

**Controversy:
Is Economics a Moral Science?
A Response to Ricardo F. Crespo**

*Peter J. Boettke
Associate Professor of Economics
George Mason University*

That political economy in its finest moments is a value-relevant discipline can hardly be disputed. The question is whether knowledge gleaned in the disciplines of economics and political economy can be both value-relevant and value-neutral. Adam Smith holds a claim to our intellectual attention to this day precisely because his work, as Kenneth Boulding so aptly put it, is part of our “extended present.”¹ We need Smith, because Smith still speaks to us in an enabling manner about basic issues of social organization. But Smith’s *analysis* of economic interdependence is something that stands independent of our judgment of his *vision* of “the system of natural liberty.” Vision and analysis cannot be so neatly compartmentalized, but they can nevertheless be usefully distinguished from one another.²

The post-positivist critique of objective knowledge found in writers such as Michael Polanyi,³ Thomas Kuhn,⁴ and Stephen Toulmin⁵ does not inevitably slide into the post-modernist critique of scientific knowledge in general. There might be strong epistemological arguments against the idea that scientific procedures can produce a “mirror of nature,” but that need not imply a slip into epistemological relativism. Algorithms and methods do not necessarily make for good science; good scientists make for good science.⁶ But beyond admonishments to behave morally, the task of scientific discourse can be aided by certain argumentative steps.⁷ Despite the critique of modernist epistemology, there are, in other words, pragmatic steps we can take in argumentation that improve the chances for interpersonal assessment. These steps amount to accepting the ends of

one's intellectual adversary and restricting analysis to an immanent critique of their system.

Crespo does not tackle the issue of whether economics is a moral science by way of post-modernist philosophy, but instead through the lens of Aristotelian philosophy. His basic claim is that economics as a practical science must of necessity address the ends toward which individuals strive. I do not have much problem with what is stated about the Aristotelian stance, especially with regard to expecting from a discipline only that "amount of precision which belongs to its subject matter," and I do have many problems with positivistic notions of economic science as they have developed in this century. So, why do I resist Crespo's formulation? Because I think in his critique of economic *analysis* Crespo undermines precisely the most important role that economics as a science can play in developing a value-relevant political economy. Economics can provide us with as close to value-neutral knowledge as we can hope to gain, and this knowledge, in turn, provides the basis for our rational discussion of alternative *visions* of the good.

The practice of political economy as a value-relevant discipline is an interdisciplinary research program in politics, philosophy, and economics. Hyper-specialization of the disciplines has pulled these fields increasingly further apart, but for political economy to be properly practiced these disciplines can neither be allowed to collapse into one another through overzealous intellectual imperialism nor completely separated in the vain quest for specialization. Instead, we must respect each discipline for its unique contribution to human knowledge, yet draw on the multi-disciplinary insights that reside in the section of overlap—an overlap of questions, of data, of both the object and subject of study in political economy. The unique contribution that economics has to offer to this project is a style of reasoning about means and ends, and a determination of the effectiveness of selected means to obtaining selected ends.

I will raise four separate points to argue for the role of economics as value-neutral. Before I proceed, however, I would like to make a few qualifying statements. First, to say that economics can provide value-neutral knowledge does not mean that any particular economist can be value-neutral. We are human beings and in the very nature of choosing we strive for various ends by employing available means. This is as true for the scientist as it is for the stock-broker or your parish priest. Value-judgments are part of our human condition and there is no way to escape them, and either we admit to them or we sneak them in through the backdoor. The

best we can do is to either openly debate and defend value-judgments, or find certain procedures in our argumentative strategy that attempt to improve interpersonal assessment of how we obtained our judgments. Second, when economists use the term *efficiency* there is no necessary judgment involved in the term. It could, in fact, be used as a term of value-judgment if we impart normative weight to ends (such as wealth-maximizing), but there is no necessary reason to take this step. All efficiency refers to is the relationship between means chosen and desired ends. Both the sinner and the saint want to be *efficient* in this sense. The criticism of economics, that it tries to substitute efficiency as the ultimate moral judgment, is, in this sense, simply misplaced. Efficiency, for example, does not mean wealth-maximization. Of course, some economists (perhaps many) may be guilty of misapplication, but *economics* need not be so tarred.

I can grant many (perhaps most) of Crespo's arguments and still hold out a pragmatic defense of value-neutral economics, for it is only a value-neutral economics that enables economists and social thinkers to practice a value-relevant political economy.

Radical Subjectivism

Modern economic theory stresses the subjective nature of value-judgments by choosing individuals within social processes. It is individuals that choose which ends to pursue with the means available to them. As has been stressed by Israel Kirzner⁸ (and before him by Ludwig von Mises), it is precisely the radical subjectivism of economics that assures that the discipline has any way to approximate "objective knowledge." The content of ends is not the domain of economics; the logical analysis of the effectiveness of selected means to achieve given ends is the domain of economics. Economics cannot determine, for example, whether profits are deserved. But what economics can do is inform one of the consequences of various answers to that question.

Thus, contra Crespo, the knowledge that economics provides can be separated from ethical questions. Moreover, it is precisely because economics can provide value-neutral knowledge of the logical consequences of different ethical systems that is an essential input to a value-relevant discipline of political economy. To put it another way, if the choice is between utility and justice, then, of course, we can agree that justice should trump. But, in the world, the choice is rarely so clear-cut. Instead, we are usually confronted with a choice between different concepts of justice, and when confronted with this choice, utility trumps justice.⁹ Knowledge of the

consequences of alternative social arrangements is vital to making the choice among those arrangements. If we deny that this knowledge is obtainable in any manner that allows for interpersonal assessment, then we deny from the moral science of political economy the ability to adjudicate between different conceptions of social organization. On the other hand, if we restrict our analytical attention to the relationship between means and ends, and thus treat ends as given, then we can obtain the necessary critical information that eventually makes value-relevant statements move beyond mere opinions reflecting the political and social preferences of the analyst.

Ideology and the Devil's Test

The world is a rather tricky place, and utopia is not a viable option. In fact, perhaps, the most important role that economics plays is in providing *negative knowledge*. By examining the logic of means-ends efficiency economics places parameters around people's utopias. Wishing it so, in short, cannot make it so. To put it bluntly, chickens do not fly into people's mouths. Scarce resources must be allocated among competing ends in a way that minimizes waste by directing resources to their most effective use in satisfying the demands of others. Every day, however, policies are introduced that attempt to direct resources in a manner different from what would have been chosen voluntarily.¹⁰ In some instances, these policies might improve upon the situation, but in others the policy choice actually worsens the situation. How can we establish this fact? If economics is a value-laden discipline from the very beginning, does it not depend on the perspective of the analyst whether a policy is deemed good or bad? Again, the solution does not require an epistemological defense of objectivity. All that is needed is the more humble defense of an argumentative strategy that allows people to rationally discuss alternative policies.

The analyst does not debate the ends but rather restricts the analysis to the logic of means-ends. If the ends the advocate seeks are undermined by the means chosen, then even the advocate would have to admit that the chosen policy is inappropriate. That the analysis of means-ends is independent of the ideological vision of the analyst can be checked by what could be called the "devil test."¹¹ If both an angel and the Devil could agree with the means-ends analysis, then the analysis itself provides an independent or "objective" ground upon which to debate.

In economics, mistakes are often made by analysts—even assuming they employ solid economic logic—because the "holding other things constant" clause is forgotten, or the magnitude of the consequence is not dutifully

noted. The minimum wage controversy, for example, highlights the problem. Blanket statements like “Minimum Wage Laws Cause Unemployment” claim too much. A proper statement must establish the context of application. A minimum wage law set above the market clearing wage rate will cause some disemployment effect. The extent of the disemployment effect, and the manner in which that effect will be felt depends on the extent of the deviation from the market clearing wage, and the margin of decision for employers in adjusting to the change in the legal wage rate. What can be established fairly clearly is the tendency and direction of the effect. Wage rates set above the market clearing level by law will result in disproportionately harming lower wage workers—i.e., the least well-off workers. If the end of the policy is to aid the least well-off, then the means chosen (raising the legal wage rate that must be paid to employees) will be ineffective for that task. If, on the other hand, the intended result was to harm the least well-off (the Devil’s work), then establishing legal minimum wages would be an effective policy. Both the angel and the Devil can agree with the analysis, but place different weight on the normative use to which the analysis can be deployed. The analysis itself, however, is value-neutral. To deny that would, I fear, result in denying economic logic and as such would drain economics of its critical edge.

Critical Appraisal and Policy Advocacy

There is a strict line that must be drawn between the critical appraisal of alternative public policies and advocacy of any policy. Critical appraisal can be “objective;” advocacy requires value-judgments. If we advocate free-trade, then it is appropriate for us to defend the “goodness” of free-trade and be explicit about the ends we desire. On the other hand, if we are restricting our analysis to the examination of proposed protectionist legislation, then the economist can surely critically assess the effectiveness of the proposed policy for achieving the ends (usually stated as improving the economic health of the country). Of course, this means that if someone were to argue that the majority of consumers should pay more for their products to benefit a few producers and this is the goal toward which the proposed protectionist legislation is aimed, then the economist as economist has little to say. Most policy advocates, however, are not so brazen in their disregard for the economic interests of consumers.

Moreover, by treating the desired ends, not as a subject of debate but as given, and by restricting analysis to the relationship of the selected means in obtaining the stated ends, the economic analyst can provide “objective

knowledge” or something approximating such knowledge. Many policy disputes, and especially those debates that call upon economics most urgently, are not about ends but about means to obtain rather broad ends—“provide for the least advantage;” “improve opportunities;” “social justice;” “allow people to live peaceful and fruitful lives.” The examination of means to given ends can establish that policies generate consequences that are perverse with regard to the ends sought—the least well-off are disproportionately harmed; opportunities are restricted; social inequities grow worse; and social conflict and poverty ensue. In taking this critical stance with regard to the position of the advocate, the knowledge provided by economic analysis enables us to explore the limits and potential of political and social organization. Endorsing a concept of the “good life” necessarily entails value-judgments but the tool of weighing the different concepts of the good by examining consequences need not entail any importation of values—except the value that achieving what one sets out to accomplish is worthwhile.

Pre- and Post-Constitutional Levels of Analysis

James Buchanan has made the useful distinction in his work between pre- and post-constitutional levels of analysis.¹² At the pre-constitutional level, the discussion revolves around different notions of what might constitute good rules of the game. At the post-constitutional level, the rules are treated as given and the question then becomes, which strategies players will play given the established rules? Political economy consists of oscillating between the pre- and post-constitutional levels of analysis. The rules of the game determine the types of strategies that individuals will choose.

Choice among the rules is a normative enterprise, whereas choice of strategies is not. The choice of strategy follows a simple formula—what is the best play given the rules and the play of others. The choice among rules, however, entails determining what is considered a good game and whether a game is challenging yet fair, and so forth. The point I want to stress for present purposes is that, in deciding on the rules, it is also important to consider the consequences this has on the choice of strategy. A game that has interesting rules in theory but is undermined by opportunistic strategies is not a very robust game, no matter how convinced we are of its righteousness. Thus, the ability to engage in a positive analysis of the consequences of alternative rules of the game on the way in which the

game will be played is essential for our ability to engage in a productive normative discourse about what rules we should choose to live by.

Conclusion

Economics, as I said earlier, puts parameters on people's utopias. But it also provides insight into what might be workable utopias. Economics without history, politics, culture, and morality runs the risk of becoming a barren technical enterprise. But political economy, without a firm basis in logic and evidence, runs the risk of being mere opinion and wishful thinking. The disciplines of economics and political economy can be likened to engineering science and worldly philosophy. The great minds of political economy—independent of ideological perspective—have found a way to weave together both the technical and the philosophical aspects of these disciplines without becoming mutually exclusive of the other. Crespo's argument for economics as a moral science correctly challenges economists who believe that the "engineering aspects" of the discipline are enough to provide advice on policies. His argument also challenges those who think that economics as a discipline is best practiced in an ideological vacuum. But I sense that the argument goes too far when he suggests that economics cannot provide value-neutral knowledge. My contention is that political economy as a value-relevant discipline has a legitimate claim on our intellectual attention only to the degree that it is grounded in the value-neutral logic of economic analysis—an analysis that while it cannot determine ultimate values may nevertheless inform us of the consequences of alternative social and political arrangements established to serve those values.

Notes

¹ "After Samuelson, Who Needs Adam Smith?" *History of Political Economy* 3 (Fall 1971): 225–37.

² See Peter Boettke, "Analysis and Vision in Economic Discourse," *Journal of the History of Economic Thought* 14 (Spring 1992): 84–95.

³ *Personal Knowledge* (Chicago: University of Chicago Press, 1958).

⁴ *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962).

⁵ *The Uses of Argument* (Cambridge: Cambridge University Press, 1958); and *Human Understanding* (Princeton: Princeton University Press, 1972).

⁶ See D. N. McCloskey, *The Rhetoric of Economics* (Madison: University of Wisconsin Press, 1985), 37.

⁷ Peter Boettke, "Why Are There No Austrian Socialists?" *Journal of the History of Economic Thought* 17 (Spring 1995): 35–56.

⁸ "Value Freedom," in *Elgar Companion to Austrian Economics*, ed. Peter Boettke (Aldershot,

UK: Edward Elgar Publishing, 1994): 313–19.

⁹ I owe this formulation of the problem to David Schmidtz.

¹⁰ Of course, the introduction of terms like *voluntary* and *coercion* introduce moral distinctions into the language of economic analysis. I do not want to object to this aspect of Crespo's argument, nor to the theory-laden aspect of all social thought. However, I believe that by taking a pragmatic turn in our defense of value-neutrality we follow certain argumentative procedures that advance our ability to understand the limits and potential of social organization. If we deny that the economic way of thinking can make this step, then we must waive the knowledge that economics can provide in our attempt to advance the moral science of political economy.

¹¹ I owe this terminology to Fr. James Sadowsky.

¹² "The Constitution of Economic Policy," *American Economic Review* 77 (June 1987): 748–50.