

Chapter 7: What, Then, Can We Say of the Status of Economics?

I think that Aristotle was profoundly right in holding that ethics is concerned with how to live and with human happiness, and also profoundly right in holding that this sort of knowledge [‘practical knowledge’] is different from theoretical knowledge. A view of knowledge that acknowledges that the sphere of knowledge is wider than the sphere of ‘science’ seems to me to be a cultural necessity if we are to arrive at a sane and human view of ourselves or of science.

— Hilary Putnam¹

Introduction

In the previous two chapters, we looked at the critique that has developed of the Enlightenment project and the implication of that critique for the status of science in general. That critique challenges also the right of reason and philosophy to be the final arbitrators of moral issues.² The Enlightenment’s utopian search for *epistēmē* in moral, political, economic, legal and social theory more generally has failed and will continue to fail. It is now time to turn towards a more detailed application of those ideas to economics. This is necessary because most practising economists retain positivist methodological beliefs that philosophers have long since abandoned.³ As we have seen above, no science and particularly no social discipline can claim to produce absolute knowledge. Rather, the insights of any conversation, of any story, of any discipline, are forever subject to revision. Economics has sought to appropriate the prestige attached in modern societies to the natural sciences because of their success in the past several centuries in unravelling some of the mysteries of the natural world. Accordingly, we saw the claim in Chapter 1 that economics is the universal grammar of the social sciences—or, as some would say, the queen of the social sciences. A little later, I will have something to say about the attempt of economics to appropriate the particular language of physics. For the moment, however, let us concentrate on the distinction that economists claim can be made between positive and normative theorising.

The Distinction Between Positive and Normative Theorising, Particularly in Economics

The attempt of Enlightenment philosophers to give a naturalistic, individualistic, ‘scientific’ and universal account of our moral codes was recounted above. Intertwined was the attempt to insulate that account from any divine authority, while at the same time trying to base those codes on empirical observation of

human nature. The natural-law tradition—so central to Locke’s justification of his social-contract theory—became increasingly secularised over several centuries. The effect of those attempts was merely to justify existing moral and political arrangements. Since then, much social thought has been preoccupied with finding a method that will either determine values objectively or avoid questions about values altogether.⁴

Notwithstanding the ambitions of Hobbes and Locke and their successors to found our moral judgements on science, recent social scientists have generally made a distinction between science and normative theorising. As a result, it is often claimed that value judgements lack the objective validity of science, and science must, as a methodological ideal, be kept free from them.⁵ Similarly, economists have usually drawn a distinction between positive and normative economics. It has, of course, been admitted readily that the application of the ‘positive’ science of economics to real public policy problems is a normative issue. This—somewhat deceptively—usually took the form of suggesting that it was in the choice of ends that the normative issue arose, while positive economics could safely address the best way of achieving those specified ends. The fact that ends and means are usually intertwined escaped notice.

It should already be clear to the reader from the account in previous chapters that the idea of a value-free social discipline is not possible. All social knowledge and moral narratives are stories told from a particular normative perspective, employing language imbued with normative values. As Webb tells us, ‘[T]here is no human action of any importance which does not become imbued with moral and normative significance and hence develops an abstract and symbolic dimension.’⁶

The distinction between the positive and the normative is usually traced to Hume, who is taken to have held that there is a watertight distinction to be made between the realm of facts and the realm of values:

I have always remark’d, that the author proceeds for some time in the ordinary way of reasoning, and establishes the being of a God, or makes observations concerning human affairs; when of a sudden I am surpriz’d to find, that instead of the usual copulation of propositions, *is*, and *is not*, I meet with no proposition that is not connected with an *ought*, or an *ought not*. This change is imperceptible, but is, however, of the last consequence. For as this *ought* or *ought not*, expresses some new relation of affirmation, ’tis necessary that it should be observ’d and explain’d; and at the same time that a reason should be given for what seems altogether inconceivable, how this new relation can be a deduction from others, which are entirely different from it. But as authors do not commonly use this precaution, I shall presume to recommend it to the readers.⁷

In economics, the distinction was picked up by Nassau Senior and Mill,⁸ and was subsequently endorsed by Weber⁹ and Robbins.¹⁰ As such, it formed part of the process by which economics shed any overt moral, historical and institutional concerns and was transformed into a mathematical discipline. This transformation reflected the growing influence of positivism with its view that true scientific knowledge was divorced from metaphysical beliefs. As already pointed out, it reflected also the growing prestige of Newtonian physics and the desire of economists to emulate what they saw as the archetypical science. Accordingly, it was claimed that economics as a positive science could treat economic processes in isolation from their social environment, narrowing the scope of the discipline significantly.¹¹ In this formulation, the ‘art’ of policy formulation was considered to rest in the establishment of attainable policy goals, while the ‘science’ of political economy furnished the economic frameworks by which the actions of economic actors pursuing their self-interest ensured the attainment of the desired ends. As institutionalist Wesley Mitchell (1874–1948) told us in 1918, however, this move served an important ideological purpose: ‘No one can read the Austrian writers, whose general scheme was similar to Jevons’, without feeling that they are interested in developing the concert of the maximising of utility largely because they thought it answered Marx’s socialistic critique of modern economic organisation.’¹²

Typically and more recently, Richard Lipsey and Colin Harbury made the distinction between positive and normative economics in their introductory textbook.¹³

Macintyre points out that this distinction between facts and values relies on the Enlightenment’s dismantling of the Aristotelian teleological tradition of the medieval world, so that it becomes possible to conceive of the individual as prior to and independent of social roles. In contrast, in the medieval world, the argument that a ‘ought’ could not be deduced from an ‘is’ was clearly wrong,¹⁴ and remained clearly wrong in any world where socially defined roles continued to exist.¹⁵ Such socially defined and enforced roles carrying normative obligations are, however, an irreducible feature of any real social system, including our own.

The distinction can be traced to the Cartesian mind–body dualism in which facts are said to belong to the ‘objective’ realm of the body, whereas ‘values’ are said to belong to the subjective realm of the mind.¹⁶ More recently, the distinction is to be found in the positivist view of science, which considers that all statements other than those that are empirical, logical or mathematical are without content—are nonsense. The idea that economics—while being a scientific discipline—is also a moral discourse is inconsistent with this demand and the latter idea had to be ditched.

Under the influence of Max Weber and the logical positivists, this distinction was transformed into a dualism between facts and values. Only judgements relating to the regularities of empirical phenomena were said to be either true or false, while normative judgements could not be considered in this way—being incapable of objective truth and objective warrant—or could not be considered at all, being left to individual judgement. Carnap, for example, called all non-scientific problems a confusion of pseudo-problems, claiming that all ‘statements belonging to Metaphysics, regulative Ethics, and [metaphysical] Epistemology have this defect, are in fact unverifiable and, therefore, unscientific. In the Viennese Circle, we are accustomed to describe such statements as nonsense.’¹⁷

As Rorty points out, this is effectively a demand that the only language that is cognitively meaningful should resemble the language of physics. Despite the silliness of the claim, it held sway for many years and has come to seem like conventional wisdom within economics. It is also wrong—and, according to leading American philosopher Hilary Putnam, profoundly wrong, being self-refuting! Explanatory theories do not occupy a privileged epistemological position compared with normative theories.¹⁸ Such claims rest on untenable arguments and over-inflated dichotomies.¹⁹ The idea of an absolute dichotomy between ‘facts’ and ‘values’ depends on a strict dichotomy, applying to all judgements, between ‘analytical’ judgements—which are tautological or true by virtue of their meaning—and ‘synthetic’ judgements, which are subject to empirical falsification (terms borrowed from Kant). In reality, very few things are black or white.

Both these claims provided the foundations for logical positivism, ignoring Kant’s own claim that the principles of mathematics were synthetic and analytical. Indeed, Kant also held that moral judgements could be justified rationally—his moral philosophy being an attempt to do so. Putnam goes on to argue that the fact–value dichotomy has corrupted our ethical reasoning and our descriptions of the world. Further, he disputes whether Hume would have approved of the way in which his advice has been used in an attempt ‘to expel *ethics* from the domain of knowledge’, because he was an important ethical thinker himself.²⁰ Putnam also tells us that the original positivist view of a ‘fact’ was of something that could be certified by mere observation or a report of a sensory experience. As we have seen earlier, however, this view of fact has been discredited thoroughly. Further, the key philosophical terms used by logical positivists—‘cognitively meaningful’ and ‘nonsense’—are not observational terms, theoretical terms or logical/mathematical terms, and yet these are the only kinds of terms that they are prepared to allow in their language of science. They are, therefore, being internally inconsistent. In any event, Quine showed to the satisfaction of most philosophers that scientific statements could not ever be

neatly separated into 'conventions' and 'facts', and that the idea was a hopeless muddle:

The lore of our fathers is a fabric of sentences. In our hands it develops and changes, through more or less arbitrary and deliberate revisions and additions of our own, more or less directly occasioned by the continuing stimulation of our sense organs. It is a pale grey lore, black with fact and white with convention. But I have found no substantial reasons for concluding that there are any quite black threads in it, or any white ones.²¹

Facts and values are deeply entangled throughout our vocabulary. As we have seen in Chapter 6, normative and aesthetic judgements are essential to science itself, being the 'good reasons' used to justify empirical belief. In any event, little in the social disciplines meets Weber's test of universality. On the other hand, many value judgements do meet the criteria specified by Weber: a shared method and adequate data. They are, therefore, in Weber's terms, 'scientific'. What Weber failed to appreciate was that the terms used in the social disciplines were invariably ethically coloured—including in his own description of his 'ideal types'. It could, however, be preferable to speak of the 'justifiability' of a proposition, rather than to use the honorific 'scientific'. It is the shared standards for such truth and knowledge claims that are important, but these standards are determined socially—including, as we have already seen, among the scientific community. What is seen as true or scientifically justified is the result of an organised and contingent consensus among an intellectual or scientific community. Consequently, a normative claim is just as susceptible to justification as any empirical or theoretical claim. The consequence of this line of argument is that the conceptual distinction between positive and normative serves no convincing intellectual purpose, while serving to privilege a particular type of discourse—a political tactic in the broad sweep of discourse.

Science is a learning process, a social process, which develops in some subcultures, and is characterised by the acceptance of an ethic—a strong value system.²² Knowledge of the social system is an essential part of the social system itself. Consequently, objectivity—in the sense of investigating a world that is unchanged by the investigation of it—is also not achievable. The social disciplines do not merely investigate the world; they simultaneously help create the world that they are investigating. At this point, it is appropriate to recall the point made in Chapter 1 and again in Chapter 6 that the stories we tell and the vocabulary we use create our understanding of who we are and how we should act. What scientific discourse creates becomes a problem of ethical choice. Even the epistemological content of science has an ethical component. Under these circumstances, the concept of a value-free science is untenable.

Leading Swedish economist Gunnar Myrdal (1917–92)—consistent with the constructionist view outlined in Chapter 2—endorsed this point of view:

Throughout the book [*The Political Element in the Development of Political Theory*] there lurks the idea that when all metaphysical elements are radically cut away, a healthy body of positive economic theory will remain, which is altogether independent of valuations...This implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations is, as I now see it, naïve empiricism. Facts do not organise themselves into concepts and theories just by being looked at; indeed, except within the framework of concepts and theories, there are no scientific facts but only chaos. There is an inescapable a priori element in all scientific work. Questions must be asked before answers can be given. The questions are all expressions of our interest in the world; they are at bottom valuations. Valuations are thus necessarily involved already at the stage when we observe facts and carry on theoretical analysis and not only at the stage when we draw political inferences from facts and valuations.²³

Valuations are critical to the determination of facts and to all stages of inquiry. Consequently, value commitments are inevitable in the social disciplines. In particular, every social discipline carries an implicit definition of what it is to be human, to provide a focus for its research and to distinguish its field from those of the logician, physicist or biologist.²⁴ There are, however, no grounds for deciding what is an acceptable definition. It follows that the argument that neoclassical economics is a formal system—which merely explores the implications of its assumptions, the idealisations on which it is based—is not convincing. No one develops such a system for pure pleasure, but to provide a guide to policy decisions or as a justification of their ideological beliefs. Additionally, the assumptions themselves incorporate normative valuations. Furthermore, the social disciplines are moral disciplines by the very nature of the problems they deal with. Scarcity, conflict, inequality, domination, exploitation and war necessarily create problems for a stable and legitimate social order.

In any event, ‘social science’ is part of the Enlightenment tradition that instrumentalises nature and is now tending to instrumentalise human society itself. The claim for the value neutrality of science—particularly social science—is simply another highly questionable aspect of modernity. For Rorty also, the distinction between facts and values can be sustained only if there is a value-free vocabulary that renders sets of ‘factual’ statements commensurable.²⁵ There is, however, no such vocabulary. He argues that in choosing Galileo’s vocabulary as a model, science and philosophy have confused its apparent lack of metaphysical comfort and moral significance with the fact that it worked within

a particular narrow range. Consequently, the positivists sought to eliminate subjective elements by avoiding terms that could not be linked definitionally to the terms denoting primary qualities in Galileo's and Newton's vocabularies. This is the seventeenth-century myth of nature's own vocabulary—the idea that only a certain vocabulary is suitable for describing human beings or human societies and that it is the only vocabulary in which they can be understood. For Rorty, therefore, the issue between those who seek an objective, value-free, truly scientific social science and those who think it should be acknowledged as something more hermeneutical is not a disagreement about 'method' but a disagreement about the sort of terminology to be used in moral and political reflection.²⁶ To say that something is better understood in one vocabulary than another is simply a claim that a description in the preferred vocabulary is more useful for a particular purpose.

The growth of scientific and quasi-scientific knowledge has not been as beneficial socially as the Enlightenment imagined it would. The ethos of scientific rationality has consistently undermined and eroded the particular, the local, the implicit and the traditional in the name of individual human emancipation.²⁷ As scientific knowledge and technical expertise have grown ever more specialised, scientific experts are often able to wield power and authority through their monopolisation of esoteric knowledge and the prestige that this knowledge brings. This is the very criticism I have made of economists throughout this book. Additionally, the uncritical pursuit of social scientific knowledge works to reinforce the existing powers in society that fund that research.²⁸

The common thread in this critique is the realisation that the social disciplines have an intrinsic connection with the moral and political life of society.²⁹ While the social scientist has an obligation to view reality as dispassionately as possible, our perceptions of reality and our assumptions about it are radically moral. There is no neutral platform of pure science utterly free from value commitments. Rather, social science is a product of the development of a particular kind of society and its lexicon. The development of Enlightenment economics clearly took place in parallel with the development of the market system and served to justify that system morally and scientifically. Nowhere is that connection more closely observable than in the period of the ideological conflict between capitalism and communism, when economics was deployed as a 'scientific' justification for the capitalist system.

Consequently, there is a growing body of opinion that again sees social disciplines and economics in particular as moral inquiries. Furthermore, the particular idealisations on which neoclassical economics is based are themselves based on particular ideological commitments, particularly individualism. The distinction becomes even less convincing when placed alongside the real public policy questions on which economists provide advice. Inevitably, they involve leading

normative questions. The nature of property rights developed by a society clearly involves normative choices. Pareto-optimality—the major criteria for policy choice used by economists—is dependent on, and biased in favour of, the existing distribution of power, wealth and property rights, and consequently is not normatively neutral. Likewise, the choice of the goal of maximising the value of output is a normative one. Importantly, the price structure itself is not neutral. It is a function of the distribution of income, wealth and power.³⁰ The question of the regulation of unfair conduct is also a normative one, and the arguments used in that discourse are normative. Indeed, the advocacy of economic efficiency as the general goal of public policy is plainly a moral choice.

Importantly, the policy world is also one in which the distinction between ends and means quickly breaks down. While the distinction could have served to draw attention to the normative content of policy advice, in practice it has been used to camouflage the moral judgements being made by economists and the normative presuppositions of the market system—behind the cloak of alleged scientific objectivity. Consequently, while the idea and ideal of value neutrality persists, the confidence put in it is misplaced.

Among prominent contemporary economists, Daniel Hausman and Michael McPherson agree that the simple picture of the economist providing value-free technical information does not fit the economist who is asked for advice.³¹ They summarise that economists should care about moral questions for at least the following four reasons.

1. Behaviour, and hence economic outcomes, is influenced by the moral values of economic agents. Economists rarely describe moral commitments without evaluating them, and they affect that morality by how they describe it. They should, therefore, think about the morality that should be accepted, as well as the morality that is, in fact, accepted in society.
2. Standard welfare economics rests on strong and contestable moral presuppositions. The standard definition of a social optimum compares social alternatives exclusively in terms of their outcomes—rather than the rightness of their procedures—and identifies the goodness of outcomes with satisfaction of individual preferences. These commitments are neither neutral nor uncontroversial. Consequently, they question the moral basis of the concern with efficiency, and whether it is any less controversial than the moral commitments that lie behind equity.
3. Politicians and non-economists talking about welfare employ concepts that do not translate easily into the language of standard economic theory. Ideas of fairness, opportunity, freedom and rights are more important in policy making than individual preference rankings. Equating welfare with the satisfaction of preferences—which could be short-sighted or ill-informed—begs questions of justified paternalism. They question the

quality of a world in which our humanity is always under the control of rational calculation.

4. In practice, positive and normative concerns are often intermingled in policy advice.

Hausman and McPherson point out that economics embodies a commitment to a certain mode of modelling and to a normative theory of prudence. The theory of rationality is already a part of the theory of morality. The view of rationality that economists endorse—utility theory—might not even be compatible with moral behaviour, and does not provide a rich enough picture of individual choice to permit one to discuss the character, causes and consequences of moral behaviour. As Saul says, ‘If you confuse self-interest with ethics, you stumble into a false rationality—instrumentalism—in which ethics is meant to be profitable.’³²

The Questionable Status of Economics within the Human Conversation

This account has already rejected the proposition that there can be such a thing as positive economics. Economics—particularly its application to public policy choices—is inherently normative. The systematic investigation of social phenomena—including economic phenomena—cannot be decried simply because it is normative. It is, however, a lot more difficult than it appeared to Enlightenment philosophers. At best, economics is a normative science, but given the false connotations of the word ‘science’ in English, it might be better to rename it a normative discipline. The dominant school of economics—neoclassical economics—has involved the application of a particular metaphor to social affairs. This, in itself, is legitimate. There is no other way of proceeding. The Newtonian metaphor is, however, only one among possibly countless numbers of such metaphors, and it might simply be an inappropriate one to use. After all, it is no longer fashionable within physics and that is where it came from. It also follows from the earlier argument that there are no final criteria for determining its worth. The criteria that are used in practice include its simplicity, its usefulness and its elegance—but our understanding of these cannot be tied down. They also are matters of human invention. It is, consequently, up to the advocates of the use of the Newtonian metaphor in economics to convince the rest of us of the worth of their project, independent of the ‘truth’ claims that were simply assumed by the Enlightenment.

In the spirit of this criticism, McCloskey claims that economics fits poorly within the hypothetical-deductive model of science and that its methodological theory has never been coherent. She recommends that economists turn from such positivism and recognise that what they do is to persuade.³³ She argues that all

economists use rhetorical devices such as analogies and appeals to authority as thoroughly as poets and preachers—though with less understanding of why.

There is a danger, however, that a hermeneutical approach to economic analysis could be used to encourage the uncritical acceptance of modern economics.³⁴ The hermeneutical approach would not oppose the call for much greater empirical testing of economic theories. The falsification criterion is central to the coherence test applauded earlier. While still a minority view within the economics profession, the hermeneutical approach is being taken seriously by some. For example, economists Arjo Klamer and McCloskey³⁵ claim that economists have begun to see that their talk is rhetorical—an honest argument directed at an audience. This does not warrant a casual indifference to truth as newly understood. Consequently, they question what constitutes economic knowledge. In so doing, they point to specific influential papers as examples: one in the rhetoric of the hypothetical-deductive model of science, but which looks more like a charming metaphor; and another in the rhetoric of empirical finding, but which looks like a reading of history. Furthermore, prior convictions appear to have a large effect on the econometric results of normal economics. They question the point of publishing one's prior convictions dressed up as findings. They go on to argue that 'all conversations are rhetorical' and to recommend 'a rhetorically sophisticated culture for economists, following Richard Rorty in which neither the priests nor the physicists nor the poets nor the Party were thought of as more "rational" or more "scientific" or "deeper" than one another'.³⁶ They suggest, however, that being a good conversationalist asks for more than following some method. It asks for goodness. Presumably this means serious adherence to the norms of the scientific subculture, including the subjection of claims to serious and honest examination.

In the same spirit, American historian of economic thought Robert Heilbroner (1919–2005) reminded us that for Smith, rhetoric—the art of speaking effectively—was the rock on which economics stood.³⁷ He sympathises with McCloskey's attack on the pretentious scientism in which economists couch their mutual persuasions. He sees such scientism as dangerous, in that it conceals, or minimises, the elements of judgement and moral valuation that are an intrinsic part of economics. Indeed, for Heilbroner, economics is ideological, by which he means an earnest and sincere effort to explain society as its ideologists perceive it—an effort to speak the truth at all costs: 'What is "ideological" about such an effort is not its hypocrisy but its absence of historical perspective, its failure to perceive that its pronouncements are a belief system, conditioned like all belief systems by the political and social premises of the social order.'³⁸

From this perspective, economics is intrinsically normative and directive in that it embodies the constitutive beliefs of its parent society. These beliefs are intrinsically political, in part the result of the self-justifying intentions of their

spokespeople. It is also because all societies presuppose structures of subordination and superordination, of cooperation and conflict-resolution and of the justification and use of power. Consequently, all systems of social thought must contain that political character, knowingly and explicitly, or unknowingly and in disguise.

Of course, many economists dismiss methodological questions on the grounds that all the effort to determine whether economics is a science or not has never advanced economics in any practical sense.³⁹ This is not a tenable position in this inquiry. In practice, economists do pronounce with apparent authority on policy issues. What is the source of that authority?

Can Moral Philosophy Assist Economists in Providing Policy Advice?

The above critique of modernity calls into question the claim that moral and legal reasoning could imitate geometrical forms of argument. As indicated above, this particular idealisation of human rationality—this attempt to legislate how we are to think so as to achieve certainty, to privilege a particular class of stories and story-tellers—has been subject to quite destructive criticism. Contemporary philosopher Christopher Cherniak concludes as a result that ‘the pervasively and tacitly assumed conception of rationality in philosophy is so idealised that it cannot apply in any interesting way to actual human beings’.⁴⁰

In the face of these philosophical and methodological conclusions, the extent to which economists can have anything special to say on public policy development as a result of their ‘economic expertise’ is deeply problematic.

It is, however, at this point that we encounter the superficially helpful suggestion that economists should turn to the study of moral philosophy if they are to offer relevant policy advice. This turn to moral philosophy is, however, no turn at all. It is where economists have been all along—albeit disguised behind mathematical jargon. They seem to have forgotten that Smith, their hero, was a moral philosopher who considered his *Theory of Moral Sentiments* his greatest work. Indeed, neoclassical economics is inherently utilitarian and hedonistic. An appeal from economics to utilitarianism is therefore no more than an appeal from Caesar to Caesar. It is simply a further appeal to the Enlightenment’s failed search for *epistēmē* in social, political and moral theorising.

The suggestion assumes that moral philosophy can produce rational answers to the moral questions raised by public policy questions, but it is that very concept of rationality that is in question. In any event, this search for basic principles of ethical action has run into the sand. The metaphysical and teleological superstructures that held the medieval and classical worlds together were dismantled by the Enlightenment project, which began as a rejection of religion as the guarantor of legitimacy and meaning. That project’s search for a

replacement collapsed and left a vacuum. As MacIntyre concludes, '[I]n spite of the efforts of three centuries of moral philosophy and one of sociology, [we] lack any coherent, rationally defensible statement of a liberal individualist point of view.'⁴¹ The project has privatised all sources of meaning and belief, ensuring that no other tradition can assert itself as the sole claimant of a shared and public conception of good.⁴² Saul makes a similar point: 'There is an ever-growing difference between theory and practice—that is, between theories of ethics and the ethical reality we know and understand. The result has been...the irrelevance of much of ethical theory to the ethical lives that people are actually striving to lead.'⁴³

Importantly, why should we attach more weight to the pronouncements of philosophers on moral issues than those of other people?⁴⁴ There is little reason to believe that the academic practice of moral philosophy has any privileged authority to determine the style and method of thinking on moral matters, what the serious problems are and how they should be characterised.⁴⁵ The normative assumption underlying this form of justification is never justified. Apparently, we are somehow required by reason to accept certain basic moral injunctions; but where reason acquires this power to compel is never explained, it is simply assumed. This is a major problem:

Again and again over the last 2,500 years we have been subjected to the assertion that reason alone allows us to identify and use ethics. The intention has often been good. But the effect each time has been to turn ethics into a creature of reason...It is this assumption about intellectual form which is central to distancing ethics from real use.⁴⁶

Despite their high claims, however, moral philosophers do not start from a blank slate when they begin their system building. They start from an impression of the everyday social reality embodied in culture, language and tradition. For example, at the end of the day, Rawls seeks to justify the norms that he thinks are the critical ones in *his* society and to legislate them. As Saul points out, however, his procedure—which identifies justice with fairness and defines a person's good as the successful execution of a rational plan of life—is embarrassing in its naïvety.⁴⁷ Similarly, Yale philosophical theologian Nicholas Wolterstorff—noting that Rawls is trying to resolve the conflict in the American tradition between freedom and equality—questions how one could reasonably expect to extract principles from that American culture that could resolve that conflict.⁴⁸ Many other philosophers, including Nozick, could be accused of similar naïvety. In Nozick's case, the fundamental premise that we are born with certain intrinsic rights, which override all other considerations, is simply not true. That is only something that some of us say in a particular cultural environment. The consequence was that at the end of his life Nozick was left wondering why what he thought worked in theory did not work in practice.

For his part, Habermas rejects the idea of value-free inquiry, and instead advances a critical dialectic-hermeneutic approach to social and moral theorising.⁴⁹ He distinguishes between practical and technical instrumental knowledge, seeing the practical as the sphere of fully human activity—knowledge of which can be reached only by open human discourse. He believes that there is a crisis of legitimacy in the contemporary capitalist world arising from the fundamental conditions of capitalist societies and the social-welfare responsibilities of mass democracies. While this is a continuing problem for political and social discourse—as political and social theorists have always recognised—this particular crisis lies at the heart of the popular dissatisfaction with economic fundamentalist policy prescriptions. Habermas, however, retains his faith in rational discourse, believing that norms and institutions can be justified through rational discourse and consensus linked to the intention of a good and true life. For Habermas, legitimacy rests on rational justification. He therefore searches for the ideal speech conditions under which rational consensus can be achieved through unrestrained universal discourse. The ideal speech community, he postulates, can then provide a critical standard against which to judge the consensuses reached in practice. In this he is attempting, like Rawls, to define an ideal situation in which agreement can occur. Habermas and Rawls value freedom, rationality, equality and knowledge as essential preconditions for achieving consensus and valid moral principles.

Since we do not live in such a world, we cannot know what would command agreement, and consequently what ethical principles to recommend.⁵⁰ Both accounts, however, are important in reminding us that such judgements, to be legitimate, must rest on social consensus. They point to the fundamental importance of maintaining the health of our democratic traditions and institutions in the hope of approaching a basis on which we can all accept the legitimacy of the government's normative decisions. Let us face it, however: our public political discourse is in disarray. In particular, our federal parliament has degenerated into a farce devoted to the manipulation of the electorate, with Question Time a circus involving childish point scoring on all sides. Worse, ill-conceived, rapidly drafted complex legislation is rammed through the parliament with the minimum of examination. We deserve better! More broadly still, dishonesty in public discourse, the manipulative exploitation of the public's fears for political advantage, the demonising of political opponents or other individuals and groups and using public funds to finance political propaganda all threaten our traditions and institutions. As Hitler, Goebbels and Stalin taught us, such conduct is part of a slippery slope that ends in tyranny and death camps.

Accordingly, we need to look to the quality of our public discourse and the real reform of our democratic institutions. I believe, for example, that there is a strong case for a constitutional bill of rights. We should also limit the present excessive power of the prime minister and the Executive. An elected presidency

might make sense in providing an additional check to the accumulation of excessive power by the prime minister, as would fixed terms for both houses of parliament and proportional representation in the House of Representatives. In addition, we need to increase the accountability of ministerial staffers. Other highly desirable changes include an independent speaker in the house, a greatly strengthened committee system in the house, senate scrutiny of appointments to the courts and statutory bodies and the restoration of some autonomy and balance to the Australian Public Service. Re-establishing an independent Public Service Board and restoring tenure and appeal rights at senior levels would help the last. In addition, we need to find some way to better balance the influence of central coordinating agencies over other departments. This could involve, in particular, a reduction in the size and influence of the Department of Prime Minister and Cabinet so that it operates more as a coordinating agency rather than as a super department second-guessing and overseeing all others. Similar concerns apply to the excessive influence of the Departments of Treasury and Finance and Administration. Accountants make good servants but poor masters.

Finally, as a community, we have to stop our governments using public funds for party-political advertising. Such conduct is of questionable morality as is systematic pork-barrelling in marginal electorates.

This democratic need is reinforced by the realisation that in practice there are different and incompatible schools in moral and political philosophy, each claiming rational justification.⁵¹ Moral and political justifications take many different forms and people give many different justifications for these judgements. It follows that moral disagreements are the essence of political debate. These conflicting moral and political traditions are embedded in our moral vocabulary, culture and tradition: '[W]e live with the inheritance of not only one, but a number of well integrated moralities. Aristotelianism, primitive Christian simplicity, the puritan ethic, the aristocratic ethic of consumption and the traditions of democracy and socialism have all left a mark on our moral vocabulary.'⁵²

Weber made a similar point when he claimed that modern people lived in a world of warring gods, presiding over highly organised but incompatible value systems. The extraordinarily powerful demands of kinship, economics, politics, art, love and science are inconsistent.⁵³ Indeed, Steven Tipson points out that such moral ideas change their meanings and social usage over time within all cultures.⁵⁴

These incompatible traditions—when taken with the Enlightenment's privatisation of morality—mean that moral values are now often taken to be a matter for individual choice. The practical result is that arguments alone can give no definitive answer to moral questions, and all such philosophers do is disguise the answers they want to give as the verdict of philosophical inquiry.

Thus, 'expert' policy advisers are in a position to pick their school of moral thought to suit their rhetorical and ideological purposes, hiding their choice behind a cloud of impressive rhetoric. Hausman and McPherson warn us also of the many dimensions of moral appraisal and against reducing these many dimensions to one or two.⁵⁵ In practice, however, moral discourse seems to be afflicted with a very bad dose of reductionism.

This appeal to moral theory leads to a reliance on theoretical stories to explain moral values rather than real reflection on experience. At the heart of many such theoretical accounts remains the Enlightenment idea that social life is logically secondary to an unconstrained non-social life in which what people do is a matter of their individual 'natural' drives and choices. This psychological vocabulary presupposes an established web of social and moral relationships.⁵⁶ Moral justifications are always justifications to somebody who accepts the relevant standard.⁵⁷

Indeed, MacIntyre⁵⁸ points out that contemporary moral philosophy is characterised by radical disagreement, interminable arguments and incommensurable premises. There is no rational way of securing moral agreement in our culture. We have competing and conflicting theories. For example, there are deontological theories such as those of Rawls, Nozick and Gerwith, which focus on the individual and usually take duty or rights as the basis of morality. We also have teleological theories, which judge actions on the basis of their consequences alone. From this teleological perspective, we can know whether something is right only if one knows the fundamental aims or ends that our activities are to promote.

The arguments MacIntyre cites are logically consistent, but their premises are such that there is no way of weighing their respective claims.⁵⁹ These premises employ quite different normative concepts, so that their claims are of different kinds. Furthermore, there is no established way of deciding between these claims in our society. The invocation of one premise against another is pure assertion and counter-assertion. The different conceptually incommensurable premises of rival arguments can be traced easily to a wide variety of historical origins, but we should not underestimate the complexity of the history and ancestry of such arguments. We need to recognise that the various concepts that inform our moral discourse were originally at home in larger totalities of theory and practice in which they enjoyed a role and function supplied by a context of which they have now been deprived.

This has led MacIntyre to complain that moral philosophy is often written as though the history of the subject were of only secondary and incidental importance. Some philosophers have even written as if moral concepts were timeless, limited, unchanging, determinate species of concept necessarily having the same features throughout their history. The history of ethics demonstrates,

however, that moral concepts change as social life changes. For example, the list of virtues in the *Nicomachean Ethics* reflects what Aristotle takes to be the code of a gentleman in contemporary Greek society.⁶⁰ To understand a concept is always to learn the grammar that controls the use of such words and so to grasp the role of the concept in language and social life. There are, however, continuities as well as breaks in the history of moral concepts. The complexity is increased because philosophical inquiry itself plays a part in changing moral concepts.

Consequently, it is not clear that an investigation of how a concept is used will yield one clear and consistent account. Furthermore, if part of our ethical knowledge is tacit—as argued in Chapter 2—it might not even be possible to articulate the concepts successfully. Moreover, the current state of moral philosophy involves a whole range of interconnected, different views. The parties to these different views will not agree that they can be settled by empirical inquiry into the way in which evaluative concepts are really used. The ordinary use of moral concepts could on occasions be confused or even perverted through the influence of misleading philosophical theory. For MacIntyre, therefore, it is important for us to discover the narratives we inhabit, recognising that competing groups inhabit incommensurable universes of discourse.⁶¹

For his part, Rorty questions whether we already possess the moral vocabulary necessary to determine whether we are doing justice to others.⁶² He argues that since Kant and Bentham, moral philosophy has identified moral perfection with doing justice to others, taking for granted that we already possess the necessary vocabulary. From this perspective, the problem is to split the difference between Kant and Bentham—between the categorical imperative and the utilitarian principle as formulations of ‘the moral law’. This reduction of morality to the moral law has twin roots in the Christian and scientific traditions. On the one side, it is an attempt to update and make respectable the Judaeo-Christian idea that all the laws and the prophets can be summed up in respect for one’s fellow humans. On the other hand, it is an attempt to secularise ethics by imitating Galileo’s secularisation of cosmology, finding nice, elegant little formulae with which to predict what will happen. Consequently, when Aristotelians, Kierkegaardian Christians, Marxists or Nietzscheans argue that there is more to moral philosophy than that—that we might not yet know the words that will permit us to deal justly with our fellows—they are said to confuse morality with something else, something religious or aesthetic or ideological. When philosophers protest that what is needed is not rules that synthesise the utilitarian principles and the categorical imperative but rather a morally sensitive vocabulary, they are seen as doing something rather odd and ‘literary’, not to be confused with moral theory.

For Rorty, the difficult moral cases are ones in which we grope for the correct words to describe the situation, not ones in which we are torn between the demands of two principles. The fiction of real moral and political questions being resolved by finding the morally relevant features of the situation—those that can be described in the vocabulary in which classical moral principles are stated—should not be taken seriously. We should not think of our distinctive moral status as being ‘grounded’ in our possession of mind, language, culture, feeling, intentionality, textuality or anything else. These numinous ideas are simply declarations of our awareness that we are members of a moral community, phrased in pseudo-explanatory jargon. This awareness is something that cannot be further ‘grounded’; it is simply taking a certain point of view on our fellow humans. It is the ability to wield complex and sensitive moral vocabularies that counts as moral sophistication. What makes the modern West morally advanced is not a clear vision of objective moral truths but its sense that we are creating morality—a moral text—rather than discovering nature’s own moral vocabulary. What needs to be emphasised is that the moral vocabulary does not stand alone, but, in any culture, is supplemented greatly by endless narratives, which aim to explain the way in which the vocabulary should be used.

This emphasis on the existing moral vocabularies stands as a healthy correction to the Platonic system-building tendencies of Western rationalism. Indeed, Wolterstorff argues that we must carry on politics without a foundation. There is no neutral or coherent set of principles—no single story—that can adjudicate such conflicts as that between freedom and equality. Rather, Wolterstorff seeks a unity that emerges from dialogue in a society characterised by religious, moral and philosophical pluralism.⁶³ In this same spirit, American developmental psychologist Norma Haan looks to the construction of an empirically based, consensual theory of everyday morality.⁶⁴ This morality of everyday life is not a capacity that resides exclusively in individuals; it is social exchange in itself. For Haan, several Platonic ideas have obscured the simpler features of everyday morality. For example, it is assumed that for a moral theory to be adequate, it should provide clear and absolute guidance for all the important problems of living. Consequently, formulations of everyday morality have usually been depreciated as being relativistic and inferior.

In the spirit of Toulmin, Haan argues that such absolute claims attract human beings because they seem to deliver the security of moral clarity. Associated with this is an assumption that we can know a complete morality only when it is presented by a higher authority or by morally elite figures. The consequence of this way of thinking is that leaders can then employ morality and manipulate guilt as an instrument of political control. People’s deep commitments to their various groups make them highly vulnerable and responsive to this form of manipulation. Leaders’ public judgements of moral merit quell the efforts of the disadvantaged to promote their own good: those of lower status are guilty,

intrinsically unworthy and have not earned the right to expect more. For Haan, however, everyday morality has no source other than the experience and agreements of people themselves. She therefore questions whether moralities must be in the form of complete, formalised systems, rather than the more proximate forms that emerge from the details of human interchange. In such a morality of everyday life, specialists are not needed. Under the influence of Piaget's work, Haan believes that the mind is active, rational and constructivist, and that morality must, therefore, be inductive and creative rather than compliant and rule deductive. She questions whether it is realistic to consider 'moral character' as a fixed faculty; rather, she sees moral responsiveness as a sensitivity and skill in social interaction. This would seem to require an ability to access the appropriate social text.⁶⁵ In this connection, psychology is moving towards the explicit recognition that humans are thoroughgoing social beings from birth and that infants are far less egocentric than previously thought.

When social interaction is taken as the pivotal feature of morality, a different view of moral processes, decisions, guidelines and individual capacities emerges. Moral dialogues occur continuously as major or minor events throughout the life of every person. People have a clear and strong expectation of engaging in moral dialogue as a means of organising the patterns of social thought and interchange. Consequently, moral dialogue can be regarded as the prime moral structure. The question of why people are willing to consider others' moral claims has some empirical answers. Haan⁶⁶ considers that people are willing to consider the moral claims of others for the following interrelated, empirical reasons:

- the need to conserve our view of ourselves as moral
- the mismatch between the moral person one thinks one is and the immoral person one is afraid one has been
- enlightened self-interest
- integrity among people, a matter of good faith.

This interactive view puts citizens and society in the difficult role of working constantly to achieve moral agreements. In order to be moral, people must really and authentically participate in building the morality they endorse and use. In particular, for Haan, a just society cannot exist without an interactive morality requiring equitable participation. The more remote justice is from the real experience of people, the less sensible it is for them to accept society as morally legitimated. This is a position very close to that advanced by Habermas—shorn of its Platonic tendencies. It also has much in common with the evolutionary account of the development of moral order advanced in Chapter 2. It is not, however, a position that rejects critical analysis, but it gives far greater weight to other forms of prophetic proclamation.

Conclusion

Earlier I argued that self-interest was not the fundamental ordering principle operating in society. This was in response to the argument from many economists that social norms and social groups could be explained as a result of a voluntary contract between self-interested individuals who made a rational calculation that cooperation was in their long-term interest. Rather it was claimed that human beings have always been social animals drawing their identity from their social relations and from their culture. Consequently, neither the self nor society had explanatory priority. As a result, the methodological individualism inherent in the social contract idea could not be sustained. It was also argued that our moral and legal infrastructures were essential to the social and economic system—the economic system being seen as a subsystem of the social system. An evolutionary account was given of the development of that social system. The neglect of the social underpinnings of economic activity by contemporary economists is surprising given the weight of earlier discussion. An account was provided in the previous chapter of the various ways in which that relationship has been described.

Chapter 4 developed a critique of the foundations of economic fundamentalism, examining a number of closely interrelated themes. The chapter has examined, firstly, the historical emergence of the intellectual basis of modernity and economic fundamentalism, recounting the waning of the medieval idea—inherited from Aristotle through Aquinas—that human beings are social and political beings necessarily involved in a network of social relations. This view was replaced by what was termed the natural-law outlook, in which the divine underpinnings of the inherited idea of natural law were gradually secularised. This was a trend associated with the developments of science and a desire to find a scientific and increasingly more natural explanation of the social order. Therefore, appeals to reason and nature—both increasingly divinised—provided a source of meaning and justification as comprehensive as the religion they had replaced. Social-contract theory emerged to provide a Newtonian and individualistic account of the social and political system. Gradually, the concept of contract replaced law and custom as the source of law and social obligations. Locke's account—with its emphasis on pre-social property rights—was particularly agreeable to the propertied classes. While the various theories recounted did not add up to a coherent whole, they reflected the Enlightenment's ambition to produce a secular, naturalist and rational justification for our moral allegiances and social arrangements.

Economics is the inheritor of this tradition of scientific discourse. This leads directly to the question of what kind of discourse is economics. Is economics a positive science or is it a moral discourse? Notwithstanding the ambitions of Hobbes and Locke and their successors to found our moral institutions on science,

in the past century economists have generally made a distinction between positive and normative economics—a distinction traced to Hume's distinction between facts and values. Normative economics involved the application of the positive science of economics to policy problems in which the choice of ends was seen as normative, with positive economics addressing the best way of achieving those ends. It has been argued that it is a mistake to think that explanatory theories occupy a privileged epistemological position compared with normative theories. There is no value-free vocabulary. It was concluded, therefore, that the distinction between positive and normative economics could not be sustained, and that economics was a moral discipline.

The question then arises as to what can be said about the status of economics as a science. It is clear that the positivist pretensions of science—in which scientific progress is viewed as the inclusion of more and more phenomena under natural laws of greater and greater generality—have themselves been undermined. While there is not complete agreement among critics of the positivist view of science, there is broad agreement on essential points. The belief that scientific knowledge is an accurate representation of 'reality' needs to be abandoned. Accuracy of representation is not achievable. Rather, science is a social practice in which knowledge is constructed socially to produce coherence—a social practice that in the physical sciences has just happened to work so far. Consequently, the empirical sciences cannot claim an essential grasp of reality and thus a privileged status.

This is no minor quibble but a fundamental attack on the whole Enlightenment project. What is involved is a decisive break in our world-view. In particular, the Newtonian mechanistic world-view—which has dominated Western thought since the sixteenth century—has been undermined along with any sense of objective certainty in the physical sciences or the political-cultural sphere. As a consequence, we have to live with a profound sense of historical relativism and the belief that there can be no overarching absolute principle that can reconcile all the relativities of human thought and experience. In particular, the possibility of demonstrating the truth of ethical propositions has been undermined. This critique has also undermined the credibility of much economic theorising, particularly its use—at a high level of abstraction—to support arguments for a minimalist government, arguments that have their origins with Locke.

Within the economics profession there are those who are taking this hermeneutical view of science and economics seriously. Others have sought refuge in moral philosophy as a means of supporting their policy recommendations. As might be expected from the critique of rationalism, moral philosophy is itself in disarray. In any event, it is where economists have been all along. Furthermore, the idea that we already possess the moral vocabulary

necessary for determining whether we are doing justice for others is disputed. It is the ability to wield a sophisticated moral vocabulary that counts, along with the awareness that we are creating—rather than discovering—morality.

It is against this background of deep scepticism about the claims of economics to moral neutrality that I turn in the next chapter to critique the content of mainstream economic theorising—or what is known as neoclassical economics.

ENDNOTES

- ¹ Putnam 1978.
- ² Seligman 1992.
- ³ de Lavoie 1990.
- ⁴ Horwitz 1992.
- ⁵ Phillips 1986, p. 37.
- ⁶ Webb 1995, p. 29.
- ⁷ Hume 1778, pp. 469–70.
- ⁸ Blaug 1980.
- ⁹ Weber 1949.
- ¹⁰ Robbins 1932.
- ¹¹ Lowe 1965. See also Alvey 1999.
- ¹² Mitchell 1918, cited in Meszaros 1995.
- ¹³ Lipsey and Harbury 1988.
- ¹⁴ MacIntyre 1981.
- ¹⁵ Of course, it could be responded that this does not undermine Hume’s logical point, as the concept of a social role involves a hidden moral premise. This response does not, however, deal with the practical implications of MacIntyre’s point. People are involved in social roles with socially defined moral responsibilities and to designate the role is also to designate the responsibilities.
- ¹⁶ Bush 1991.
- ¹⁷ Carnap 1934, p. 22.
- ¹⁸ Phillips 1986.
- ¹⁹ Putnam 2002.
- ²⁰ *Ibid.*, p. 20.
- ²¹ Quine 1963, p. 405.
- ²² Boulding 1970.
- ²³ Myrdal 1953, cited in Stark 1971, p. 66.
- ²⁴ Haan et al. 1983.
- ²⁵ Rorty 1980.
- ²⁶ *Ibid.*
- ²⁷ Toulmin 1990.
- ²⁸ Haan et al. 1983.
- ²⁹ *Ibid.*
- ³⁰ Samuels 1980.
- ³¹ Hausman and McPherson 1996.
- ³² Saul 2001.
- ³³ McCloskey 1994.
- ³⁴ Blaug 1980.
- ³⁵ Klamer and McCloskey 1988. See also Samuels 1990 and de Lavoie 1990.
- ³⁶ Klamer and McCloskey 1988, p. 32.
- ³⁷ *Ibid.*, pp. 38–40.

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- 38 Heilbroner 1990, p. 109.
- 39 Hoover 1995, p. 715.
- 40 Cherniak 1986, p. 5.
- 41 MacIntyre 1981.
- 42 Gascoigne 1994a.
- 43 Saul 2001 citing Tierney ????, p. 85.
- 44 Kennedy 1981.
- 45 Gaita 1991.
- 46 Saul 2001, pp. 90–1.
- 47 Ibid.
- 48 Wolterstorff 1995, cited in Hauerwas 2002.
- 49 Phillips 1986.
- 50 Habermas 1998.
- 51 Hausman and McPherson 1996.
- 52 MacIntyre 1966, p. 266.
- 53 Weber 1958.
- 54 Tipson 2002.
- 55 Hausman and McPherson 1996.
- 56 MacIntyre 1981, pp. 17–18.
- 57 MacIntyre 1966, p. 49.
- 58 MacIntyre 1981.
- 59 Ibid.
- 60 MacIntyre 1966.
- 61 Hauerwas 2002.
- 62 Rorty, Richard, Haan et al. 1983.
- 63 Wolterstorff 1995.
- 64 Haan et al. 1983.
- 65 Lacan 1991.
- 66 Haan et al. 1983, p. 238.