

## Facts and Values, Science and Art

*Peter Groenewegen (ed.), Economics and Ethics?, Routledge, London, 1996*

*Reviewed by Charles Richardson*

**M**OST economists are familiar with the principle that philosophers know as 'Hume's Law': that facts and values are separate sorts of things, and that we cannot validly derive an evaluation, or 'ought'-statement, from a statement of fact. In the 20th century, this principle has become an important part of economists' self-image, as they strive to be 'value-free' in their approach. In other words, modern economics is supposed to be a *positive* discipline, not a *normative* one.

Many of the writers in this collection, which arises from a workshop conducted at the University of Sydney in December 1994, appear to be making an assault on Hume's Law. None of them, however, does so successfully, and on closer inspection some turn out to be doing something rather different. All of them, however, have something interesting to say in the process, and between them they provide plenty of food for thought on the relationship between economics and ethics.

In his introduction, Peter Groenewegen presents the book's message as a call for 'the integration of ethics within economics discourse' (p. 12). This, however, could mean a number of different things. C.L. Ten distinguishes two of them: ethics can affect economics 'internally', when ethical values are required as input in economic reasoning; and 'externally', when economists use ethics to assess the conclusions that economic reasoning leads to.

The 'external' use of ethics is relatively uncontroversial. Although economists sometimes talk as if policy recommendations flowed automatically from their conclusions, most of us realise that there will be other values involved. The economist can tell us what consequences will flow from a given policy, but it is for us as citizens (whether or not we also happen to be economists) to decide whether those consequences are preferable to the alternatives. This was Hume's fundamental insight: given some ends, we can reason about means, but reasoning alone has nothing to say in the ultimate choice between ends.

It is when economists use ethics 'internally' that they are venturing into more dangerous territory. Ten suggests that value judgments have to be made in choosing the concepts to use in economic analysis: he gives as an example the problem of defining 'standard of living' (p. 39). But letting ethical considerations dictate one's choice of concepts is not quite the same thing as bringing them into the analysis. Furthermore, the economist who is trying to be useful for public policy might find that what is needed is not input from his or her own values, but from the values actually held by the public (more about this 'moral anthropology' shortly).

Economists who let ethics influence their analysis may be doing something that is unavoidable, or at least nothing to be ashamed of. They should, however, be conscious of what they are doing, since there are dangers that some of the contributors to this volume are reluctant to acknowledge. Louis Haddad wants us to see 'ethics as

generalised economics', saying that the distinction between 'positive' and 'normative' economics' is 'artificial' (pp. 77-8).

There is a sense in which economic decisions — indeed, decisions of any sort — are also ethical decisions. We cannot act in a moral vacuum; even if we refuse to take moral considerations into account, that itself is a moral (or immoral) decision. But the economist, when in positivist mode, is not claiming to make decisions. He or she is merely describing how the world is, and how people act on that information is up to them. If economists are to go on to prescribe what decisions should be made, then it is hard to see what areas of life will be spared their attentions. The fact-value distinction is one of the things preventing the economic realm expanding beyond all recognition: something that Ten and other contributors warn us against.

A.W. Coats shows us how the great economists of the 19th century appreciated Hume's Law, to the extent of distinguishing between economics as 'science' and as 'art'. Economic science has become modern positive economics, while economics as art is political economy or economic policy-making. The distinction is really a tripartite one, since 'science' in turn breaks down into pure and applied. This last point shows there can be important differences of methodology that do not involve ethical issues. Someone who works in applied geometry, for example, is doing something very different from a colleague in pure geometry, but neither of them need be making normative judgments.

Ten's 'internal' and 'external' uses do not exhaust the possibilities for doing economics with an eye to morality. Another common project is sometimes called 'moral anthropology': a scientific study of the ethical beliefs people actually hold (see Geoffrey Brennan's remarks on p. 123). This can be of vital importance in economics; however, contrary to what some of these authors seem to think, there is nothing in it that undermines Hume's Law. To decide what we should do is an evaluation, but to discover what people (including ourselves) believe they should do is simply a question of fact.

Commenting on Coats, Michael White quotes Mill's description of economics as 'relating to the moral or psychological laws of the production and distribution of wealth' (pp. 116-17, note 3). But Mill is not saying that the economists themselves have to make moral judgements, only that they have to understand how human society in fact works. This is hardly revolutionary, but it is true that today's economists sometimes seem to forget how people's behaviour is influenced by their notions of right and wrong. Robert Rowthorn takes them to task for this, calling to mind a discovery made earlier by C. Northcote Parkinson:

One chain store organisation ... dispensed with time cards, complaint reports and stockroom forms. It was agreed to assume that all concerned are honest; partly because they are and partly because it would still be cheaper even if they were not. (*In-laws and Outlaws*, John Murray, London, 1962, p. 125)

Another way that these authors encourage us to link economics and ethics is by using economic methods to investigate the origins of morality. There is now a consid-

erable body of work on contractarian ethics, pioneered by writers such as Robert Axelrod, Michael Taylor and Robert Sugden, showing how moral rules could emerge spontaneously as a system of conventions among basically self-interested agents. Contractarian ethics draws on the modern techniques of game theory, but also on the insights of the founders of economics (and of modern philosophy), David Hume and Adam Smith.

This account of where morality comes from is endorsed by Rowthorn and, more reluctantly, by Jeremy Shearmur. Shearmur has trouble accepting that one can believe in morality without claiming some factual basis for it. He seems to be concerned that a morality based on convention would be no more than a fiction, and that its effectiveness could not survive the exposure of its origins. This concern is taken to extremes by Yanis Varoufakis, who gives a good account of the contractarian model but persists in seeing it as an 'illusion', amounting to the 'abolition of morality' (pp. 166-7). Is it really very different, though, from the Socratean scepticism he praises on page 161? Varoufakis claims to follow Shearmur in treating Smith as fundamentally amoral, but this strikes me as revisionism run amok.

The dangers involved in de-mystifying morality by exposing its human origins are genuine enough. But these dangers are going to have to be faced sooner or later, because continued mystification just isn't a viable strategy. We need, as Varoufakis says, 'the courage to see our ethical beliefs as social artefacts' (p. 171). Moreover, there is a lot more to common morality than an 'invisible hand' network of conventions; centuries of authoritarian rulers and religious leaders have imposed rules for their own purposes. Shearmur worries whether we can now do without religion, but trade and morality surely predate religion and the state, and must ultimately be able to do without them.

Economists have something of a tradition of ignoring complexities like these. The utilitarian tradition in economics gets good coverage in this book (see for example Coats's remarks on page 95), but we are left unclear as to the underlying relationship. Does the economic frame of mind predispose one to utilitarian ethics? Or does the sort of calculation required in utilitarianism naturally translate to economic reasoning? Or is it all just a historic coincidence? There is room here for further work; a good starting point might be trying to explain the tendency towards selfish and amoral attitudes reported of graduate students in economics (p. 19).

There is a great deal else in this book that I shall have to leave readers to discover for themselves. There is interesting historical material, especially from Shearmur, Coats and White (although beware the tendency of historians to exaggerate the importance of the controversies their characters engaged in); a typically thoughtful contribution from Brennan; and provocative but ultimately unconvincing attacks on capitalism from Varoufakis and Flora Gill. In total, it gives us an example of interdisciplinary scholarship at its best

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