

**Why Did the Economist Cross the Road?  
The Hierarchical Logic of Ethical and Economic Reasoning**

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Abstract

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The debate over whether or not economics is value-free has mistakenly focused on the fact-value distinction: "is" does not imply "ought." This paper approaches the role of ethics in economics from a different perspective, focusing not on the logical content of economic analysis, but on the actions taken by the economic researchers themselves. Thomistic moral philosophy highlights the inherently moral character of human action, and makes clear the ways in which academic pursuit of reasoned goals is inescapably moral. Economics enjoys a natural autonomy from ethics, an autonomy limited by economics' dependence for guidance and justification on ethical reflection.

## 1 Introduction

"Science has no goals. Only individuals have goals." - Ronald Coase

The old joke about why the chicken crossed the road is too familiar to be funny anymore, but it is worth asking why it ever was funny. It is funny because the punchline (to get to the other side) is unexpected; it is obviously true, but incomplete. We expect the punchline to tell us **why** the chicken wanted to get to the other side - in order to see a man lay bricks, for example. This answer is still incomplete, in much the same way as the first answer was; we might still ask why the chicken wants to see a man lay bricks. If the answer to this question is that the chicken has never seen a man lay a brick, we might ask again why the chicken should want to see something that it has not seen before. The answer to this next question may be "because variety is the spice of life." At this point, since the chicken appears to seek variety for its own sake, there are no further questions to be asked, unless we wish to dispute the desirability of variety.

Each of the answers given above, except perhaps the last, is incomplete in some way. If the chicken's behavior is rationally directed toward a set of ordered ends, then the full meaning of the action "cross the road" can only be discovered within this hierarchically ordered reason. Each answer reveals a goal or end, some of which are ultimate ends, but many of which are themselves subordinate means to some further end. The chicken would not cross the road if the bricklayer were not laying bricks on the other side; similarly, he would not watch the man lay bricks if he had seen such a thing many times before.

Chickens do not display human rationality, of course - the one in the joke may well be simply trying to get to the other side, without any further end in sight. The point of the joke, nevertheless, is that humans, being rational, look for a fully rational explanation. A chicken crossing the road without purpose may not be notable; a person who cannot give a full,

hierarchical explanation of his own road crossing might reasonably be described as a chicken running around with his head cut off. Any explanation of human action which breaks off short of a more extensive, hierarchical account of the motivation of the acting human agent is incomplete and, we suspect, unexamined. Often this incompleteness is unobjectionable; we do not need to give a full accounting of the reasons for our actions when the full accounting is self-evident to those with whom we are conversing. Nonetheless, we expect human beings to review their actions with their goals in mind.

This seeking for explanation and justification for action is quintessentially human. Someone who does not ask "why this, and not that?," who does not deliberate about his behavior in some reasoned way, is said to live an unexamined life; we expect that reasoned reflection can improve our lives. Habits and behaviors that fail to advance us toward our goals, or which advance us towards goals which seem good but are in fact harmful, are supposed to be seen for what they are, and hopefully modified or abandoned. Furthermore, our inquiring minds often seek a complete account, and are not satisfied with incomplete accounts, such as "to get to the other side."

What is true for human action in general is particularly true for scholarship, including economic research. Scholars, more than other humans, are supposed to subject everything to reasoned inquiry. When economists posit theories, specify models, collect data, and estimate empirical relationships, they are in pursuit of hierarchically ordered ends, and they often find themselves giving an account both of the desirability of the ends as well as the suitability of the means of their research. A labor economist runs a regression to discover the effects of job training programs on the subsequent employment of the trainee; he desires to discover the effect of job training in order to advise lawmakers on the desirability of public investment in job

training programs; these programs, if effective, should be publicly funded in order to alleviate the hardships of inner city youth; and so on.

This hierarchical account of human action is the basis for Thomistic moral philosophy. The purpose of this article is to explain briefly the Thomistic approach to human behavior and its moral implications, and to use this approach to shed some light on the positive-normative split in economics. Economists, as a result of their training, give truncated justifications for their activities as economists, often out of fear that "ethical" considerations will distort their methods and render their conclusions unscientific; the Thomistic account of their behavior grants a real but limited autonomy to the economist's activities *qua economist*, but places the economist's analysis within a commonsense moral framework, within which the implications of ethical considerations for economics can be fruitfully discerned.

Two things are noteworthy about the hierarchical structure of the economist's behavior *qua economist*. First, even when the behavior in question (running a regression) begins in a purely economic context, the upper end of its hierarchy of goals rarely ends there. The hierarchy can end within the limits of the economic subject matter only if the ultimate end is knowledge for its own sake - a defensible goal, but not usually the primary goal of policy-oriented economists. Second, the posited ends at every level of justification imply a normative prescription for action. It stands to reason that one should pursue one's goals. At lower levels (specifying and running a regression) we call these prescriptions "methodological norms." At higher levels (alleviating poverty among inner city youth), we call them "ethical norms." Whatever they are called, they are implicit in the account of the economist's action at each level - one should attempt to achieve one's goals, whether the goals are specified at lower levels of the hierarchy, or at the higher.

Note that I am not interested in the morality of models or estimation techniques - the morality of the abstraction homo economicus, for example - since intellectual constructs are not in themselves good or evil in the same way that human action is. Neither am I seeking to analyze the morality of economic behavior, or the role of morality in the economy. The object of the analysis will be the behavior of economists going about the ordinary business of their life - theoretical and empirical research, and application. Thomistic analysis of the human act makes clear the ways in which we make "should" statements about economists - about the direction and content of economic research, and the advice economists give.<sup>1</sup>

Section two briefly outlines the Thomistic account of human action and the basis for moral deliberation implicit in the human act. Section three gives four examples from economic research, sketching in each case a hierarchically ordered justification for the research decisions made, and pointing out the role of ethics at each level of the analysis. Section four provides a more general discussion of the positive-normative distinction in light of Thomistic reasoning. Section five concludes with some implications for economic practice.

## **2 The Thomistic Account of the Human Act**

### The Human Act : Rationality and Morality

"Choose instruments that are uncorrelated with the dependent variable."  
 "Do not trade with a country which oppresses its own people."

To the modern scientific mind, these two prescriptive statements are of different types. The first belongs to the set technical prescriptions; the second belongs to the set of moral prescriptions. While there are good reasons for this division, it should not blind us to the essential similarity of the two statements.

The prescriptive force of each statement can only be grasped by an understanding of the goals advanced by the prescription. Uncorrelated instruments are desirable because they advance the goal of consistent estimation; the refusal to trade with oppressive regimes is supposed to express a commitment to freedom, and to pressure an oppressive government to liberalize. In each case, the goals that are being pursued provide the only context within which the prescriptive force of the statement can be understood, and either assented to or repudiated. Indeed, effective arguments against either of these statements must take one of two forms. Either the proposed action does not in fact advance the implicit goal of the prescription, or the implicit goal is not in fact good.<sup>2</sup>

Viewed from this perspective, prescriptive statements about technical matters and prescriptive statements about moral matters are similar, and share the same logical structure: both advise the listener how to achieve a particular end. Although the ends of the technical statement (consistency) may be less controversial than the ends of the moral statement (do not abet oppression), both statements draw their moral force, their "oughtness," from the desirability of the end in question and the efficiency with which the prescribed action achieves its end.

This basic structure of prescriptive reasoning is the starting point for the moral philosophy of Aristotle and Thomas Aquinas. Both arrive at this account of moral reasoning in the course of reflection about what it means to reason well about action. In order to reason well about human action, it is necessary to understand what a human act is, and what it means to act humanly well. We must begin with an account of goodness, as applied toward human acts.

In Aquinas, goodness, both in a narrow sense (a good flute player) and in a broader, moral sense (a good person) is defined relative to function. A watch is a good watch if it does what a watch should do, in the way that a watch should - if it mechanically keeps the time and

date accurately, with a minimum of fuss. Similarly, a human being is good if he or she acts the way a human should to achieve the ends of human life. Within this framework, of course, the judgment of a person's moral goodness depends on the discernment of what is characteristically human - what qualities in human beings are unique to humans, and distinguish them from, say, chickens?<sup>3</sup>

Aristotle[1980, 3.1] and Aquinas[1945, I-II, 1,1] emphasize two unique faculties in human beings, will (or capacity for choice) and reason. Reason deliberates about the goodness of ends, and about the appropriateness of various means to achieve them. Through action of the will agents move toward ends. It is the deliberate direction of human action by the will, informed by reason, that gives human acts their moral character. It is the proper use of these faculties that constitutes moral judgment.

In order to concentrate on those human activities that are the material for moral reflection, Aquinas distinguishes **human acts** from **acts of human beings**. McInerny[1997] defines a human act thus: "Human action is undertaken for a purpose, with an end in view (p.1)." A human act is essentially an act of rational agency, a deliberate attempt to accomplish some end. The contrast between human action and the actions of human beings can be seen in McInerny[1993]'s contrast between the statements "my beard is growing" and "I am growing a beard." The "I" in the second statement identifies it as an account of a human act. We are interested in human acts, because human acts are the object of moral reflection.

We must assume that human acts are characterized by a certain amount of freedom - we want to know why a person chooses to do "this" instead of "that." If a person cannot possibly do "that," then it is pointless to ask why the person did "this;" we will have to look elsewhere for an

explanation. We do not ask why a person chose to be hit by a car unless we think he could have avoided it. If the person's will did not cause the act in question, then it is not a human act.

It should be noted that the Thomistic characterization of human action as rational and goal-oriented bears a resemblance to economic rationality, and contrasts with the Kantian account of morality. According to Kant, the individual's commitment to a universal rule is the basis for morality; in the Thomistic account, the moral character of an act is determined by whether or not the act is truly perfective of the agent - whether or not the act actually furthers the ends of the acting agent. The Thomistic account differs from the economic, however, in that in it human beings deliberate about ends as well as means, and they are not constrained to focus on measurable ends, like income, leisure, or consumption. It is a broader rationality, which might perhaps include economic rationality as a special case.<sup>4</sup>

The resemblance of economic rationality to Thomistic rationality brings to light an important connection between rationality and morality, which is often neglected in economics. First, discussions of morality assume rationality: morality in Thomistic philosophy is the analysis of human action, which by definition is rational and goal-oriented.<sup>5</sup> The question of what one should do can only come up in a situation where a rational person has a decision to make, and cares about the outcome. If a person is not rational, then it is a waste of time to try to engage his reason in a discussion of the best course of action; if he has no choices or is incapable of making choices, deliberation is similarly useless. Second, rational reflection has a certain moral force : goals which have been chosen as the result of rational deliberation should be pursued, in a reasoned way. In the Thomistic tradition, this statement is self-evident, and is foundational : one should pursue what one perceives to be good (1945, I-II,94,2). The economist's aversion to any

deliberation about goals does not shield him from the inherently prescriptive nature of his own rational reflection.

### The hierarchical nature of human action

Human action as defined above is hierarchical. According to Aristotle, individuals act with two sorts of ends in mind. The first sort of end, a proximate end, is a good that is pursued not for itself, but as an intermediate step toward some other end - the chicken wants to get to the other side in order to see, do, or escape something. The second sort of end is an ultimate end, something which is pursued for its own sake, and not as a means to some higher end.

This order among the various ends of human action is best described as a "hierarchy." This term has unfortunate connotations of abusive authority, and emotional reactions to its use necessitate a clear explanation of its meaning and scope. That ethical and economic analysis are ordered hierarchically means simply that ethical reasoning is prior to economic analysis: economics is motivated by and given direction by ethical reflection. A change in ethical imperatives may redirect and substantially change economic analysis, by pointing it towards a new set of questions or by redefining the nature of the human good to be pursued in an environment of scarcity.<sup>6</sup> This hierarchical ordering exists whether or not there is some authority external to the individual. Even a radically autonomous individual, free of any allegiance to external moral authority, gives evidence of hierarchically ordered ethical reflection, as long as he or she is rationally oriented towards some constellation of ultimate ends. The hierarchical order described here is intrinsic to ethical reflection, not extrinsic. Human action is not intelligible if it is not hierarchical.<sup>7</sup>

This hierarchical language is frankly teleological, but the teleology explored in this paper is not God's, but the researcher's. There is no need to appeal to a Creator, or even to believe in one, to admit the teleological nature of economic reasoning. Researchers who seek to further a certain goal (telos) will take actions and make choices which reflect and embody those goals. Economic research is functional, and the function is given direction by the telos of the research.

Every human act takes place within some hierarchy of ends. There are various ultimate ends toward which any action might aim (truth, beauty, justice), and any act may serve several ends (I may write an article in pursuit of truth, in pursuit of a living for my family, etc.). When ultimate ends come into conflict - and scarcity makes these conflicts likely - the appropriate balancing of the various ends is the object of moral reflection. According to Aristotle and Aquinas, the rational virtuous pursuit of a variety of ends constitutes the moral life (McInerny 1997, p.25).

Granted that only human acts can be discussed under the heading of morality, are all human acts necessarily moral? It is not obvious that every act is necessarily filled with moral import - the accountant balancing the books, the secretary typing a letter, and the research assistant cleaning the data are not engaging in obviously moral acts. All of these are human acts, and they can be described as good or bad, but the goodness of the typist seems to be different from moral goodness.

Aristotle and Aquinas do not entirely disagree with this answer - they recognize a scale on which we measure what might be called **technical** notions of goodness - but their analysis of the human act in all its hierarchical richness makes clearer the ways in which even seemingly pure technique has a moral aspect when seen within the context of the human action of which it

is a part. There are several principles which govern the moral relations between the different levels of the hierarchy of action.

The first principle is that the choice of goals which are further up the hierarchy has implications for the proper identification and pursuit of intermediate goals further down. If a person is really serious about a goal further up the hierarchy of action, then actions and goals further down should not conflict with the higher goal. According to Aquinas (1993, no.23), "... the reason for the means must always be found in the end itself," and a subordinate end is itself a means to some superordinate end. The best example of this principle in economics is the necessity that a researcher pursue questions that have interesting "policy implications." However technically competent an empirical or theoretical study, if it does not further some higher end - sometimes knowledge for its own sake, but more often explicit advice or at least a sharper perspective on some public policy question - it is not considered good research. A good economist is seldom merely technically good; rather, he applies well-honed skills toward what are recognized to be desirable goals.

A second principle is the limited but necessary autonomy of actions further down the hierarchy. It is true that the content of goals farther up the hierarchy will affect the goals and means chosen further down. Nevertheless, given those higher goals, there is a certain amount of autonomy given to the pursuit of proximate ends. Because human beings often need to do one thing at a time, we often grant to proximate ends a certain weight of their own (that is why we call them ends), and as a result of this specialization we advance more rapidly toward higher goals. As long as we prudently remind ourselves of the place of our lower-level actions in the overall hierarchy, the autonomy we grant to lower-level actions will serve, and not hinder, the attainment of higher ends. It is only when the subordinate ends are given undue weight, and

higher ends forgotten, that the autonomy of the lower levels of the hierarchy becomes a potential threat to the achievement of higher ends.

Within this hierarchical justification for human action, there are two ways in which an action may be criticized: either it does not serve to advance its proximate end, or its proximate end is at odds with ends farther up the hierarchy. For example, the decision to specify a regression equation in a certain way may be criticized ("you should not do that") because it will lead to inconsistent estimates (failing to achieve a proximate end, consistency), or it may be criticized because the estimates, even if consistent, do not serve to advance higher goals (the regression as specified produces no information useful to policymakers).

Note that the second criticism is not really a criticism of the desire to generate consistent estimates, *per se*. It is rather a criticism of the attempt to estimate an uninformative empirical relationship. If the criticism is accepted, the researcher will abandon the attempt to estimate the regression consistently, not in favor of estimating it inconsistently, but because he will not estimate it at all. The freedom and autonomy of the econometrician to seek consistent estimates is respected by the critique, and is not endangered by the hierarchical ordering of reasoned reflection on his activity.

My primary interest in Thomistic moral philosophy is the logic of the hierarchical ordering of human action toward ends, applied to the behavior of economists *qua economists*. Accordingly, I have left out of this brief discussion Aquinas's treatment of the substance of goodness or virtue. The Thomistic case for the discovery of the good via natural law ethics is not necessary to the account of the hierarchical ordering of human action. Any set of moral goals, however determined, still imply hierarchically structured action, as long as they are pursued by goal-oriented, rational humans. The neglect here of Aquinas's account of the

intellectual and moral virtues involved in reasoning well about the good is less defensible; we will return to it in section five.

### **3 Economists in Action : Examples of Economic Analysis in Hierarchical Context**

Each of the following four examples place what on the surface looks to be a purely technical analysis of an economic issue in its full context. In each example, a succession of "why?" questions reveals the hierarchy within which the technical action takes place, and on which it is dependent for its meaning and justification.

#### Example 1 : A Regression of Market Price on Market Concentration

Say a researcher is specifying a cross-section regression equation whose observations are localities, whose dependent variable is a local price index for office supplies, and whose independent variable is the number of Office Supply superstores. When asked why she is estimating this equation, the researcher may respond, "to determine whether or not firms in more concentrated markets have more market power, and how much higher prices are when a market is more concentrated."

Before moving up the hierarchy of intention and action, it is useful to move in the other direction, because several decisions have been made already, subordinate to the decision to estimate this equation. Questions such as, "why have you specified the dependent variable in logs," or "why cross-section data instead of panel data," and a host of other empirical questions, are familiar to any seminar participant. The answers to these questions all refer to the goal of

measuring market power. Each answer is implicitly prefaced by "because we want to measure market power as accurately as we can, we should ...."

Moving up the hierarchy, we might ask, "why do you want to measure the market power associated with greater market concentration?" To this question, many answers might be given - any one action may be taken with various goals in mind. One common, and defensible, answer is "because I am curious; I just want to know." Knowledge of truth is an ultimate end, and can be sought for its own sake, and not solely as a means to some other end. While this reason may be common among economists (it makes economics fun), it is not commonly given as a justification for research. It will certainly not satisfy a journal editor or an official of a grant foundation. Robbins[1963], despite his insistence on the separation positive from normative considerations, agrees that economics must be practical:

"But few become economists from mere curiosity; considered as pure knowledge, our subject, although not without its Faustian moments, has far less attraction than many others (p.7)."

Most often, the economist will claim that the purpose of the regression is practical. The knowledge that is discovered in the regression results will be useful in the pursuit of some higher end. "I want to advise antitrust bureaucrats on the effects of the proposed Staples-Office Max merger on local market power, and price."

At this point, even if the economist will not advocate for or against the merger based on her results (although often, she will), it is pertinent to ask, "why will information on the effect of market power on price help the bureaucrats to accept or reject the proposed merger?" The answer to this is, "because if the effect of concentration on price is large, the merger will harm consumers, and reduce total surplus, and should thus be blocked."

This sort of questioning might go on, to ask why a reduction in total surplus is bad, or why a reduction in consumer surplus is bad, why producer or consumer surplus is good, and so on. The point is not so much where the hierarchical chain ends, but that it ends in what are considered to be explicitly moral questions, outside of the realm of economics.

Note that a challenge to the higher ends and justifications for those ends will often have implications for actions further down. For example, suppose an economist of the Austrian school disputes the worthiness of the goal of blocking mergers which increase market power and reduce consumer surplus, on the grounds that they violate freedom of contract and the human liberty of the contracting parties. If this argument is accepted, and the goal of preventing mergers which significantly increase market power is abandoned, then the justification for the technical action (specifying and running a regression) is weakened. The regression appears to be a waste of scarce research time. If you accept the Austrian's critique, you should not be running this regression, unless there is some other worthy goal served by the exercise (knowledge for its own sake, the development of econometric technique which may be useful in other contexts, knowledge about market power geared towards other ends).

If you want to dispute with the Austrian economist, you will find yourself arguing a moral point (the inviolability of human liberty) that has implications for your technical practice. You must justify your lower-level action (the application of your technique to this question) at a higher, moral level. Unfortunately, the neoclassical economist is expert at the analysis of action at the lower levels (econometrics), and may not be equipped to argue higher level goals with the Austrian, whose expertise has a higher center of gravity. This may be one reason that Austrian and Neoclassical economists often talk past one another - they are attempting to engage each other in debate at different levels of the hierarchy of justification.<sup>8</sup> Understandably, the

neoclassical economist is somewhat reluctant to engage in debates about issues for which his training has left him unprepared.

This example demonstrates that even as innocent a decision as how to specify a regression is part of a chain of moral reasoning. As a result, anything that calls into question the reasons given at higher levels of justification may affect the desirability of the technical decisions made further down. When confronted with criticisms of higher-level justifications (such as the Austrian's assertions of the illegitimacy of any hindrances to free contract), the neoclassical economist finds himself attacked on unexpected ground. A typical response to such a criticism is "that's not economics," or "that's a philosophical issue." These responses may be true, but they are not an adequate justification of the economist's decision. The economist may be unprepared to discuss the philosophical issues involved, but the issues are nevertheless decidedly pertinent.

#### Example 2 : Modeling Weakness of Will

What is true of decisions made in empirical work is similarly true of economic theory. Imagine an economist constructing a model of choice in which a person must decide when to take an action whose costs are incurred now but whose benefits come later (O'Donoghue and Rabin[1999]). Let us say that the theorist assumes that agents in his model discount future costs and benefits non-exponentially, putting a weight greater than one on current benefits and costs, and placing a weight of one on all future periods.<sup>9</sup> If the agent discounts future benefits and costs in this way, he may find himself postponing indefinitely an action that would be in his best interest to take today.

When asked why he assumes that each future period receives equal weight (and events farther in the future do not receive less weight), the researcher appeals to the goal of parsimony - the insights of the model are clearest with this simple discounting structure, and there is no loss of generality (O'Donoghue and Rabin 1999, p.107). The researcher wants to communicate the insights of the model as clearly as possible.

When asked why this model of lack of willpower, the economist might reply that it is beautiful and elegant. While beauty can be considered an ultimate end, desirable in and of itself, few economists will offer this as the primary justification for a model. A more probable answer is that the model will make clearer the logical implications of willpower problems for choice, and establish more clearly empirical conditions in which lack of willpower can be identified. When asked why we should want to establish the existence of willpower problems empirically, the answer might be in order to challenge the convention by which consumer preferences are identified with consumer choice - if it can be established that consumers do not always choose what they most want, then consumer choice does not fully reveal consumer wellbeing (O'Donoghue and Rabin 1999, p.120).

When asked why we need to challenge the identification of preference with choice, the answer might be that policy should take into account the true interests of consumers, and that those interests are not always revealed by choice. For example, there might be a justification for interfering with free choices, when those choices are influenced by addiction or some other incapacity for reasoned choice.

The questioning could go on into questions of the proper role of government (to what end it may legitimately interfere with the free actions of individuals). Wherever this line of questioning terminates, it is clear that it leaves the realm of pure theoretical economics. If the

goals of the analysis are called into question at a higher level, then the justification for the lower-level methodological choices are weakened. This hold for theoretical models (like this one) as well as for empirical models (like example 1).

### Example 3 : Measuring Immigrant Assimilation Rates.

Consider an economist using regression analysis to measure assimilation rates of U.S. immigrants (earnings growth relative to U.S. natives), by country of origin. The typical justification of this analysis is that this analysis will help us to identify which immigrant groups adjust poorly (slowly) to the U.S. labor market, and which ones adjust well (quickly). When asked why we (or a policymaker) should want to know which immigrants are doing well and which are doing poorly, the standard answer, implicit in most assimilation research, is that the information will help us to decide which immigrants should be allowed in (those who do well, presumably) and which to exclude (those who do poorly). Further questions ("why should we prefer those immigrants whose earnings grow quickly to those whose earnings grow more slowly?") will elicit a discussion of the benefits of immigration, of which natives benefit, and which suffer, and the relevant empirical measures of labor demand elasticities, etc. (Borjas[1994]).

At this point, some might assert that restrictions on immigrants, in favor of "successful" immigrants, are an unacceptable abridgment of the right of human beings to migrate (this is the position of Catholic Social Teaching, as documented in Yuengert[2000]). If a right to migrate, which supersedes the right of states to regulate the flow of people across their borders, is accepted, there will be an effect on the research choices made further down the hierarchy.

With a different set of moral presuppositions, the research may be subtly but significantly different. Instead of focusing on the identification of groups whose assimilation rates are low, research will attempt to explain why assimilation rates are so low, and what factors can make assimilation easier. The substance of the research that has been done might not be much different, although it is possible that there might have been a redirection of research towards those factors (enclaves, language, education) that might improve an immigrant group's typical assimilation profile.

#### Example 4 : Indexes of Well-Being

Going back to Smith, economists have measured well-being by per capita income. When asked why this measure is chosen, most economists acknowledge the shortcomings of the measure, but will defend it on the grounds that it is at least measurable, and probably highly correlated with happiness, or at least the successful pursuit of happiness. A highly-developed literature on the constituents of well-being (Sen [1986], Nussbaum and Sen [1993], Fogel[1999]) has called into question the identification of per capita income growth and happiness, and has led to the development of measures which, along with per capita income, give a multi-factor measure of wellbeing.

What is interesting about this example is that, although measurement may appear to be a purely technical exercise, it shows how moral considerations (what are the constituents of a good life?) have a direct impact on research practice, namely on the formulation of measures of well-being, which should constitute the objective function for policymakers.

### Summary of Examples

These four examples show, in different ways, the effects of deliberations at higher levels of justification have on decisions made further down. The first two show, for empirical and theoretical work respectively, how even seemingly purely technical decisions are embedded in a chain of justification that ends in moral considerations. The third example shows that, even when moral considerations do not change the substance of the research conducted (the measurement of assimilation rates) they may have an important effect on its direction and emphases. In the fourth example, ethical considerations (what is the good life) are shown to have a direct effect on the terms in which research is conducted.

### **4 Positive-Normative in Hierarchical Perspective**

With the Thomistic account of human action in hand, we can now begin to address some of the most common economic approaches to the normative-positive split. Before evaluating some common defenses of the distinction, we must clearly situate the distinction within the hierarchical scheme laid out in section 2.

According to the textbooks, positive economics concerns itself with "what is," and not with "what should be." By "what is," economists usually mean "what is implied by the logic of a theory" or "empirical regularities observable in human behavior and in economic aggregates." Within the hierarchical framework of section 2, what claims is a person making when he claims to be doing "value-free, positive economics?"

One of the examples from section 3 can help to clarify the issues. The question, "Can the merger of Staples and Office Max be expected to increase the local price of office supplies?" can be placed in moral context by asking why the economist wants to know, or what good will an

answer to this question serve. A positivistic economist might recognize this assertion of an ethical context as true, but will respond that the analysis which answers this question, and the analytical choices made to arrive at that answer, are not in themselves normative or fraught with ethical import. The economist is simply trying to determine if a particular pattern exists in the data.

This claim has some merit, because it is a claim for limited but real autonomy. Even if you are running a regression for a moral reason, the regression itself is ultimately only numbers on a page, the outcome of the mathematical manipulation of matrices. Two people who are each seeking to answer to the same question about Staples and Office Max, even if they are seeking an answer for different reasons, can resolve their differences about the answer to the questions without bringing up their reasons for asking it in the first place. If they share the proximate goal of finding an answer to this question, they need not address their differences at higher levels of the hierarchy of justification.

This justification for some positive space for economic analysis is by its nature an appeal for limited autonomy. To carve out space for positive economics, a space in which the researcher may for a time forget the ethical dimensions of his work, the economist must hold constant the higher level of justification, or what amounts to nearly the same thing, he must treat proximate goal of his analysis (the answer to the Staples-Office Max question) as an ultimate goal.

Consequently, a definition of positive economics which takes into account the hierarchical structure of justification is as follows:

**Positive economics is analysis which temporarily treats its proximate ends as if they were ultimate.**

Positive analysis is justifiable only if, by temporarily setting aside ultimate goals, the researcher is able to achieve the proximate goal more completely, thus promoting the ultimate goals. It is a form of intellectual specialization.

The creation of a space within which to pursue positive analysis has resulted in a tremendous amount of useful research, but the sheer volume of positive research thus produced has given rise to the illusion that positive economics is separate from ethics. This is understandable, if unacceptable. It is understandable because the issues addressed in positive research are so difficult and demanding that they fully occupy thousands of economists. Answers to the positive question about the effect of mergers on prices occupies several hundred economists. There are plenty of difficult problems to engage positively oriented economists, and the needed skills easily exhaust a graduate student's time. Positive economics may not be all there is to economics, but it appears to be all that economists have time and energy for.

Nevertheless, the examples of the last section make clear that positive analysis can never be separated completely from normative claims. Every research decision, whether it be on modeling strategy in a purely theoretical model or choice of statistical technique in empirical work, is part of a ladder of intention and action that may begin in questions of technique, but always ends in some moral question - what right do governments have to exclude immigrants, what are the constituents of the good life, should knowledge be pursued for its own sake? Economic research is embedded in a normative context, which justifies the expenditure of scarce research time, and shapes the types of questions that are asked and the definitions and empirical constructs that will be used. Economists are sometimes called upon to justify their research decisions at a higher level; they need not spend all of their time in these higher-level debates

(they are economists, after all), but every economist should spend some time spelling out the chain of justification.

Most economists can see this connection when it is pointed out to them, but minimize it in practice. They offer three reasons for maintaining a strict separation between economics and ethics. Together these reasons constitute a pragmatic defense of value-free economics. The first is that economists are simply moral technicians, who receive their marching orders from policymakers asking for advice on technical issues. The second emphasizes the extent to which economists share a common set of values; the common values allow economists to take the higher levels of justification for granted. The third attempts to limit the effect of normative questions on technique to "methodological norms."

The first admits that, of course, economists have moral motivations for conducting research : they are attempting to produce analysis that will alleviate poverty, that will lead to more effective and prudent government, etc. This argument will admit nothing more than this connection, however. Economists are simply moral technicians, applying what is a neutral instrument toward moral ends.

In this first response the positive is given a certain priority over the normative. Positive technique exists, as it were, prior to normative issues, has its own prerogatives, and its own development apart from moral concerns. As the Thomistic account of human action makes clear, this position is not entirely false, but it ignores the intimate connections between the goals chosen and the development of means to achieve those goals. As is clear from the immigration example and the indices of human wellbeing, ethical limits to public interventions (no restrictions on immigration) and richer conceptions of human wellbeing (in which wealth is only one factor) have implications for the conduct of research.

This connection would be more evident if economists lived up to their claim to be technicians at the service of policymakers. The economic myth, stated most clearly in Robbins[1935,1932], is that economists take the goals from others (presumably policymakers) and suggest the most efficient way of achieving them. At the point in the hierarchical chain that an economist is asked a moral question (why should we care about unemployment?), he abdicates with the following answer : "Because my master the policymaker cares about unemployment." Implicit in this is that the economist is taking orders from a policymaker, and that policymakers should be obeyed. The chain could continue, with questions about why policymakers should be obeyed.

After a little probing, this justification becomes patently unreal. Economists do not wait for phone calls from policymakers to determine which questions they should ask, and which sorts of options are acceptable. As often as not, policymakers ask economists which questions should be asked. Economists are at least as involved in the establishing of goals as every other member of a democratic society. As such, their research aims at moral goals which do not come from others, but which are implicitly their own. Moreover, to the extent that ultimate goals of economic analysis are implicit, they are unexamined - they are not the subject of rational deliberation. To scholars who emphasize the reasoned pursuit of well-specified goals, this situation should be unacceptable. Brennan(1996) observes that economic "technicians" are liable to pull normative rabbits out of hats which are purportedly value-free, all the while fooling themselves that they are untainted by normative assumptions.

Related to the argument that economists are just technicians is the assertion that economists share a core set of values, which probably come from the society in which they are raised(Friedman[1953], Coase[1994]). All economists want to alleviate poverty, for example. If

economists have the same normative concerns, then they can be taken for granted; any exploration of them would be a waste of time.

If the assertion of shared values were true, then the response would have some merit. However, it is not at all clear that economists share the same moral framework (Schumpeter [1954] was skeptical), or that the members of society, who spend much of their time debating values, share a common set of them. These value cannot be taken as given - Western culture, for one, has developed and is sustained by discussion and disagreement about the goals of human life in society.

Moreover, it is not clear how close economists' moral frameworks must be to justify the total neglect of normative questions. Small departures from a set of core values in "normative space" (say, within some  $\varepsilon$ -neighborhood) might imply large departures from "best" normative practice in pursuit of those values (outside of some  $\delta$ -neighborhood in "practice space"). It is the nature of moral reasoning that it often leads to discontinuous judgments - you may make love to your spouse, but not to anyone else, for example. Since small changes in morals may lead to large changes in the constraints within which the advising economist must operate, there appears to be little reason to take the normative goals toward which economic analysis is geared for granted.

A third attempt to limit the scope of ethics in economic analysis is suggested by Blaug[1992], and involves a distinction between "methodological" and "ethical" norms. Each methodology entails a set of "shoulds" - the researcher should observe the rules developed as best practice. These methodological norms should be distinguished from ethical norms, which have no implications for positive practice.

This distinction is akin to the distinction between technical goodness and moral goodness. In the Thomistic account, technical goodness is not sufficient to justify action. An action is only good if it is technically good and if it aims at something which is ultimately good. A regression may be a technically good regression, in the sense that it observes all of the econometric conventions; it must also produce information that advances worthy goals of research.

It is also worth noting that the logic of methodological norms is the same as the logic of ethical norms. Each norm is justified by reference to the goals at its level of action. For example, the methodological norm of parsimony is justified by reference to the goal of clarity of insight. It does not have a life of its own; it is a "should" only because it serves to advance some worthy goal. Similarly, the ethical norm "alleviate poverty" draws its force from the goals at which it is aimed - the satisfaction of a categorical imperative, perhaps, or obedience to divine command, both of which are in some sense ultimate ends.

As we have seen, all research must aim at some ultimate goal which is moral in nature. Proximate goals (e.g., clarity of thought) are subservient to the ultimate goals. Methodological norms are observed for the sake of the proximate goals. Ethical norms are similarly observed for the sake of the goals they serve, be they proximate or ultimate. Methodological norms are really no different from other norms. They are rules for successful human action.

### **5 Conclusion: The answer to "Why?" Implies "Ought"**

Much of the confusion over whether or not economics is value-free has mistakenly focused on the fact-value distinction: "is" does not imply "ought." Both the defenders of a space for value free economics (Blaug 1992) and those who assert that all economics is shot through

with value (Myrdal 1984[1954]) focus on the fact-value split. This paper approaches the role of ethics in economics from a different perspective, focusing not on the logical content of economic analysis, but on the actions taken by the economic researchers themselves. After all, morality is the study of human actions and their justification.

Thomistic moral philosophy gives a thorough account of the human act, and its inherently moral character. All human acts aim at some reasoned end, and accordingly have a moral aspect. Human beings should pursue the goals they think are worthy of pursuit. This goal-oriented action is hierarchical - some ends are proximate, pursued only as means to some other end. Within this hierarchy, all human actions are either moral or not, should either be pursued or not.

Because economists are human, and because as academics they are supposed to be in pursuit of reasonably examined goals, their actions are inescapably moral. True, an economist running a regression in isolation is not acting morally or immorally - if he is acting in isolation, he is not acting like a human being at all. No economist runs regressions in isolation. He or she runs a regression in pursuit of some end, which may be proximate or ultimate. Any justification of the regression must refer to either the proximate or the ultimate ends it is supposed to serve; if any of the ends are called into question, the justification for the regression is weakened.

Economists often take for granted the ultimate ends they are seeking : knowledge, the alleviation of poverty, world development, etc. In taking them for granted, they often lose sight of the them, thereby losing sight of the considerations that provide an ultimate justification for their work, and a foundation upon which it is built.

Economists may be averse to this broader context within which they ply their trade, because the explicit pursuit of higher ends is not as amenable to reasoned, scientific inquiry as the equilibrium solution to some specified mathematical model. Decisions about how best to

pursue ultimate goals is governed by what Aristotle and Aquinas called prudence, which is "... a reasoned and true state of capacity to act with regard to human goods (Aristotle 1980, 6.5)."

The aversion to prudence as a necessary component of good practice is not accidental - the modern scientific mind is averse to prudence, for three reasons. First, since prudence "makes use of" other sciences, it requires a breadth of knowledge that is beyond the powers of one mind, and is by its nature resistant to systematic analysis. Second, prudence is always concerned with the particular, since the best course of action is always dependent on the particulars of the unique context in which the action must be taken (Aristotle 1980, 6.8). Third, although prudence is an intellectual activity, it is not purely intellectual; it requires a will that is ordered toward the good even in unique situations in which the intellect cannot provide clear guidance. Prudence is classified as a moral as well as an intellectual virtue. The acceptance for the need for prudence does not necessarily make economics less "scientific;" it merely emphasizes the need for practical judgment, a need that is acknowledged implicitly by any researcher who values senior colleagues, not only for their highly developed technical skills, but for their prudence in choosing which topics to pursue and how to pursue them in effective, practical ways.

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<sup>1</sup> This point is also made by Crespo (1998) : "When action is viewed from the perspective of the agent, I think its moral nature is incontrovertible (p.202)."

<sup>2</sup> There is, in fact, a third possible objection, that the proposed action is by its very nature inimical to a person's ultimate good, even if it advances some subordinate good.

<sup>3</sup> For a discussion of the role of teleology in mediaeval ethics, see McIntyre (1984, ch.5).

<sup>4</sup> The Thomistic account also differs from the economic in that it does not take for granted that the will always directs the persons toward what is considered to be the good, even by the acting person. Will as well as reason may be defective.

<sup>5</sup> Note that the Thomistic agent need not refer every act (i.e. putting on socks in the morning) explicitly to his goals. An agent need not reflect on his goals at every juncture in which he acts. See McInerny 1997.

<sup>6</sup> A change in the goals of analysis may not change the actions taken by the researcher, since different goals may motivate the same actions (McKee 1987). I may write a paper to further social science or to further my career, for example.

<sup>7</sup> Other writers have avoided the use of hierarchical language, but describe the same concept. MacIntyre[1984] asserts that all human action is intelligible only with reference to the narrative of an entire life, considered as having a goal. Simon[1987] emphasizes the difference between "use" and "human use;" the second phrase implies that an action can be evaluated in view of the ultimate good of the person. See also O'Boyle (1990), who gives a Catholic account of the relation of ethics to economics that is hierarchical.

<sup>8</sup> For an example of this sort of failure to communicate, see the controversy over antitrust laws in Tucker and Elzinga[1998].

<sup>9</sup> In every period  $t$ , the individual assigns a series of weights to period  $t$  and future periods, according the following rule:

$$\delta_s > 0, \quad s = t$$

$$\delta_s = 1, \quad s > t$$