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Ethics and Economics: Friends or Foes?\(^1\)

**I: Introduction**

In the film *Heavens Above!* [1963] Peter Sellers played a Church of England prison chaplain who is mistakenly appointed to a living in an affluent rural area. He has ill-digested notions of social justice which he attempts to put into effect in his new parish with comically disastrous results for all concerned, including the targets of his charitable but misguided efforts; his free-food scheme, for example, is both economically unsustainable and, at the same time, threatens to put the local grocer out of business. It would be taking a spade to a soufflé to subject what is after all a comedy to a serious analysis but the film makes the point—and does so perhaps more memorably than many a weighty treatise—that utopian schemes sit ill with real people in the real world and that good intentions cannot overturn the technical economic necessities that must underlie any functioning economy. But perhaps the theme of the film begs the question at issue. Are there such technical economic necessities and, if there are, are they incapable of being overturned by ethical concerns? Just what is the relationship of ethics to economics?

One position on this matter is that these two disciplines simply do not connect at all. Reviewing Leland B. Yeager’s *Ethics as Social Science*, Roderick T. Long attributes to Yeager the view that “…economists and moral philosophers often like to pretend they have nothing to do with each other. Economists pose as value-neutral scientists who have no need for airy-fairy moral theory; yet they regularly dispense the sorts of prescription and advice that cry out for ethical analysis. Philosophers likewise view themselves as having loftier

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\(^1\) An earlier version of this paper was given in the lecture series *Conscience, Values and Belief in Public Life* sponsored by the Thomas More Institute (London, January 2005). I should like to thank Dr Andrew Hegarty for the invitation to give a paper on this topic, and the audience at the Institute for their post-lecture contributions.
concerns than vulgar economics; but by conducting their ethical and political theorizing in ignorance of economic principles, they are unable to avoid recommending policies that would be unworkable or disastrous in practice.” This position, however, is perhaps not as widespread as Yeager thinks; if it were, the conjunction of the terms ‘ethics’ and ‘economics’ in the title of this chapter would appear peculiar, much in the manner that the conjunction of the terms ‘ethics’ and ‘physics’ in the title of a paper would appear peculiar. The reason the conjunction of the terms ‘ethics’ and ‘economics’ in the title of this chapter would not be regarded by most people as peculiar is that we have, I suggest, a pre-reflective belief that ethics and economics could, in principle at least, engage with each other, that their relative fields of enquiry, their topics; their judgements could overlap. Whether or not they in fact do so overlap (and if so, how) is, of course, another question.

II: Economics and Ethics

Generally, if we want to know whether and to what extent one thing relates to another, we need to be able to delineate both items clearly as a necessary condition of such determination. And this is where our problem answering the question of the relationship of economics to ethics starts—there are no uncontested definitions of either field.

Alfred Marshall thinks of economics as a study of mankind in the ordinary business of life; while Lionel Robbins, in his classic An Essay on the Nature and Significance of Economic Science conceives of economics as a science that studies human behaviour as a relationship between ends and scarce means that have alternative uses. The Encyclopaedia Britannica, while boldly proffering the definition that economics is a social science that seeks to analyse and describe the production, distribution, and consumption of wealth simultaneously concedes that no one has ever succeeded in neatly defining the scope of

economics. Surely we can find a definition of ‘economics’ in a dictionary of economics? Perhaps not. Having reviewed and dismissed one or two would-be definitions, and proffered, half-heartedly, one of their own, the authors of The Penguin Dictionary of Economics concede that it may well be that a wholly acceptable definition of economics does not exist. However difficult it may be to define economics, when we turn to consider ethics we discover that it is not so much difficult to define it as it is to choose which of the three dominant ethical paradigms to endorse—consequentialism, deontologism, or virtue ethics—not to mention their many and varied subspecies. Whatever the precise definition of economics, and whichever ethical system one considers to be most defensible, the key point on which economics and ethics are supposed to differ, (according to those moral philosophers and economists who, as Yeager writes, like to pretend they have nothing to do with each other) is that economics is descriptive, ethics prescriptive; one tells us the way things are; the other, the way things ought to be. As such, then, while their interests may coincide materially, their formal perspectives are ineluctably diverse.

I have suggested that our intuitions differ on the possible relation of ethics to physics and ethics to economics. At least part of the reason why we would have difficulty understanding why someone would offer reflections on the relationship of physics and ethics is that we understand physics to be a science, with its own subject matter, its own methods of enquiry and its own results. Where does ethics fit into all this? Of course, physicists are human beings and human beings, even physicists, can act unethically (or even ethically) but physics, just as such, doesn’t appear to come within the range or scope of ethics. Prescinding from disputed issues in the philosophy of science, we could say that the reason for this is that physics as a science attempts to describe, explain and predict a realm of reality that in its essential operation is completely independent of human needs, desires and interests. Economics, on the other hand, is manifestly concerned with human action and its consequences. The objects of
economic analysis—prices, wages, supply, demand, interest, money, production, and distribution—are all socially constituted objects and exist only in a nexus of human activity. Does that imply that economics, contrary to the tenet of the nothing-to-do-with-each-other school of thought, has an ineluctably normative element?\(^3\)

A further question that is pertinent to the relation between ethics and economics is whether economics is a science, a science, for the purposes of this paper, being the intellectual possession of and/or articulation of discerned recurring explanatory or predictive structures within a theoretical framework of laws and principles.\(^4\) If economics were a science then it would seem that it should have its own intrinsic order that is independent of ethics. Like all human enterprises, economics may be (accidentally) contaminated by the usual factors of human bias, ignorance and self-interest, but as a rational investigation, the process is intrinsically self-correcting.\(^5\) The subject matter of economics is precisely constituted by meaningful acts that have intrinsic intelligibility and which can be materially embodied. The subject matter of physics, on the other hand, is not constituted by meaningful acts. It would be a mistake—one that was made by some medieval physicists—to adopt Aristotelian methods in attempting to develop the science of physics. Might it not be equally mistaken to adopt the methods of the so-called hard sciences in attempting to develop the science of economics?

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**III: Controversy**

An interesting discussion on this topic took place in the pages of the *Journal of Markets and Morality* in 1998. Ricardo Crespo holds unequivocally that economics is a moral science,

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\(^3\) This is an important question which will be considered in the next section.

\(^4\) Two schools of economics hold that economics is a science: the Austro-Aristotelian School and the Neo-Classical School. For the Austro-Aristotelians, economics as a science consists, at least in part, in the grasp of essences. For the Neo-Classical School, economics is a science whose method comprises the construction of models and their testing by experiment, its method being broadly similar to that employed by the so-called ‘hard’ sciences.

\(^5\) For more on this see Thomas Nagel, *The Last Word* (Oxford: Oxford University Press, 1997).
where moral science is understood in its classical Aristotelian sense. As an Aristotelian-type practical science, economics can be expected to be inexact, concrete, and pragmatic, since it is concerned with praxis, with human action. This claim is not to be understood as the attenuated thesis that morality should have some purchase on what economists or economic actors do but the stronger thesis that “the correct epistemological framework for economics is that of a classical practical science.” Such a claim does not involve the reduction of economics to ethics; it rather denies that economics is value-free. “…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.”

Peter Boettke, responding to Crespo, focuses on the issue of value-neutrality. As he puts it, the question is “whether knowledge gleaned in the disciplines of economics and political economy can be both value-free and value-neutral.” Boettke argues for the value-free role of economics as something that provides “the basis for our rational discussion of alternative visions of the good.” Distinguishing between political economy and economics, Boettke claims, “it is only a value-neutral economics that enables economics and social thinkers to practice a value-relevant political economy.” On his analysis, economics does not concern itself with ends but only with the effectiveness of the relationship of means to ends.

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7 Ibid. 204.  
9 Ibid., p. 213.  
10 Ibid., p. 214.
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 [it] is an essential input to a value-relevant discipline of political economy….Knowledge of the choice 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.\footnote{Ibid., 214-15.}

Reflecting on Boettke’s arguments, Crespo adverts to the Aristotelian distinction between the theoretical, the practical and the technical. Practical sciences bear on purposive action and are therefore moral or value-relevant sciences. The technical sciences, on the other hand, determine the most adequate way of attaining a desired goal or making a product. Taking up and accepting Boettke’s distinction between political economy and economics, Crespo remarks that political science must be a practical science whereas economics must be a technical one. “In Aristotle’s schema, óikonomikê broadly corresponds to political economy, the practical science, and chrematistics to economics, the technical science.”\footnote{Ricardo F. Crespo, “Controversy: Is Economics a Moral Science?: A Response to Peter J. Boettke,” \textit{Journal of Markets and Morality}, Vol. 1 No 2 (1998), 220-225, 221. David Ricardo came down on the technical side in this dispute: “It is not the province of the Political Economist to advise: He is to tell you how to become rich, but he is not to advise you to prefer riches to indolence, or indolence to riches.” \textit{The Works and Correspondence of David Ricardo}, 11 vols., ed. Pierro Sraffa and M. H. Dodd (Cambridge, 1951-73), vol. 2, 338.} In light of this distinction he agrees with Boettke on the value-free character of economics but cautions that “For technical theory to be operational, it must have content. A continuous dialectical flow oscillating between practical and technical considerations ought to be followed. That would be the real economic science—one that involves both economics and political economy.”\footnote{Ibid. 223.}

While aware of the complexities involved, Kurt Rothschild would be prepared to maintain the scientific/normative distinction. The science of economics analyses and explains the economic process but doesn’t necessarily evaluate the process as being either good or bad.
Rothschild, however, admits that in practice it can be difficult for economists to engage in their studies without raising some ethical questions. “The ‘mainstream economics’ of the twentieth century fully accepts [the separation of economics from its ethical roots]….Economic theory is seen as a positive science which has to analyse and to explain the mechanisms of economic processes….Important as ethical valuations (‘ought’ statements) may be, they should not form part of the economist’s research programme.”

L. D. Keita, on the other hand, is sceptical of the pretensions of economics, at least in its neoclassical variety, to scientific status. Given that the whole theoretical structure of economics rests on the postulate of rationality (which for him is through and through normative) he believes that this is enough to make economics, just as such, a normative discipline. “…[T]he ontological divide between positive economics and normative economics is a modernist chimera founded on the rigid dogmas of positivism….the total structure of neoclassical economics is normative in nature on account of the special role it ascribes to the postulate of rationality.” In fact, Keita goes so far as to argue that rather than economics being, as it were, a branch of applied mathematics (as it appears to be in some varieties of Neo-Classical theory), it should better be conceived of as a branch of applied ethics.

To meet Keita’s claim regarding the intrinsic normativity of economics, we must, I think, distinguish between internal or constitutive normativity and external or extrinsic normativity. As indicated above, economics is internally normative, and necessarily so, for the data with which it deals is constituted by human action and its manifestations. But that kind of normativity is not enough to settle the question of whether the distinction between a normative and a non-normative economics is viable. I suggest that it is still an open question whether economics, thus normatively constituted, is denuded of its a-moral technical

dimension. I believe that the answer to this question is that it is not. While economics, constitutively or internally normative, is further contextualised within ethics and politics, their particular brands of normativity are external to the technical body of economic theory.

Two extremes are therefore to be avoided: on the one hand, the subsumption of economics completely into praxis would denude it of its technical dimension with economics becoming a parochial form of political theory; on the other hand, the subsumption of economics completely into techne would decontextualise economics unrealistically from the broader social and political world in which it subsists and without which it has no ultimate meaning.16

### IV: A Case in Point

To focus the discussion a little more sharply, I should like to consider the place of economics in the body of Catholic Social Teaching that emerged into public consciousness with the promulgation of *Rerum Novarum* in 1891.17 Of course, the Church has always had something to say on moral matters connected to the world of commerce, notoriously, for example, in connection with the notion of usury, but I think it can fairly be said that a systematic vein of social reflection began with *Rerum Novarum* that continues to the present. This body of social teaching has the capacity to divide Catholics of various political hues. Some find the teachings on, say, the just wage and the original gift of the world to the whole of mankind, to be a wholly appropriate criticism of the manifold deficiencies of capitalism, while others find

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16 It would seem that it was concern such as this about the functional detachment of economics as a technical science from economics as a moral science that motivated Amitai Etzione to develop in his book, *The Moral Dimension*, an economic theory based on deontological principles. His point appears to be that human actors are not free standing individuals but are embedded in social groups constituted by a culture and history and that, similarly, markets should not be treated as if they were free-standing and self-regulating systems but should be recognised as being encapsulated by normative and political systems. [*The Moral Dimension: Towards a New Economics* (New York: the Free Press, 1988)].

such teaching to be economically naïve. Others are heartened by the assertion of the right to private property and the ringing condemnation of socialism as a system; others are equally appalled by this. Some applaud one encyclical and disparage another. Murray Rothbard, for example, remarks acidly that “Rerum Novarum…is fundamentally libertarian and pro-capitalist. Quadragesimo Anno, on the other hand, is virulently anti-capitalist and, in fact, pro-fascist.”

Others, perhaps more moderately, discern a certain unresolved tension in the Papal pronouncements. Médaille remarks that “…when we confront the Papal teachings, we are immediately faced with a conundrum. On the one hand, they command the freedom of the market and, on the other, they command the payment of a living wage. Yet a free market sets its prices, even the price for labor, according to the laws of supply and demand, not according to the law of needs and certainly not according to Papal command.”

A lively dispute on the relationship between Catholic Social Teaching and economics has broken out on the web, the intellectual market-place of the 21st century. Thomas Woods, in his article “Catholic Social Teaching and Economic Law (2002)” remarks that “The primary difficulty with much of what has fallen under the heading of Catholic Social teaching since Pope Leo XIII’s Rerum Novarum (1891) is that it assumes without argument that the force of human will suffices to resolve economic questions, and that reason and the conclusions of economic law can be safely neglected, even scorned. In fact…proponents of Catholic social teaching effectively deny the very existence of economic law.”

Woods appears to accuse the authors of the encyclicals of a certain kind of economic voluntarism. “The clear implication of all this is that will, desire, and good intentions suffice

to bring about high wages, vacation time, free health care, and the like. Indeed much of Catholic social thought suggests that the problem of economics and wealth is to a significant degree a matter of human manipulation and contrivance rather than a rational and sober reckoning with the constraints and scarcities with which man is naturally confronted.\(^{21}\) He notes that Pius XI makes what he calls ‘a significant concession’ to economic reality in *Quadragesimo Anno* but Woods does not provide much analysis or commentary on this passage which I consider not just to be a concession but to be extraordinary significant in itself.

In at least partial sympathy with Woods’ views, William R. Luckey argues that Catholic Social Teaching has its roots in the German Historical School which was radically opposed to the view that economics was a science. “The intellectual origins of Catholic social teaching on economics are a very clear reflection of the thought of the German historical school….The acceptance of some market ideas by Pope John Paul II does show the irrelevance of the previous economic teaching, but there still remains at least a partial adherence to the denial of economics as a science inherent in the German historical school’s approach, which treats the classical liberal approach as a mere ideology motivated by the economic greed of the capitalists, despite the facts.”\(^{22}\)

Needless to say, Woods’ thesis has come in for criticism. Russell Sparkes, reviewing Thomas Rourke’s *Neo-Conservatism* (1997), remarks, “the most subtle challenge to [Catholic social teaching] came not from those who [attack] it, but rather from those who [attempt] to reverse its traditional understanding.”\(^{23}\) Sparkes attacks the neoconservatives for quoting selectively from *Centesimus Annus* and regards their interpretation of the encyclical as being

\(^{21}\) Ibid., 10.


unrepresentative of the Church’s teaching. “…the neoconservative claims are lacking in a number of ways; they use a ‘fundamentalist’ approach of extracting individual pieces from Catholic encyclicals; they are not well grounded in the economic facts of the real world, and much of their arguments seem based on rhetoric rather than hard analysis.”

Todd Whitmore also attacks Catholic neoconservative economics as that finds expression in the writings of Michael Novak, Richard John Neuhaus and George Weigel. According to Whitmore, the neo-conservatives hold a dissenting position on ‘economic rights’ given their presence in official documents at a high level of generality. If it is dissent to reject the sexual doctrine taught in the Encyclicals, why, he wonders, should it not also be dissent to reject the social teaching regarding such things as economic rights in those documents?

Scott Richert is another who takes exception to Woods’ thesis. His objection, it seems to me, is extremely pertinent. “[Wood’s] use of phrases as ‘economic law, economic science,’ ‘the very nature of economics,’ ‘value-neutral, scientific discipline’…goes straight to the heart of the matter. Catholic social thought does not regard economics as a hard science, like mathematics; at best, it is a science in the sense that Latin and all European language other than English can use the term—knowledge as an object of study. Thus, history can be a science without there being a science of history, in the sense of immutable laws that govern history.” He notes Woods’ citation of the pertinent paragraphs from Quadragesimo Anno and remarks “Pius XI did not concede that ‘economics is a bona fide science’ in the sense of mathematics, as [Woods] implies. Pius does not refer to ‘economic science,’ and his very use of the term moral science…makes it clear that he is writing…within the context of the broader understanding of scientia… The question, then, comes down to the nature of economic science. If [Woods’] assumption is incorrect, and ‘economic laws’ aren’t the

24 Ibid., 5.
equivalent of mathematical laws, then the Church is well within Her authority to instruct Christians to act outside of such ‘laws’—or, indeed, even to act against them.”

Woods’ responded in a short paper in June 2004. The key point in this paper is to distinguish between moral and technical matters in economics. Where a policy or procedure is intrinsically immoral, no instrumental considerations come into play. If abortion, for example, is intrinsically immoral its alleged efficiency as a method of population control is irrelevant. But where policies or procedures are morally indifferent then technical considerations come into play in considering which to choose. As Woods puts it “if things work in a certain way, no Church pronouncement can make them work another way.”

Woods is not claiming that the sciences, including economics, are exempt from moral critique, merely exempt from technical critique by moralists. In this claim he is, I believe, fundamentally correct.

Both Woods and Richert advert to Quadragesimo Anno, paras. 41 ff. I believe that Richert seriously underestimates the significance of this passage and that even Woods, who appreciates it, doesn’t exploit its full potential.

41. “…there resides in Us the right and duty to pronounce with supreme authority upon social and economic matters [de rebus istis socialibus et oeconomicis]. Certainly the Church was not given the commission to guide men to an only fleeting and perishable happiness [ad fluxam solum et caducam feliacitatem dirigendi] but to that which is eternal. Indeed ‘the Church holds that it is unlawful for her to mix without cause in these temporal concerns’ [terrenis hisce negotis sine ratione se immiscere nefas putat Ecclesia]; [in Pius XI’s Ubi Arcano, 1922] however, she can in no wise renounce the duty God entrusted to her to interpose her authority, not of course in matters of technique [non iis quidem, quae artis sunt] for which she is neither suitably equipped nor endowed by office [ad quae neque medius aptis est instructa nec officio praedita], but in all things that are connected with the moral law. For as to these, the deposit of truth that God committed to Us and the grave duty of disseminating and interpreting the whole moral law, and of urging it in season and out of season, bring under and subject to Our supreme jurisdiction not only social order but economic activities themselves.
42. Even though economics [*oeconomica res*] and moral science [*moralis disciplina*] employs each its own principles in its own sphere, it is, nevertheless, an error to say that the economic and moral orders are so distinct from and alien to each other that the former depends in no way on the latter. Certainly the laws of economics [*oeconomicae...leges*], as they are termed, being based on the very nature of material things [*ex ipsis rerum naturis*] and on the capacities of the human body and mind [*et humani corporis animque indole profectae*], determine the limits of what productive effort cannot, and of what it can, attain in the economic field and by what means [*statuunt quidem quosnam fines hominis efficientia non possit, quosnam possit quibusque adhibitis mediis in campo oeconomico persequi*]. Yet it is reason itself that clearly shows, on the basis of the individual and social nature of things and of men, the purpose that God ordained for all economic life.

43. But it is only the moral law which, just as it commands us to seek our supreme and last end in the whole scheme of our activity, so likewise commands us to seek directly in each kind of activity those purposes which we know that nature, or rather God the Author of nature, established for that kind of action, and in orderly relationship to subordinate such immediate purposes to our supreme and last end. If we faithfully observe this law, then it will follow that the particular purposes, both individual and social, that are sought in the economic field will fall in their proper place in the universal order of purposes and we, in ascending through them, as it were by steps, shall attain the final end of all things, that is God, to Himself and to us, the supreme and inexhaustible Good.

Summarising this passage, we see first that the Pope considers he has the right and duty to pronounce (a) with supreme authority (b) upon social and economic matters but, second, that it is unlawful for the Church to mix without cause in these temporal concerns. Third, such authoritative pronouncements are *not* to be made in matters of *technique* where the Church is (a) neither suitably equipped, nor (b) endowed by office; but (c) are to be made in all things connected with the moral law, and social and economic activities fall under the moral law.

Fourth, both economics and moral science have (a) their own principles (b) that operate in their own spheres. However, fifth, it is an error to hold that (a) the economic order, and (b) the moral order are so distinct that (a) depends in no way on (b). Sixth, the laws of economics are (a) based on the very nature of material things [ontology] and (b) on the capacities of the human body and mind [anthropology/psychology], which together determine (c) the limits of

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28 It might be better to translate ‘moralis disciplina’ as ‘moral education’ rather than as ‘moral science. In any event, the term used in the original is *not* ‘scientia’ pace Richert, and so the point of his contrast that is dependent upon this being the appropriate term fails.

29 *Quadragesimo Anno*, paras. 41–43. The Latin text can be found in *Acta Apostolicae Sedis*, Annuus XXIII—Volumen XXIII, Rome: Typis Polyglottis Vaticanis, MDCCCCXXI. Translation by the author.
what productive human effort (i) can and cannot attain (ii) and by what means. Seventh, the
divinely ordained purpose of all economic life is given by reason, and eighth, the moral law
(a) commands us to seek our supreme and last end in the whole scheme of our activity, and
(b) commands us to seek directly in each kind of activity [including economic activity] those
purposes that nature (or rather God, the author of nature) established for that activity, and (c)
commands us to subordinate (b) to (a) in an orderly way.

I realise that the passage I have been analysing from Quadragesimo Anno is only one
section from one encyclical from one specific religious tradition. However, I believe that
without in any way contradicting the content of the other major social encyclicals of the 20th
century up to, and including, Centesimus Annus, this central passage from Quadragesimo
Anno expresses in its principles the kernel of the correct account of the relation between
ethics and economics, one that broadly agrees with the account given by Woods with which I
concur. In summary, while situating all human activity within the scope of morality (how
could it be located elsewhere?) Pius XI recognises that economics has its own principles and
laws that operate in their own sphere and that, in technical matters, the Church (and, by
extension, the proponent of any moral theory) has nothing to say to economics. Of course,
which matters are technical and what the laws of economics are—these are questions not
easily answered.

With the emergence of economics in its recognisably modern form in the 18th century, the
battle between ethics and economics was joined, with its earliest and most famous
protagonists perhaps being Rousseau and Adam Smith. Yet, as Michael Ignatieff notes, “we
would be mistaken if we thought that Rousseau used only the language of morals and virtue,
and Smith only that of commerce and money.”30 While they differed in their specific
recommendations and in their respective foundational myths “Both writers insisted that the

drama of human progress must be understood in its historical, moral and economic
dimension…”31 Two recurrent temptations, then, must be resisted: the first, and more
historically prevalent one, is to fail to recognise the intrinsic constitutive order of economics
and to take it to be merely a branch of ethics: the second, more recent and more potent
temptation, is to fail to recognise the limits of economics and to attempt to make ethics a
province of economics’ empire. Which of the two temptations one is more susceptible to is a
matter of one’s specific nature and inclinations.

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31 Ibid. 109.