
Some Philosophical Aspects of Economics

Author(s): Arthur Peter Becker

Source: *Philosophy of Science*, Jul., 1948, Vol. 15, No. 3 (Jul., 1948), pp. 242-246

Published by: The University of Chicago Press on behalf of the Philosophy of Science Association

Stable URL: <https://www.jstor.org/stable/185086>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



The University of Chicago Press and Philosophy of Science Association are collaborating with JSTOR to digitize, preserve and extend access to *Philosophy of Science*

JSTOR

SOME PHILOSOPHICAL ASPECTS OF ECONOMICS

ARTHUR PETER BECKER

The naive misunderstanding among economists of the relationship between economics and philosophy is as profound as it is prevalent. To be sure, economists have concerned themselves with the philosophy of economics only so much as to familiarize themselves with methodology and its application to economic inquiry. Since economics is the oldest and perhaps the most "respectable" of the social sciences its scholars have developed a phobia for anything they might suspect to be even remotely unscientific. Consequently, they have erroneously narrowed their understanding of the nature of economics. This narrowness prevails largely because most economists possess little or no training in general philosophy and especially in the philosophy of science. As a result of this apparent deficiency there exists in the minds of these economists confusion and inability to distinguish between teleology, axiology, and ethics as they do or do not apply to economics.

Defining teleology broadly as the study of purpose as it may apply to any action in the universe which man can perceive or of which he can conceive, economics concerns itself with teleology in four ways. The consideration of purpose or ends is essential in order to:

1. motivate the search for laws,
2. serve as "ideal types" upon which economics depends heavily in formulating generalizations,
3. verify generalizations which are viewed as ends to be validated,
4. decide which social actions and patterns are or are not economic.¹

The first three points summarize the etiological purposes of economics. While economists are continually inquiring into causality, it is amazing how many of them have never reflected upon this fundamental purposiveness inherent in every science. Every science has a *raison d'être*, whether it be for the useful application of pure knowledge for an individual person's benefit or society's welfare or whether it be merely to afford mental gymnastics or a means of livelihood for academicians. In addition to its reason for being, a science necessarily engages in the construction of ideal types, models or sets of conditions or assumptions with the purpose of arriving at laws. Then subsequent to the discovery and formulation of laws, the latter become the objects of constant testing and application with the purpose of either rejecting or verifying them. The methodology involved is familiar to all scientists.

It is with respect to point #4 that many economists object because it repre-

¹ "Social actions" are the actions of individuals or groups of persons as they relate to other individuals or groups of persons. They are the dynamic expression of "social patterns" such as customs, conventions, and institutions which may be viewed as static in thinking about them. A social action or pattern is "economic" if it renders maximum satisfaction to an individual or group with given resources or if it attains a prescribed level of satisfaction with the least of scarce resources.

sents a purposiveness which is not characteristic of the natural sciences. The determining of economic values may be referred to as the axiological purpose of economics. This purpose should not be considered "unscientific" but rather "non-scientific" since the measurement of economic values utilizes the same methodology² that is employed in the search for causality in all sciences. Many economists fear ridicule and the charge of "pseudo-scientist" if they venture beyond the natural scientist's confines. Yet the very nature of economics requires that it concern itself with the etiology of values much as the chemist concerns himself with the etiology of elements, compounds, and mixtures.

To reject the axiological or functional purpose of economics would eliminate the very heart of the discipline. It is the fundamental task of economics to decide whether or not, and the extent to which, a social process or pattern is economic, i.e., has economic value. The determination of price, the market value of a unit of goods expressed in money, has long been a major preoccupation of economists. The economist also is interested in finding out the preferences and the amount of satisfaction which the consumer derives from the goods he buys. Economics is purposive in that it seeks the correct preferences (those which give more satisfaction) of social actions and structures in terms of objective rules of valuation. Since objectivity can be observed in the investigation of economic values there is no danger that economics disqualifies itself as an objective discipline. The standards of value which persons hold can be determined empirically and otherwise objectively. The economist need not, nor should he, arrive at standards of satisfaction merely by consulting his own feelings. Precise economic values are found in markets which reflect in an accurate manner (sometimes to the fraction of a cent) the subjective values which people have for scarce goods. In barter, a market situation in which money is not used as a standard of value or medium of exchange, economic value is expressed in terms of exchange value with other commodities. Even without so much as actual barter to establish economic value, an individual person's subjective economic value for a good may be established in terms of contemplated exchange with other goods or, at the very least, a scale of preference or indifference with respect to other goods. Lest there be misunderstanding it should be emphasized that economic values themselves are a type of subjective values, however, they are determined and evaluated objectively. A fundamental difference exists in utilizing values as the object of inquiry as against their use in methodology. It is into this confusion that economists are prone to fall.

Whereas the etiological efforts of the natural sciences do not concern themselves directly with values of any sort, the primary concern of economics is that of a certain kind of value, namely the value which human beings derive from scarce goods. There are many other kinds of human values which may indirectly bear upon economics. Recreational, religious, educational, political, and military activities have their own standards of value which may well influence one's desires for scarce goods as well as production to overcome scarcity. Food, cloth-

² Methodology here refers to the objective or logical rules of procedure necessary to arrive at correct belief.

ing, schools, chapels, military installations constitute or embody scarce resources to meet health, ethical, educational, religious, and military standards of value. Economics concerns itself with only one aspect of these types of values, i.e., to the extent that they influence economic values, yet economics does not, as some economists would claim, divorce itself of *all* values.

The functional or axiological values of various social activities and structures interpenetrate and are thoroughly interdependent, yet they can be separated conceptually. Moreover, there should be no question as to the possibility or propriety of applying methodology to investigate, validate, and evaluate events and situations in terms of the functional value of each category of social processes and structures. We can illustrate this point by making the judgment that the depleting of oil reserves would seriously impair military strength of the modern nation. Since military values are in terms of achieving social control by force and since oil for military machines is essential in exercising sufficient force of violence and destruction, it follows that the depleting of oil reserves is a process of negative military value.

One of the purposes of any science is to be able to predict actions. So it is in economics in which the results of inquiry into cause and effect relationships furnish the basic tools for predicting whether or not a given social action or pattern is economic. Such prediction is the ultimate task of the economist. The object of inquiry is more or less economic value which now becomes the object of prediction. However, predictions of value must not be confused, as they are so often, with "value judgments." The latter are normally thought of as barriers to objective methodology. Predictions or judgments, based upon scientific methodology, with respect to the economic value of social actions or patterns are quite different from allowing value judgments, as subjective preferences, to influence the discovery and application of scientific laws.

Many economists disclaim any interest in goals or ends.³ They avoid passing judgment on war, profits, private property, socialism, the progressive income tax, and other conditions or institutions. Such neutrality with respect to ends which individual persons or societies may seek is incoherent. Economics would not be realistic if economic judgment (as to whether or not, and to what extent, a social action or pattern is economic) or judgment of economic values were not universally applicable. For the sake of synoptic consistency ends must be judged as well as the means. Not to do so would establish the economist's approach as arbitrary and hence unscientific. On the other hand, while the economist must judge the economic value of means and ends it is not his function to pass judgment on other types of values, i.e., non-economic values. Nevertheless, since economics avoids the evaluation of other than economic values, the notion that economics remains aloof from any and all judgments of value is an erroneous oversimplification.

To make an economic judgment is an entirely different thing from deciding

³ See: J. E. Cairnes, *The Character and Logical Method of Political Economy* (second edition), pp. 37-38; H. J. Davenport, *The Economics of Enterprise*, p. 126; Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (second edition), p. 24.

whether or not and to what extent an economic action or pattern is right, wrong, good, or bad. An action which is very economical, such as extreme specialization of labor, may be good for the dullard and at the same time bad for an intellectually curious and creative person. Society or an individual person may prefer or desire a given behavior, institution, or good even though it is grossly uneconomic from either or both viewpoint. While an economist may indicate an economic preference, such indication is not equivalent to an ethical judgment, for rightness or wrongness, in the sense of good or bad, is derived from many social standards which are mainly religious in nature, except for the pragmatic viewpoint. These ethical standards differ in various communities and it is often difficult to prove their logic within the current social framework. Economic standards are generally more rigid and less varying.

While most ethical values cannot be determined objectively, pragmatists take exception to that view. Inasmuch as pragmatic ethics embraces certain functional economic values as good and thus tests economic goodness objectively just as the economist tests economic values, the possibility of confusion arises as ethical values are merged with certain functional (axiological) values of economics. We can separate these types of values in two ways. First, it must be realized that the axiological value of economics refers to whether a given action, structure, and scarce good will give more or less satisfaction. "Satisfaction" here refers to psychic equilibrium or repose which may or may not bear any relation to morality. While this relation does exist in a peculiar sense for the pragmatist, it does also for the hedonist, although in a different way. Yet most standards of ethics have little, at any rate not exclusive, sympathy for the satisfaction of a person's desires with scarce goods. In fact, the dominant ethics of Western Civilization, i.e., Christianity, goes quite contrary to functional economic value. A second aid in separating ethics from economic values is recognizing that most systems of ethics are purely social or individualistic, although often it is difficult to determine along which of these lines the system hues.⁴ On the other hand economics must concern itself with both the desires of individual persons as well as those of groups of persons. A very fundamental task of economics is to judge economic values as they exist or develop for individual consumers and producers as well as for society in general. Economists are interested in the value of scarce goods for individual persons with unique desires and also for groups of persons with similar desires. While a given action, such as the bombing of a community, may be uneconomic for a group of persons it might well be economic for the food merchant whose stock came through unscathed. This is an instance of economic value created for an individual and destroyed for the *entire* community all at the same time by the same action. Judging the event from an ethical viewpoint, it could hardly have been ethical and unethical at the same time.

Economics concerns itself with economic values from the individual and social viewpoint both in the short run and in the long run. The economist must not as

⁴Pragmatists of various types seem to contradict each other as to whether the basic viewpoint should be individualistic or social.

a scientist allow his judgment of economic value with respect to any of these categories to be influenced by his moral preferences. Economic values are in no sense predicated absolutely upon ethical values. Thus, it would be unscientific and hence invalid for the economist to say that scarce goods have economic value only if the desires held by persons are considered ethical. Unethical desires for scarce goods bring forth economic values just the same as ethical desires. Pragmatism would like to identify economic ethics with functional economic values for groups of persons (according to one type of pragmatism). To do so would unduly narrow the scope of economics and make it merely a branch of pragmatic ethics. Once again the science would become a division of moral philosophy as in the day of Adam Smith.⁵ While the pragmatists are entitled to view certain types of economic action as good or bad, which is no less than any other system of ethics does, such ethical judgments cannot be the basis for economic judgments.

It is the making of ethical judgments, in any form, that economists must avoid *as economists*. However, ethics must not be confused with the study of values. Such confusion is the major error into which economists fall. A second error is the perhaps thoughtless rejection of concern with values of all types, failing to recognize that the very object of study in economics is a specific type of value, which does not require the sacrifice of scientific methodology. Lastly, while the economist must not permit his inquiry, appraisal, and prediction to have any other purpose than that pertaining to economic value and its causality (and this restriction includes purposes pertaining to all other values, and ethics entirely) he falls into the error of believing that economics is non-purposive. This extreme reaction against the purposive nature of economics is, obviously, untenable.

The Ohio State University

⁵ The situation would be even more ridiculous inasmuch as Dr. Dewey's biological pragmatism would make philosophy, and thus economics as well, merely a branch of biology.