1951), 138.

¹⁷ Cf., John R. Hicks, “Education in Economics,” 1941, 6. Quoted by Stefano Zamagni, “Economics and Philosophy: A Plea for An Expansion of Economic Discourse,” *International Economic Relations Seminar Series: Occasional Paper*, no. 1 (The John Hopkins University, Bologna Center, 1996), 2. Cf., John Hicks, “Revolutions’ in Economics,” in *Method and Appraisal in Economics*, ed. Spiro J. Latsis (Cambridge: Cambridge University Press, 1976), 207–18.

¹⁸ I am indebted to Kyle Swan, Ph.D. candidate in economics at Bowling Green State University, for the use of the term *myopic*.

¹⁹ Cf., Mark Blaug, *The Methodology of Economics*, 2d. ed. rev. (Cambridge: Cambridge University Press, 1992), 54.

²⁰ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of the Nations* (Indianapolis: LibertyClassics, 1981 [1776]), 428 (Book IV, Introduction).

²¹ John Neville Keynes, *The Scope and Method of Political Economy* (New York: Kelley & Millman, 1963 [1890]), 47.

²² Albert Hirschman, *L'économie Comme Science Morale et Politique* (Paris: Gallimard-du Seuil, 1984), 109–10.

²³ Kenneth F. Boulding, “Economics As a Moral Science,” *American Economic Review*, LIX (1969): 4.

²⁴ Wilhelm Roepke, *The Moral Foundations of Civil Society*, trans. Cyril Spencer Fox (New Brunswick, N.J.: Transaction Publishers, 1996 [1948]), 75.

²⁵ Cf., Graham Walker, *The Ethics of F. A. Hayek* (New York: University Press of America, 1986), 70–78.

²⁶ Wilhelm Roepke, *A Humane Economy: The Social Framework of the Free Market* (Chicago: Henry Regnery, 1960), 126.

²⁷ *Ibid.*, 91.

²⁸ I take some elements of the following from Ricardo F. Crespo, “The Rebirth of Political

Economy and Its Concept According to Lionel Robbins," *Jahrbuch für Philosophie des Forschungsinstituts für Philosophie Hannover* 9 (1998): 233–48.

²⁹ Lionel Robbins, *Autobiography of an Economist* (London: Macmillan, 1971), 150.

³⁰ *Ibid.* Cf., *The Economic Planning and the International Order*, preface.

³¹ (London and New York: Macmillan & St. Martin's Press, 1961), 3, fn. #20.

³² Lionel Robbins, "Economics and Political Economy," *American Economic Review Proceedings* 71 (1981): 7.

³³ Lionel Robbins, "The Economist in the Twentieth Century," in *The Economist in the Twentieth Century and Other Lectures in Political Economy* (London: Macmillan, 1956), 17.

³⁴ Taken from Ricardo F. Crespo, "A Middle Ground Epistemological Position: Economics as a Classical Practical Science," forthcoming.

³⁵ I expand on this topic in my "Beyond Euclideanism and Hermeneutics in Austrian Economics," forthcoming.

³⁶ Cf., George Shackle, e.g., *The Nature of Economic Thought: Selected Papers 1955–1964* (Cambridge: Cambridge University Press, 1966): chap. 3; and Paul Davidson, "Austrian and Post Keynesians on Economic Reality," *Critical Review* 7/2-3 (1993): 423–44. On the links between Davidson and Austrian economics, cf., O'Driscoll and Rizzo, *The Economics of Time and Ignorance* (London: Routledge, 1996), 9; and *Critical Review* 7/2-3 (1993).

³⁷ Cf., J. M. Keynes, *General Theory of Interest and Unemployment*, chap. 12, VII.