

**The Positive-Normative Distinction
Before the Fact-Value Distinction**

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It is the purpose of this paper to outline the classical relationship between ethics and economics. By classical, I mean both that the distinction has its roots in Aristotle, and that it was the common way in which 19th century economists saw their field in its relations to ethics. By outlining the classical distinction, I hope to show its commonsense logic, and to use it to throw some light on current controversies about positive and normative.

Aristotle proposed the first separation between positive and normative inquiry, by distinguishing three separate faculties of the intellect : theory (science), art, and prudence (practical judgement). Each faculty is distinguished by its object: respectively, truth (what is), making, and action (what one should do). Although each of these three modes of human reason is different enough to require separate treatment, and separate canons of practice, the first two (theory and art) are integrally related to prudence, because prudence, being concerned with what one should or should not do, governs the use of the other modes of reason. The highest form of prudence is politics, which is concerned with actions of those who govern.

From Aristotle until the early twentieth century, the relationship between ethical reflection and "the sciences" (including social science and economics) was thought to be hierarchical - ethics/prudence (particularly politics) made use of insights from the various subordinate inquiries in pursuit of the highest human ends, and was in turn the justification and motivating force behind the inquiries of the various subordinate sciences. Ethics/prudence in the classical conception was defined very broadly, and was by its nature above all other disciplines.

The hierarchical nature of the economics-ethics relationship implies a limited but real autonomy for economics - a complete independence would be counterproductive, since economics as a discipline needs guidance if it is to help and not hinder the attainment of the higher ends which are the object of ethics/prudence. Within the hierarchical framework, the justification for some independence for economic inquiry is based, not only on the different natures of theoretical and prudential reasoning, but on the value of specialization - economics can produce more useful insights if it is left to develop its own inner logic, to focus more closely on part of social reality (commerce, exchange, e.g.). This independence must not become absolute, since the purpose of the distinction is that it serves higher ends, whose nature economics is incapable of determining by itself (Newman 1982 [18??]).

It should be noted that ethics/prudence in the classical scheme was defined very broadly, and was by its nature above all other disciplines. It is not equivalent to the modern discipline of moral philosophy, which concerns itself with the analysis of moral reasoning, not engaging in moral reasoning itself. Someone who reasons his way towards an ethical decision of the sort described in this paper would be called a moralist today, and if he makes good ethical decisions, he would be called wise. To reason well, the moralist needs a broad foundation in subordinate sciences (like economics) and a faculty for excellence in concrete ethical judgment, which goes by the name of prudence in classical thought. Although one can reason about prudence - about what should be done in this time and this place - prudence is not formulable (Dunne 1998).

Even early proponents of the separate nature of economic inquiry (Senior 1938 [1836], Jevons 1878) did not question this hierarchical relationship (although the extreme

deductivism of Ricardo and Jevons made the hierarchical relationship more difficult to discern). They justified the neglect of ethics in their economic analysis as a consequence of specialization, rather than as a denial of the hierarchical relationship. Furthermore, their conception of ethics was broad, akin to that of Aristotle's political prudence. This classical justification for a certain distance between ethics and economics does not rely on the fact-value distinction; the fact-value split was not used to justify a complete split between ethics and economics until 1932, with Robbins (1952 [1932]).¹

Robbins's marshalled the fact-value split and emotivist theories of ethics to increase the separation between ethics and economics : fact and value were consigned to separate universes, and debates about ethics were declared unresolvable (according to emotivist theories of value) in a way that debates about economic facts were not.

Defenders of the positive-normative split rely almost exclusively on the fact-value split - Blaug (1992) begins his chapter on the positive-normative distinction with an explication of the fact-value distinction (see also Robbins 1952 [1932]). Even critics of the positive-normative distinction focus their critique on fact and value (Myrdal 1954[1929], Wilbur and Hoksbergen 1986), disputing the possibility of value-free facts.

More recent work (Weston 1994, Hausman and McPherson 1996) makes the point that the normative-positive distinction need not be founded on the fact-value split, without making clear what principle can serve as foundation. If the distinction is not founded on the fact-value split, then on what principle is it founded? The answer to this questions lies in the history of economic thought. The fact-value distinction is a latecomer in economics - it was not put forward as an unassailable argument for value-free economics until Robbins heralded its arrival. Economists talked in various ways

about the distinction between positive and normative economic analysis for at least a century before Robbins, drawing on a philosophical tradition going back to Aristotle.

When the fact-value split is kicked out from under the normative-positive distinction, the distinction does not collapse; it simply rests on its true foundation, the classical conception of the ethics-economics relationship. Recent defenses of the normative-positive distinction (Weston 1994, Hausman and McPherson 1996) fit neatly into the hierarchical conception of ethics and economics.

2 The Classical Conception of Ethics and Economics

2.1 Aristotle and Aquinas

We often hear that economists are like engineers. Just as the client expects the engineer to tell him what is possible, not what is desirable – how best to build a home on an unstable hillside, not whether to – the economist provides an understanding of what is obtainable within the constraints of the economy, not of what is desirable. It is up to “someone else” to choose; the economist lives to help that “someone else” to make an informed choice. Economists use this analogy and others like it (economist as physician) to make the point that economics is distinct from ethics.

The engineer/physician analogy fails to liberate economics from ethics, however. Rather, it shows that economics is completely subsumed under ethics. If we economists are like engineers, then we exist to serve the ends of those who employ us. Who are our clients, and what do they want? As Roy (1988) asks, would we serve their ends if those ends were odious to us? What is our role in a democratic society, where we have no one master whose ends we must promote? Because we are included among those who are our

clients - we belong to polities which deliberate about the good, about "what should be done" - we are not so much at the service of a person as at the service of ethics. If there were no questions of ethical importance in economic life (how are wages determined, what causes recessions) there would be radically fewer economists, and the field would look much different – a quaint field for those interested in pretty theories and odd facts about economic life, whose denizens are found only in musty basement offices in academia.

Until the early twentieth century it was taken for granted that all sciences were subordinate to ethics. This conceptual organization of ethics and all other disciplines can be traced back to Aristotle. In order to understand his framework, we must first describe his division of intellectual activity into three modes.

To Aristotle, intellectual activity is quintessentially human, and the rational deliberation gives the actions of human beings their moral character. Aristotle enumerates three modes of intellectual activity that are relevant to our inquiry; each mode is distinguished from the others by its end, or "good."² Theory has as its end truth; art has as its end making, or production; prudence has as its end good human action (Aristotle, ch.6).

Prudence, because it is engaged in response to the question "what should we do, or not do?" is by definition ethical deliberation. Because Aristotle recognized three separate arenas in which human beings act - at the personal, domestic, and political levels - he distinguishes three types of prudence. The most important of these he calls Politics, since it deliberates about actions which benefit the state, which encompasses the goods sought at the other two levels.

Note that there is nothing in these distinctions themselves that threatens the current independence of economics from ethics. Economics in its modern form is some combination of theory and art. It is concerned both with what "is" (truth) and with the most efficient construction of certain states of affairs (markets, regulation), as well as the most effective construction of empirical arguments and logical demonstrations. Even though modern economics is not a form of prudence, it is not therefore free from any connection to ethics. Theory, art, and prudence are related, in two ways. First, the ends of the three intellectual activities are related. Second, theory and art are actions of the intellect, and as such come under the guidance of prudence.

Aristotle (1980, 1.2) notes that human beings always act with some end in mind; we typically call those ends "good." Most ends are subordinate in the sense that they are means to some further end. Ends which are good for their own sake are the highest goods. The prudential disciplines, whose object is the practical achievement of the highest goods (happiness) order the other activities of the intellect towards ultimate ends.

Thus, while it is true that intellectual activity geared toward production (whether it be the construction of a house or a statistical test) is a different type of activity from prudence, the goods which are the ends of art are evaluated by prudence, which directs the intellect to make this thing, and not some other.

Even theoretical activity, whose goal, truth, appears good for its own sake, comes under the guidance of prudence, for two reasons. First, knowledge which is valuable for its own sake is often also valuable as a means to some further end. Thus theoretical reflection is ordered by practical judgment to ultimate ends. Second, goods which are valuable for their own sakes (like truth) must be balanced against other goods which are

valuable for their own sakes; for example, the pursuit of truth-for-its-own-sake must be balanced against the good of existence, maintained by food, shelter, and protection. The ultimate human good consists in a rational ordering of goods, even of goods which are not instrumental to some other good.³

The disciplines which concern themselves with intermediate ends (be it truth or product) are subordinate to those which concern themselves with the highest goods. For example, economics concerns itself with the pursuit of material consumption and profit, without taking any explicit positions on the ultimate goods which consumers and entrepreneurs seek. It is therefore subordinate to the discipline which seeks a higher good, those things which men are really after when they seek wealth. Of which discipline are the highest goods an object of study, according to Aristotle?

Aristotle distinguishes three kinds of prudence, corresponding to the three contexts in which humans act : personal prudence, household prudence, and politics (Aristotle 1980, 6.8). The object of politics is the ultimate good of man. According to Aristotle, politics uses the rest of the sciences to draw judgments about the most desirable constitution of civil society:

“... since politics uses the rest of the sciences, and since, again, it legislates what we are to do and what we are to abstain from, the end of this science must include those of the others, so that this end must be good for man (1.2)”

Aristotle further divides political prudence into two kinds: legislative prudence and civic prudence. Legislative prudence deliberates about the proper laws and constitution of a state, and finds echoes in the eighteenth and nineteenth century “science

of legislation.” Civic prudence is more concerned with the carrying out of laws, of practical accomplishment in the civic arena.

If economics refuses to deliberate about the ends toward which the economy should tend, then there must exist some intellectual arena above economics, in which inquiries about the good of man and the role of economics in achieving that good can take place. Moreover, the good of economics (its justification) lies in its service to that ultimate good: in understanding the economy – the pursuit of goods and services within a particular social framework – economics attempts to contribute to the understanding of the higher goods.

Prudence has received little attention in modern scholarship, with the recent exception of Dunne (1993). The neglect 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.

Because prudence "... uses the rest of the sciences (Aristotle 1980, 1.2)," it requires a breadth of knowledge that encompasses all of the relevant subordinate disciplines. Aquinas (1957,2,4), makes a similar point about a similarly broad theoretical inquiry, "first philosophy," which by its nature "makes use of the teachings of all the

sciences." Pieper (1962), in his comments on Aquinas, points out that this sort of inquiry cannot help but span disciplinary boundaries, since it must of its nature embrace the limited insights of the several subordinate disciplines in order to address questions which they do not attempt :

“Philosophy and Theology ... can afford to ignore the problem of purity and untaintedness of method. To put this negatively, the problem of overstepping limits – that is, the given frontiers of a discipline – is virtually meaningless for both philosophy and theology; it is almost non-existent (p.149).”

Strictly speaking, this level of philosophical deliberation is unattainable, since it requires full knowledge of all the relevant subdisciplines. Because no one person by training can embrace all the relevant disciplines, any economist who wishes to participate in the conversations at this level of ethical reflection must reconcile himself to entering into a community of scholars from other disciplines and non-Ph.D.'s who are attempting to work above every discipline. The other participants in the conversation are not merely waiting for the economist's full answer to their questions; they are awaiting his input about the economic aspects of the larger problems which they seek to address with the economist's help. It is a disorderly arena, in which arguments about goodness, natural science, and social science are interwoven.

It is not just the broad scope of prudence which makes it difficult to formulate. The exercise of prudence cannot be disentangled from the particular facts of the situation in which the agent acts; 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). Often it is not possible to be certain of the right course of action in any real situation. Simon(1986) captures the challenge of prudence, and its unscientific nature:

But let us not forget that the specific duty of prudence is to tell me what to do no matter how unprecedented the circumstances, no matter how unique the situation. If the circumstances are common, perhaps I can look up the answer in a manual and do what the book says. But in an unprecedented situation, which may be so constituted by the mere fact that there has never been a person exactly identical with my own self, as well as by the historical uniqueness of the circumstances in which I find myself at that particular moment, there are no answers to be found in any book. To know what I should do here and now, I must rely on the judgment of practical wisdom [prudence]. And this judgment, reasoned as it may be, is ultimately determined not by the intellect but by the inclination of the will (pp.96-96).

The essential contingency of prudential judgement makes it uncongenial to social scientists trained to abstract away from the details of a particular situation in order to apply a set of universal principles which are certain only so long as they are abstract (Simon 1991, p.8).⁴

The last sentence in the Simon quote above draws attention to the third reason for the scientific mind's aversion to prudence. Scientific demonstration can only take an agent part of the way towards right judgment of action in a unique context. The final leap to a wise course of action must be made without the direct help of reason. The will must be able to discover the right action; a prudent person will make good choices by inclination, an inclination that can only be acquired through experience, under the guidance of someone who is prudent (Aristotle 1980, 6.8).

Aquinas(1993, no.26) accepts the hierarchical ordering of Aristotle, but is careful to explain the exact nature of the subordination of theory and art to prudence. According to Aquinas, an "architectonic" science has two characteristics : it specifies what is to be done by the art or theory subject to it, and it uses the results of the subordinate inquiries for its own ends. By this definition, the activities of art are fully subject to prudence, but

the theoretical intellect is not subordinate to prudence in the fullest sense. Prudence specifies what art should produce, and makes use of art's product in pursuit of ultimate good. The link between prudence and theory satisfies only the first part of the definition. Prudence can deliberate about how much time should be devoted to theoretical pursuits, and perhaps which topics should be pursued, but prudence cannot specify what theory will discover, since the end of theory is truth, which is not a matter of choice.

Aquinas's distinction safeguards the essential nature of theoretical pursuit – in modern terms, the freedom of science to reach conclusions which are unpleasant or inconvenient. To the extent that economics is a theoretical pursuit, concerned solely with “what is,” its findings do not come under the guidance of prudence, since human beings cannot act to change “what is,” like it or not.^{5,6} To the extent that economics is an art, concerned with developing regulations, establishing policies or markets, or developing statistical or theoretical studies which shed light on human interaction at the personal, corporate, or governmental level, it comes more fully under the sway of prudence.

Note that “ethics/prudence” as it is used here is not the same as the discipline of moral philosophy. Ethics, in this system, is an activity carried on outside of disciplinary boundaries; there is no discipline of ethics in the modern academy. The discipline of moral philosophy offers help in thinking coherently **about** ethical systems, but it claims no expertise in choosing one set of values over another; a modern moral philosopher will refer you to a moralist (or will take off the moral philosophy hat and put on the moralist hat) if you ask him what is ethical.⁷ Alexander (1967) describes moral philosophers as “... janitors in the Mansions of Truth;” this is meant pejoratively, but no doubt the “janitors” contribute much to the conversation about “ethics,” even if they demur (qua

moral philosophers) from arguing for the desirability of one ethical position over another.⁸

2.2 The Classical Conception in Economics

As the classical economists began to draw sharper distinctions between the study of economics and the study of ethics, they did not abandon the classical conception of the two disciplines. Well into the nineteenth century, ethics/prudence was thought to be the discipline that knitted all the other social science disciplines together (see Newman 1982 [1852]).

It has already been noted elsewhere (Da Fonseca 1991) that Adam Smith's ethical thought drew from the Aristotelian moral tradition.⁹ The Aristotelian ordering of different modes of intellectual inquiry also appears in Smith's thought. Smith (1985 [1776]) calls Political Economy "a branch of the science of a statesman, or legislator (p.197)," recalling Aristotle's use of the term "legislation" as the prudential crafting of laws, a part of political prudence. The object of economics was limited by Smith to the material enrichment of both the state and the populace. The legislator made use of the insights of Political Economy in his pursuit of a good that included material wealth, but whose goal was broader, and included the formation of a virtuous citizenry (Campbell 1976-77).

It is a sign of the classical influences on Adam Smith that he spoke highly of prudence. In The Theory of Moral Sentiments (Smith 1984 [1759]), Adam Smith claims that prudence is a virtue most necessary to the legislator, and emphasizes its inexact nature. Smith compares the rules of prudence to the rules of composition - they are very

general, and may easily be broken : "... there are no rules by the knowledge of which we can infallibly be taught to act upon all occasions with prudence ... (p.176)." In his definition of prudence, Smith highlights the moral character of prudential judgment:

This superior prudence, when carried to the highest degree of perfection, necessarily supposes the art, the talent, and the habit or disposition of acting with the most perfect propriety in every possible circumstance and situation. It necessarily supposes the utmost perfection of all the intellectual and of all the moral virtues. It is the best head joined to the best heart (p.216).

In his claim that a good legislator needs a "good heart" as well as a "good head," Smith echoes Aristotle's claim that prudence is a moral virtue, and not purely intellectual. The lack of fixed rules for prudential action, coupled with its nature as a moral virtue, probably explains why there are no departments of prudence in the modern academy.

After Smith, the primary justification for the neglect of explicit ethical considerations in economics was the principle of specialization. Schumpeter (1954) notes the pressure for specialization in his comments on the rapid expansion of the field of Moral Philosophy (the ancestor of Social Science) in the late 18th century, by comparing the work of Adam Smith and his teacher, Francis Hutcheson:

“Moral Philosophy became impossible from Hutcheson to Smith. Adam Smith found it impossible to do what Hutcheson had done as a matter of course, namely, to produce a complete system of moral philosophy or social science at one throw. The time for doing this had passed : absorption of new material - both facts and analyses - had become a full-time job (p.141-142).”

Until Smith, most moral Philosophers drew on a variety of disciplines in their work (Haddad 1996). After Smith, most people were not capable of mastering the rapidly expanding field of Moral Philosophy; from that point on, economists would have to

specialize, paying less attention as economists to ethical issues (J.S. Mill was an obvious exception).

This argument - that specialization away from ethics was desirable and necessary - was primary in Senior (1938 [1836]). After defining political economy narrowly, as the “Science which treats of the Nature, the Production, and the Distribution of Wealth (p.1),” he notes that a broader definition of economics, whose end is the maximization of human welfare or happiness, is much more ambitious in scope - in Senior’s opinion, too ambitious for any one discipline:

It is impossible to overstate the importance of these inquiries [into human happiness], and it is not easy to state their extent. They involve, as their general premises, the consideration of the whole theory of morals of government, and of civil and criminal legislation; and, for their particular premises, a knowledge of all the facts which affect the social conditions of every community whose conduct the Economist proposes to influence. **We believe that such inquiries far exceed the bounds of any single Treatise, and indeed the powers of any single mind.** We believe that by confining our own and the reader’s attention to the Nature, Production, and Distribution of wealth, we shall produce a more clear, and complete, and constructive work than if we allow ourselves to wander into the more interesting and more important, but far less definite, fields by which the comparatively narrow path of Political Economy is surrounded (p.2).”

These “more important, but far less definite fields” Senior calls the “Science of legislation,” again recalling Aristotle’s legislative prudence, sub-discipline of Politics. He describes this science in explicitly moral terms; its conclusions obligate one to urge action:

“[The Science of legislation] requires a knowledge of the general principles supplied by Political economy, but differs from it essentially in its subject, its premises, and its conclusions. The subject of legislation is not Wealth, but human Welfare. Its premises are drawn from an infinite variety of phenomena, supported by evidence of every degree of strength, and authorizing conclusions deserving every degree of assent, from perfect confidence to bare suspicion. And its expounder is enabled, even required,

not merely to state the general facts, but to urge the adoption or rejection of actual measures or trains of action (p.3).”

Because the economist restricts his inquiry to wealth, his conclusions “... do not authorize him in adding one syllable of advice (p.3).” To offer advice in the arena of “legislation,” the economist must enter into a very different world, in which economic analysis has its place, but is not primary. Although Senior at times drew finer distinctions between economics and the arts of its application (see Bowley 1949), he always maintained that the economist moved onto a new and more arduous ground when he began applying economic knowledge.

It is noteworthy that Senior draws a sharp distinction between economics and legislation without questioning the validity of the value judgments, or the possibility of reasoned discussion about value judgments (Schumpeter 1954). Senior's arguments for a separate science of economics are practical, not theoretical : specialization is necessary to fully understand the processes which generate wealth. A clearer and more complete understanding of wealth will contribute much to the formulation of laws which will benefit man in his entirety, and not just in his material needs.

Senior was concerned that the distinction between the science of economics and the broader science of legislation was ignored by economists of his day, with two unfavorable results. First, those economists who were unaware that their discipline did not address the full good of man tended to equate wealth and human welfare, and as a result were inciting public opinion against economics. Second, those economists on the opposite extreme, who equated economic science with the broader science of legislation,

attempted too broad a synthesis, ignoring the gains from concentrating their reason on the facts of commerce and wealth (Senior 1938 [1836], p.3).

John Stuart Mill, when he demarcates the boundaries of economics and ethics, draws more heavily on the fact-value distinction of Hume, although he does not claim economics as a value-free science (Redman 1998, Coats 1996). Mill was well aware that economics took account of only a limited range of social circumstances, and that the application of economics was "inseparably intertwined with many other branches of social philosophy."¹⁰

Mill was certainly aware of the intimate connections between economics and its superordinate discipline of ethics, or political philosophy, because his motivation for economics was the improvement of the human condition. Toward this end, he was anxious to differentiate the science of economics from its application, not in order to liberate economics from ethical concerns, but in order to prevent experts in the science of economics from claiming a warrant for laissez faire policies on the basis of science alone. Mill was concerned that an overreliance on economic theory uninformed by the debates over value was giving economics a bad name (Coats 1996). Economics could only be useful in relation to its broader, ethical context : "A person is not likely to be a good political economist who is nothing else (quoted in Redman 1998, p.349)."

Jevons (1878) similarly limits the scope of economic inquiry, without abandoning the moral thrust of economic analysis: "Various social sciences, also, are needed to promote the welfare of mankind But Political Economy is distinct from all these other sciences, and treats of wealth itself (p.7)." Political economy takes as its object of study wealth, which is a component, not the whole, of human welfare. Against those who

complain of the narrow focus on wealth, Jevons appeals to the principle of division of labor:

“But these complainers misunderstand the purposes of a science like political economy. They do not see that in learning we must do one thing at a time. We cannot learn the social sciences all at the same time There must be many physical sciences, and there must also be many social sciences, and each of these sciences must treat of its own proper subject, and not of things in general (p.8).”¹¹

J.N. Keynes (1984 [1]), who is given a prominent role in the intellectual genealogy of the normative-positive distinction, holds a classical view of the relationship between economics and ethics. Although Keynes emphasizes the distinction between economics as a science and its applications, there is no doubt that the applications of the science involve ethical considerations, separate from the practice of the science itself:

“Political economy is, in other words, a science, not an art or a department of ethical inquiry. It is described as standing neutral between competing schemes. It furnishes information as to the probable consequences of given lines of action, but does not itself pass moral judgments, or pronounce what ought or what ought not to be (p.76).”

In the above statement, economics is claimed to be a theoretical inquiry, concerned with truth, not an "art," concerned with how to bring about certain economic outcomes, or a department of ethical inquiry," concerned with what policy should be. Keynes assigns economics to the first of Aristotle's three modes of intellectual inquiry.

While Keynes separates the science of economics from prudence/ethics in strong terms, he does not sever all ties, and urges economists to give advice about the great issues of the day, at the same time acknowledging that inquiry into the application of economic analysis takes the economist into a different intellectual territory:

“... the greatest value is attached to the practical applications of economic science; and it is agreed that the economist ought himself to turn his

attention to them - not, however, in his character as an economist, but rather as a social philosopher, who, because he is an economist, is in possession of the necessary theoretical knowledge. It is held that if this practical distinction is drawn, the social and ethical aspects of practical problems - which may be of vital importance - are less likely to be overlooked and subordinated (p.76).”

The last line in particular gives evidence of a classical understanding of the relation of economics to ethics. The economic scientist, when addressing issues of policy and application, must do so not strictly as an economist, but as a social philosopher, combining the insights of the other social sciences and ethics with his area of expertise, economics, to render judgments about what should be done. In this way, the distinction restrains the economist from ignoring non-economic aspects of social problems, which may be paramount.

Sidgwick (1883) gives evidence of a similar understanding of the relationship between ethics and economics:

“... we shall gain in clearness by distinguishing the problems of economic science from the political and ethical problems that are commonly combined with them, and stating the former in a purely positive way; asking not ‘What ought government, or workmen, of masters, or philanthropists to do?’ but ‘What will be the effects on their own wealth and that of others, if they do so and so?’ For it should always be borne in mind that the answer to this latter question can rarely furnish more than a part of the data required for answering the former; and in some cases it will not supply the most important part (p.24).”

This statement and the earlier one by Keynes show a humility about the applications of economics that is striking when compared to more recent sweeping policy prescriptions which are based purely on economic analysis. They also give evidence of a concern among classical economists that the science of economics not offer sweeping advice on

policy without taking into account the broader, messier prudential context in which deliberations about policy should occur.¹²

Economists of the nineteenth and early twentieth century did not separate economics from ethics as completely as economists today do, even though they increasingly separated ethical considerations from economics. They placed economic analysis within a context that gave it a high moral purpose (most evident in Marshall 1920), which embodied the awareness that economics was incomplete, and that economics must be at the service of a moral debate which took place on a higher level. Pigou (1950, 1932, p.4), while asserting that economics was a science, not an art or a moral science, claimed that economics should form the basis of the art of government, and that the motivation for the science of economics was inescapably ethical, the cause of "social improvement." According to Myrdal (1954, 1929), at that time

"... the distinction was not one of principle. It was dictated entirely by expediency ... It was thus regarded as both natural and highly desirable that political economists should venture beyond the frontier line (p.8)."

Economists was distinct from ethics in practice, but the boundaries were permeable and, according to Coats (1996), the line between ethics and economics was crossed "... regularly and without scandal."

Until the 1920s, most economists held a consistent conception of the relation of ethics to economics. The relationship was hierarchical - economics is the science of wealth, and ethics (often referred to in classical terms as legislation or politics) makes use of the insights of economics and other social sciences (which are also subordinate to ethics) to make judgments about which courses of action are ethically desirable. This "ethics" is not, strictly speaking, a discipline - it's intellectual roots are in what Aristotle

called prudence, which is by its nature interdisciplinary, or more exactly, supra-disciplinary. A separate space for economics was justified by appeals to the concept of specialization. Scholars of economics were encouraged to participate in deliberations about “what should be done,” but were counseled not to confuse the limited results of economic analysis with the conclusions of a more broadly-based ethical deliberation.

3 Robbins and After

Lionel Robbins’s argument for a split between the positive and the normative was much more sweeping than what came before, and put a much greater distance between ethics and economics. Until Robbins (1952 [1932]), economics was subordinate to ethics; economists might focus exclusively on “scientific” issues, but were aware that economics existed to serve ethics. Robbins put ethics and economics into separate universes, by identifying the normative-positive distinction with the fact-value distinction.

The fact-value distinction (or Hume’s First Law) states that no “ought” statement can be logically derived from an “is” statement. Robbins incorporated the language of the fact-value split into the normative-positive distinction, in the process changing the scope and nature of the distinction :

“Unfortunately, it does not seem logically possible to associate the two studies in any form but mere juxtaposition. Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse. Between the generalizations of positive and normative studies there is a logical gulf fixed which no ingenuity can disguise and no juxtaposition in space or time bridge over ... Propositions involving the word ‘ought’ are different in kind from propositions involving the verb ‘is’ (pp.148-9).”

By placing a “gulf” between economics and ethics, Robbins discards the previous, hierarchical relationship in favor of a fully autonomous economics, whose conclusions need not bear on ethical issues. The influence of this approach to the normative-positive distinction is evident in Blaug (1992), whose chapter on the normative-positive distinction begins with Hume’s fact-value distinction.

Of course, Robbins did not mean to imply by this distinction that economists should refuse to involve themselves in debates about policy, with all of the attendant ethical overtones, but in his urgings he shows just how far from economics he has placed ethics. In responding to J.S. Mill’s assertion that good economics contributes the ethical debate in which it is situated, Robbins comments

“We may not agree with J.S. Mill that ‘a man is not likely to be a good economist if he is nothing else.’ But we may at least agree that he may not be as useful as he otherwise might be (Robbins 1952 [1932], p.150).”

Mill would undoubtedly have identified “being useful” with “being good.” That Robbins feels compelled to distinguish the two concepts - one can presumably be a good economist without being of use to anyone (other than other economists) - shows just how far from ethics economics has been moved. One can make the same distinction in fields like medicine or engineering only with difficulty. Can one be a good physician without being useful to anyone, a good engineer without being of use to anyone? To one schooled in the classical normative-positive distinction, the answer can only be “no.”

Further widening the ethics-economics gulf was the growing popularity of emotivist theories of ethics, strongly stated by Robbins : “if we disagree about ends, it is a case of thy blood or mine - or live and let live, according to the importance of the difference or the relative strength of our opponents (p.150).” If ethics is purely a matter

of private tastes, which cannot be debated reasonably, then economics and ethics become even more alien to one another. Not only are statements of economic fact disconnected logically from ethics : economic statements are amenable to reasoned analysis, and ethical statements are not. In short, there is nothing to talk about in ethics.¹³

Yet even Robbins, when he advises economists to become more involved in the formulation of policy, gives evidence of an arena above economics and other sciences, where such discussions take place. If economists are to "... play some part in discussions of policy ..." they must

...transcend themselves as economists ... we must be prepared to go beyond our subject. We must be prepared to study not merely economic principles and applied economics; we must be prepared also to study many other disciplines. We must study political philosophy. We must study public administration. We must study law. We must study history which, if it gives no rules for action, so much enlarges our conception of possibilities. I would say, too, that we must also study the masterpieces of imaginative literature ... (Robbins 1954, pp.16-17)."

To join into policy discussions, according to Robbins, the economist must leave economics proper, and enter into a discourse which draws upon the insights of history, political philosophy, law, economics, and fine arts (but not ethics).

If the Robbins essay is a Declaration of Independence of economics from ethical concerns, it, like the real Declaration, was the culmination of a history. Emotivism (or the conviction that ethical values are simple statements of preference and, as such, are not subjects of rational dispute) has its roots in enlightenment thought (Roy 1988), and became more widely accepted in the social sciences and western culture through the positivist influence of the Vienna Circle in the early 1900s (Drakopoulos 1991).

Alexander (1967) and Campbell (1976-77) blame emotivism for the blindness of economics to ethical considerations.

Economics readily accepted the fact-value split with its attendant emotivism; the stage for value-free economics was set long before Robbins, in the starkly deductive work of Ricardo, which began the turn towards mathematical abstractions in economics. The tradition of mathematicization begun by Ricardo was continued by the marginalists of the 19th century and the mathematical economists of the twentieth. The reliance on mathematics created the illusion that economics was about logic, and forced economists to devote much of their training to mathematical methods. This formalization of economics made the fact-value distinction all the more plausible (Vickers 1997). Da Fonseca (1991) points out that the nineteenth century concept of the materialist man-machine, for whom morals were only epiphenomena, removed morals farther from social science, and made the abstractions required by mathematical treatment of human behavior more palatable.

Much of the criticism of the normative-positive distinction focuses on the fact-value split (Myrdal 1954 [1929], McCloskey 1994, Wilbur and Hoksbergen 1986) which, as we have seen, is a latecomer in the history of the distinction. The thrust of these criticisms, that the facts and terms of economic analysis embody judgments of value about the constitution of a just and desirable social order, is accepted reluctantly by many - the close identification of normative-positive with fact-value makes it appear that in denying the fact-value distinction we must deny the normative-positive distinction.

This is not true. The normative-positive distinction in economics was proposed nearly a century before the fact-value distinction (in its radical, emotivist form) was

added. A return to the commonsense distinction of Senior will keep what is useful about the normative-positive distinction, stripping it of the anti-ethics bias of the fact-value distinction. The concept of a hierarchy of ethics and economics provides a context within which both critique of value-free economics and the dismissal of the critique may be understood.

The hierarchical conception allows ethics to influence economics in the following ways:

1. the motivation of economics is ethical,
2. economics is incomplete and irrelevant apart from ethical considerations, and
3. the conception of the good which motivates ethics affects the formulation of positive method.

Most economists have mixed motives for their research efforts and studies. Many became economists because they thought they might earn a decent living at it, or succeed in the field. Some are entranced with the beauty of the theory; others are simply curious about certain economic phenomena. Primary among most people's reasons, I suspect, is that economic analysis promises guidance in the face of important policy problems. This last reason is certainly the motivation for the grant money which feeds researchers.

Thus, the motivation for economic analysis is primarily ethical, so economics takes place in an ethical context. It is driven by the force of ethical debates : how much should government do? When should it intervene? What policies (if any) improve the lot of the poor, the unemployed? Although the realization that economics is motivated by ethical considerations comes as a revelation to those trained in the Robbinsian normative-

positive distinction (e.g. Dwyer 1982), from the perspective of the hierarchy of ethics and economics, it is self-evident. Economics is at the service of ethics.

Because economics is at the service of ethics, any relative autonomy given to economic analysis must be incomplete. If economics is given space in which to operate apart from ethical considerations, such space can only be temporary. The economist is not finished when the purely economic analysis is completed. The results have implications – indeed, one cannot “sell” a paper to most economics journals unless it has interesting policy implications.

The division of labor justification for specialization on positive issues carries with it an expectation of intellectual trade, since specialization only increases wealth when accompanied by trade (Klamer and McCloskey 1998). This specialization implies that economists focus on only part of the social picture, and are thus less familiar with other aspects of reality. Intellectual trade takes place in the arena of ethical/prudential deliberation, above economics. To be useful (and by implication, good) economists must take the economics out of the shop and into the larger marketplace of ideas.

The third way in which ethics affects economics in the classical hierarchy was not explicitly recognized by the classical themselves: the practice of economics is unavoidably affected by the conception of the good which motivates and inspires economic analysis. It is highlighted by twentieth century critics of the fact-value distinction, and is best seen as a development of the normative-positive distinction.

Myrdal (1954, 1929), in his analysis of the value-laden terminology of mainstream economic models of competitive equilibrium, and Samuels (1998), in his observation that various theories appeal to different ideological interests, point to the necessary connection

between the conception of the ethical good – a what a good society looks like – and the terminology, concepts, and empirical measurements of economic analysis. Both Myrdal and Samuels conclude that economists should explicitly recognize and declare the ethical basis for their models. Such full disclosure is particularly important in light of the fact that economists must often formulate these ethical goals themselves, since no one will provide them - there is no master whom they serve (Hausman and McPherson 1996).

Despite the cautions about the impossibility of ethics-free economics, there is still room for some autonomy for economics. Several economists have made this case, most recently Weston (1994). Weston's defense of the distinction jettisons the fact-value split in favor of a more commonsense, practical justification. Its reasoning is entirely consonant with the classical hierarchy between ethics and economics.

After conceding the point that no economic analysis is entirely independent of ethics, Weston offers four justifications for a positive-normative distinction. Three of his justifications are related, elaborating on the limited autonomy of economic science without denying the important role of ethics. The first is that it keeps the issues the choice of assumptions (which may be ethically offensive) distinct from issues of the appropriate conclusions to draw from premises. Weston's second and third¹⁴ justifications for the normative-positive distinction are similar: the distinction promotes a scholarly environment, and promotes the norm of objectivity, by providing space for debating the truth of a logical or empirical proposition, separate from its ethical appraisal.

These justifications are essentially a plea for some limited autonomy for economics under ethics. Once a model has been specified, it implies certain conclusions by the logic of its structure; once an empirical approach has been chosen, the data justify

or fail to justify certain conclusions. In other words, at some point an economist must be allowed to hold values constant, in order to get on with the logical analysis of the problem at hand. An economist would be paralyzed if he could never make any *ceteris paribus* assumptions. Can we never take the values underlying a model as given, hold them constant as we explore the implications of a certain line of thought?

This distinction is simply a recognition of two different ways in which we attempt to persuade each other about the desirability of a course of action. If a person chooses to propose action A as a means to goal B, those who wish to promote a goal other than B may, in addition to arguing that B is undesirable, argue that A does not achieve goal B anyway. Thus an economist who may argue against an activist government not only because of a reasoned conviction that individual liberty is paramount, but because government policies often fail to achieve, or even work against, their stated goals.

In other words, three of Weston's arguments for the distinction assert that we should be able to argue that a proposition is true as far as it goes, before (or even after) arguing how far it goes. It should be noted that the distinction grants economists some space to conduct "positive" analysis, but does not give economists a blank check to make statements about ethics. Weston's fourth justification makes this point.

Weston's fourth justification is that the positive-normative distinction serves as a caution about credentials. By separating positive issues, where an economist may claim some expertise, from normative issues, in which an economist has no special training, the distinction serves to warn economists not to use their authority as economists to promote ethical claims, and to warn non-economists not to treat economists as specially qualified to comment on the good society simply because they can solve complicated calculus

problems. This is essentially a plea for humility among economists about the uses of their results in public discourse, similar to the cautions of J.N. Keynes and Sidgwick, quoted above. Economists have an incomplete picture of social reality, and participate in a messy conversation about ethics in which even non-PhD's make valuable contributions. If economists do not know the difference between positive statements (about which they have some expertise) and normative statements (about which they have no more expertise than other earnest participants) they will almost certainly claim an authority in the greater conversation that they do not merit, and they (and those who are impressed by them) will leave out important social and ethical considerations from their pronouncements.

Conclusion

The thesis of this paper is that the importance of ethics for economics can be made clearer and more compelling by returning to the classical conception of the relationship of ethics/prudence and the sciences. Ethics and economics are related hierarchically, not horizontally. Ethics is above economics; ethical reflection is prior to economic analysis, in the same way that consideration of ends is prior to consideration of means. Within this hierarchical relationship, both the limited autonomy and the value foundations of economics become clear.

The practical implications of the classical relationship of economics to ethics are complicated by the fact that there is no discipline of ethics in the modern academy. Ethics/prudence encompasses all of the disciplines below it, using the results of their analysis to determine what should be done by an individual or a state. It is carried on outside of disciplinary boundaries; it requires knowledge of subdisciplines and a moral

virtue, prudence. The discipline of moral philosophy offers help in thinking coherently about ethics, but it claims no expertise in choosing one set of values over another; a modern moral philosopher will refer you to a moralist (or will take off his moral philosophy hat and put on his moralist hat) if you ask them what is ethical.

The concept of a hierarchy of ethics and economic provides a context within which both critique of value-free economics and the dismissal of the critique may be understood. First, because economics is subordinate to ethics, all of economic analysis has an ethical component. Second, economic analysis can take ethical assumptions as given, although it must at some point justify those assumptions. Third, economists need not pursue further graduate training in ethics, but they must examine their own values and the connection of those values to their work, and they must join scholars from other disciplines who are engaged in the higher pursuit of ethics, which after all is the justification for economic analysis.

This last point, that economists must rise above their discipline to join the conversation about ethics, is crucial to maintaining a proper perspective on what economic analysis does and does not have to offer society. Newman (1982), commenting on political economy in the mid-nineteenth century, highlighted the distortion in the field that occurs when it is cut off from the deliberations of fields of inquiry above it:

“It [economics] cannot itself declare that it is a subordinate science, that its end is not the ultimate end of all things, and that its conclusions are only hypothetical, depending on its premises, and liable to be overruled by a higher teaching (p.65).”

When economists cut themselves off from prudential deliberations (for Newman, these included moral theology) they unavoidably identify the goals of their discipline (wealth

maximization in the nineteenth century, and efficiency in the twentieth) with the goals of society. The hierarchical conception functions as a practical safeguard against any unwarranted imperialism of economics, by orienting economists towards the broader conversation which takes place above economics.¹⁵

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References

¹ The classical distinction is still operative in the tradition of Catholic Social Thought, which never accepted the fact-value distinction (see Pius XI 1931, Montes 1997).

² Aristotle list two intellectual virtues in addition to the three which are the focus of this paper: intuition, whose object is first principles, and wisdom, which combines theory and intuitive reason. See Aristotle (1980, 6.6-6.7).

³ It should be noted that the various theoretical sciences are also hierarchically related to each other in Aristotle's system. Sciences that dealt with the human being as a whole (the philosophy of the human person) were above sciences that dealt with only one aspect of human beings (physiology, psychology). Montes 1997 outlines this hierarchy in both classical and Catholic thought.

⁴ Collini et al (1983) document the attempts to establish a science of legislation in the nineteenth century, which failed because of the indefinite (prudential)nature of the discipline.

⁵ To be exact, theoretical pursuits are concerned with “that which cannot be otherwise.” They were described in this way because they were almost entirely deductive in nature. The addition of modern inductive methods makes the phrase “what is” more descriptive of modern theoretical activity.

⁶ Of course, in light of a finding about “what is,” a person may act to change a current set of conditions. He cannot change their present reality, however.

⁷ According to Hudson (1983, ch.1), moral philosophy distinguishes between two different levels of moral discourse. A **first-order moral discourse** is a discussion about an ethical decision to be made. Moral philosophy is a **second-order moral discourse** about the nature of the reasoning in first-order discourse. A moralist engages in first-order discourse; a moral philosopher need not, although moral philosophy presupposes first-order discourse.

⁸ Simon(1991, ch.2) separates moral philosophy from ethics because moral philosophy is a theoretical science. Its reflection is geared towards an understanding of why we should act the way that we should (in itself helpful) but, as a theoretical discipline, it cannot fully account for prudential action.

⁹ See also Young 1997, ch.5, and Alvey 1999.

¹⁰ Mill (1981-1991, vol.8, p.901), quoted in Redman 1998, p.348.

¹¹ Coats (1992) notes that one of Jevons's contemporaries, J.K. Ingram, although critical of the extent to which Jevons appeared to have divorced economics from ethics, accepted the argument in favor of specialization, while arguing that it was crucial that the economist not lose sight of the insights of other branches of science. See Ingram (1962 [1878]).

¹² Hutchison (1964) notes that both Senior and Cairnes were concerned about the use of the pure science of economics as an apology for laissez faire. Such a claim, based on positive science alone, is unwarranted.

¹³ Roy (1988) criticizes the popularity of emotivist theories in economics, as do McCloskey (1994) and Hausman and McPherson (1996). It is acknowledged to be an

extreme view, unfortunately popular among economists, due to the influential essay by Friedman (1953). For a philosophical critique of emotivism, see McIntyre (1984).

¹⁴ What I call Weston's second and third justifications are actually his third and fourth.

¹⁵ Aristotle (1984) makes a similar point when he subordinates the art of business (the art of accumulating money or things - Chrematismos) to household management (oikonomia). Chrematismos can only be good if it serves the purposes of the household; when accumulation becomes its own end, it becomes harmful to the true ends of household management (chs.9-10). See Crespo (1999).