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Behavioral Economics and the Positive-Normative Distinction: Sunstein's *Choosing Not to Choose* and Behavioral Economics Imperialism

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Behavioral economics and the positive-normative distinction: Sunstein's *Choosing Not to Choose* and behavioral economics imperialism

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Abstract: This paper examines behavioral economics' use of the positive-normative distinction in its critique of standard rational choice theory as normative, and argues that it departs from Robbins' understanding of that distinction in ways that suggest behavioral economists themselves do not observe that distinction. One implication of this is that behavioral economists generally do not recognize Putnam's fact-value 'entanglement thesis' while a second implication is that the charge that rational choice theory is descriptively inadequate paradoxically appears to mean that it does not employ the implicit value basis and normative vision that behavioral economics recommends, thus actually violating Robbins' distinction. This latter argument is developed through an examination of Sunstein's *Choosing Not to Choose* which uses nudge policy in the form of default rules to advance a different conception of freedom than standard choice theory employs. The paper goes on to argue that behavioral economics imperialism, particularly in the form of behavioral development economics imperialism, is more about promoting its implicit value basis and normative vision over that promoted by standard rational choice theory than about advancing an alternative conception of economics for social science. A final section comments on economics' status and relation to the other social sciences.

Keywords: positive-normative, Putnam, Sunstein, freedom, economics imperialism

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1 Behavioral economics' use of the positive-normative distinction

There is considerable debate about the differences between behavioral economics, as understood by followers of prospect theory, and standard rational choice theory, but one of the main differences between them has been framed in a methodological way in terms of the idea of descriptive adequacy, where the meaning of this idea draws on the positive-normative distinction (or the descriptive-normative distinction). From the perspective of behavioral economics, then, rational choice theory is regarded as a normative theory because it explains how agents ought to behave in order to be rational, whereas behavioral economics is regarded as a positive theory because it describes how agents actually behave. In his Nobel lecture, Daniel Kahneman made this a salient difference, and consequently drew a hard line between behavioral economics and rational choice theory.

> One novelty of prospect theory was that it was explicitly presented as a formal descriptive theory of the choices that people actually make, not as a normative model. This was a departure from a long history of choice models that served double duty as normative logics and as idealized descriptive models (2003, 1456).

For behavioral economists who follow Kahneman, then, rational choice theory is descriptively *in*adequate because it is normative, and behavioral economics is descriptively adequate because it is positive or non-normative (see Hands, 2015; Heukelom, 2014, 62-6).

Yet how the positive-normative distinction is being used here is somewhat different from how that distinction has traditionally been used in economics. Consider the understanding of the positive-normative distinction in economics derived from Lionel Robbins and still held by many economists (Robbins, 1932). The distinction involves two main ideas in Robbins' view, one regarding language and another regarding the relationship between science and ethics (Hands, 2012; Davis, 2015). The first idea – derived from David Hume's is-ought distinction – is that there is a fundamental difference between statements or claims using 'is' language that are positive and value-free and statements or claims using 'ought' language that express values, whether explicitly or implicitly. The second idea is that purpose of the positive-normative distinction is to draw a hard line between a value-free, scientific economics and an unscientific economics in service to ethics. To say, then, that rational choice theory is normative because it explains how agents ought to behave if they are to be rational appears to invoke the first idea, because a descriptively adequate science is not one that formulated in terms of 'ought' language but rather one that is formulated in terms of 'is' language.

But Robbins' second idea is not part of behavioral economists' criticism of rational choice theory. The reason rational choice theory is regarded as normative by behavioral economists it that its axiomatic requirements regarding preferences determine how agents ought to behave in order to be rational, not because it contains any implicit ethical reasoning (Hands, 2015, 6-7). Thus behavioral economists do not claim that rational choice theory falls on the wrong side Robbins' line dividing a value-free, scientific economics from an unscientific economics in service to ethics. At the same time, there is no evidence that behavioral economists reject Robbins' second idea, and good reason to suppose that they accept it since the ideal of a 'descriptively adequate science' is a science that is presumably value-free in the sense of not employing ethical values.[1] Summarizing their use of the positive-normative distinction, behavioral economists:

(i) use the distinction to criticize the method of explanation rational choice theory employs
(ii) restrict their criticism of rational choice theory as normative to its implicit recourse to ought language
(iii) accept Robbins' distinction between value-free science and value-laden non-science
(iv) place both behavioral economics and rational choice theory on the side of value-free science.

The only issue, then, that seems to separate behavioral economics and rational choice theory is *how* descriptively inadequate rational choice theory is, since behavioral economists allow that sometimes rational choice theory predicts well even if they believe that it generally fails to predict well. Indeed, much of the debate over the merits of behavioral economics versus standard rational choice theory comes down to a debate over whether empirical evidence, especially from experiments, supports one approach or the other.[2] This, however, has little to do with the charge that rational choice theory is normative, and rather reflects a dispute over the relative merits of top-down axiomatic methods versus bottom-up more empirical methods (or as Kahneman put it, a "formal descriptive theory" approach) in regard to which is likely to generate more descriptively adequate results.

This conclusion, then, clearly does not square very well with behavioral economics' claim that what distinguishes behavioral economics from rational choice theory is that the latter is

[1] 'Methodological' values, however, such as a preference for mathematical expression and the importance empirical testing, are acceptable values in a positivist conception of science, including for Robbins.
[2] And it is not just behavioral economists who challenge the descriptive adequacy of rational choice theory. Harrison and Swartout, for example, argue, in defense of rational choice theory, that in various respects behavioral economics is empirically weak and does not predict very well (Harrison and Swartout, 2014).

normative. Moreover, while rational choice theory can indeed be interpreted as employing ought language, this charge is also rather easily answered by rational choice theorists who can argue that if people are generally rational, then the behavior they describe is only what economists should typically expect to find, not behavior that they recommend agents ought to adopt (see Ross, 2005, 91).[3] From this perspective, the charge that rational choice theory is implicitly normative rests on a confusion regarding the interpretation of ought language. Contrary to Hume, ought language is not always used in a normative way, since saying 'we should expect to find such and such behavior' is a descriptive statement that rather uses 'should' in a non-normative probabilistic way. So while it can indeed be said that rational choice theory explains how agents ought to behave in order to be rational, what this means is that this is what we ought to expect of people who are generally rational, and thus does not mean that means rational choice theory is normative in the ethics sense that Robbins objected to.

What conclusions can we draw from this? I suggest there are four. First, behavioral economists who make this claim are apparently confused about what saying something is normative means. Second, it follows that they also do not seem to have a clear understanding of what the positive-normative distinction (or the descriptive-normative distinction) involves, as most economists following Robbins understand it. Third, it then follows from this that they are also unclear about what the distinction between value-free science and value-laden non-science involves, as shown by their placing rational choice theory on the on the side of value-free science while simultaneously declaring it to be a normative theory. Fourth, what behavioral economists however seem to be clear about is, as noted, that they regard rational choice theory as 'descriptively inadequate.'

I propose, then, the following interpretation of behavioral economics' critique of rational choice theory and understanding of the positive-normative distinction. On the one hand, behavioral economists (and also many rational choice economists for that matter) seem to be generally unaware of philosopher Hilary Putnam's 'entanglement' thesis regarding the positive-normative distinction – also understood as the fact-value dichotomy (Putnam, 2002). Putnam argues that the idea that science can be value-free, where it is ethical values and not just methodological values that are at issue, or Robbins' second idea, is simply wrong. Facts and values and science and ethics are inescapably 'entangled' with one another. I will not review Putnam's arguments here (but see Davis, 2015), though in outline they operate on two levels: language in science

[3] Indeed, using evolutionary reasoning, they could also argue that rational behavior is what economic agents *would* adopt.

cannot be clearly parsed into descriptive and value-laden language, as Hume mistakenly claimed; and values, ethical and methodological, often operate in science behind the scenes as it were in many ways that influence scientists' descriptions of the phenomena. I would only add to this that this seems more clearly so in social science.

On the other hand, then, I hypothesize – accepting Putnam's idea that science is not value-free – that behavioral economists' real complaint against rational choice theory when they charge that it is descriptively inadequate is that they do not accept the implicit value basis that rational choice theory employs and rather prefer a different value basis. Here by value basis I am specifically referring to ethical values. That is, I suggest that although behavioral economists put both themselves and rational choice theory on the same side of Robbins' divide between value-free science and value-laden non-science, if we take Putnam to be right that this divide does not exist, then behavioral economics' real complaint is that rational choice theory is descriptively inadequate because it promotes the wrong ethics/value-laden science. In effect, it mis-describes the values underlying economists' explanation of choice behavior.

This conclusion, needless to say, is not a straightforward one to defend because it requires interpreting behavioral economics' research program in a manner contrary to how most behavioral economists interpret it. Nonetheless, I believe that there exists a reasonable way to proceed with this argument, namely, by examining the assumptions behind behavioral economics' nudge initiative in relation to its explanation of behavior (Thaler and Sunstein, 2008). The nudge initiative is a new policy recommendation framework that shares rational choice theory's position that economic policy should be welfare increasing in the Pareto sense. It also shares with rational choice theory the idea that economic policy works through how it influences individual behavior. This is important because it means that the effectiveness of nudge policy ultimately is connected to how one describes individuals and their behavior, and this link, between policy goals and explanations of behavior, gives us one way of seeing how purportedly positive descriptions of economic behavior can be value-laden. Consequently, I will argue in the next section that how behavioral economists explain behavior depends on how nudges are thought to be effective, thereby making those explanations value-laden.

To make this argument in any kind of comprehensive way would require a full review of the nudge literature, which is beyond what a single paper can achieve. Thus, here I only examine the most recent, and in my view most sophisticated statement of the nudge view, namely Cass Sunstein's *Choosing Not to Choose* discussion of default rules (Sunstein, 2015). I will argue that what is important about nudge arguments for him are both their descriptive superiority to rational choice arguments – thus supporting behavioral economics' main charge – and also their superior ethical foundation – an implicit rejection of behavioral economics' general commitment to the idea of a value-free science but a fulfillment of what I treat as its implicit aims in advancing an alternative ethics conception of economics.

Section 2 discusses what would be required in Robbins' terms to keep descriptive explanations of behavior free of their associated ethics of policy recommendation, shows why behavioral economics nudge view of policy recommendation undermines this separation, and then distinguishes two different views of freedom that rational choice theory and behavioral economics each promote. Section 3 turns to Sunstein's *Choosing Not to Choose* discussion of default rules, his main interpretation of nudges, links this to his view of how he believes the nature and scope of freedom can be increased, and explains this in terms of his understanding of the relationship between markets and government. Section 4 discusses how the emergence of behavioral economics gives us a new understanding of what economics imperialism involves. I note that the standard view of economics imperialism presupposes Robbins' divide between science and ethics, and then argue that since this divide is more nominal than real for behavioral economists, economics imperialism is fundamentally normative in nature. The argument is applied to behavioral development economics. Section 5 makes brief concluding remarks about economics' status and relation to the other social sciences in light of the debate between standard rational choice theory and behavioral economics.

2 The nudge intervention

There are different ways in which ethical values can enter into explanations claimed to be value-free. For example, for Putnam descriptive terms often express values, as in his case of the word 'cruel' (Putnam, 2002, 24ff). Here, however, in order to make an initial comparison between rational choice theory and behavioral economics, I first focus on the relationships between values present in policy recommendations and explanations of choice behavior, and then use this comparison to move on to the larger question of how values directly enter into their purportedly positive explanations in both rational choice theory and behavioral economics. In the case of the normative influence of policy recommendations on explanations, then, my argument is that the latter are value-laden when they are framed by the values of present underlying the former. Both behavioral economics and rational choice theory employ Pareto judgments to make policy recommendations. However, in contrast to rational choice theory, nudge policies require a specific explanation of individual behavior if nudges are to be effective. So in this respect welfare as a value enters indirectly into behavioral economic explanations in a way that it does not in the case of rational choice theory.[4]

Consider first standard rational choice theory. It seems fair to say that its explanation of choice behavior is value-free in regard to its policy recommendations in that the way in which the theory explains choice does not depend on the values underlying the policy recommendations it makes using the Pareto criterion. The Pareto criterion merely recommends that states of affairs in which some individuals' preferences are further satisfied and no individuals' preferences are less satisfied. Whether individuals' preferences are more or less satisfied, however, implies nothing about how individuals' choices are explained in terms of their preferences. Rather, the influence runs in the opposite direction. The Pareto criterion is of course formulated in terms of the preference concept, but that reflects its dependence on the standard explanation of choice, not the reverse. Consequently, in the case of standard rational choice theory Robbins' firewall between recommendation and explanation is maintained, at least in regard to a possible influence of the former on the latter.

Compare this with behavioral economics' nudge view of policy. The Pareto criterion is also employed for policy recommendation, but its satisfaction now depends on how individuals' choices are changed by choice architects who as policy-makers are able to alter the circumstances of choice. The idea that policy-makers are able to alter the choices individuals make, of course, is based on behavioral economics' view that individuals suffer various psychological biases that cause them to make choices they would not make if they did not suffer these biases. Nudges accordingly make it possible for individuals to make the choices that they would make absent these biases, so that by offsetting these biases it is possible to effectively apply the Pareto criterion.[5] Thus the nudge interpretation of the Pareto criterion implies a certain description and explanation of behavior. When people suffer psychological biases, their welfare is lower. So this psychological analysis is based on the welfare concept. But this removes Robbins' firewall between recommendation and explanation since the normative goal, fulfilling the Pareto criterion, now underlies the explanation of behavior, so that description and recommendation are not independent of one another, and the explanation and description of individual behavior becomes value-laden.

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[4] For a review of the degree to which behavioral economics has influenced economic policy, see Geiger (2016).

[5] See Grűne-Yanoff and Hertwig (2016) for a distinction between nudges and boosts as two forms of policy intervention.

Given this, it seems that it is rather behavioral economics that is normative, not standard rational choice theory as behavioral economists claim. Yet at the same time, behavioral economics' companion claim that it is descriptively more adequate still seems credible, since the idea that people suffer psychological biases seems to provide a more realistic account of choice behavior than rational choice explanations that neglect human psychology. Note, then, that ironically this apparent greater realism is tied to how behavioral economists' Pareto policy recommendations transfer welfare values to their explanations of behavior. Specifically, in order to make their Pareto recommendations behavioral economists engage in counterfactual reasoning about choice behavior by describing it in terms of the choices that people *would* make *were* choice architects able to change their circumstances of choice. In contrast, rational choice theory, particularly in the form of revealed preference analysis, avoids counterfactual analysis by simply recording what choices individuals are revealed to make. It is behavioral economics' counterfactual analysis explanation of choice behavior, motivated by its presumed extension of Pareto welfare reasoning, that consequently provides both its claimed greater realism about behavior and generates its value-laden explanations of that behavior. In effect, what *would* be the case is determined by what *should* be the case when choice architects design nudge policies.

Perhaps this seems paradoxical. Let me then recast this argument about how values influence descriptions in much broader terms than the restrictive focus I adopted above regarding whether values involved in policy recommendation influence descriptions. On the surface of things, then, it is behavioral economics' introduction of counterfactual reasoning about behavior that breaks down Robbins' firewall, but in broader terms what that reasoning does is invoke a more nuanced conception of freedom of choice than standard rational choice theory employs. In standard rational choice theory, individuals, on their own, either make choices or do not when prices or other exogenous factors change the circumstances of choice. In behavioral economics, however, additional factors influence freedom of choice since choice architects' design of the circumstances of choice allows individuals to make choices that they otherwise would not make. In effect, behavioral economics introduces a form of social interaction between choice architects and people making choices that is meant to work in such a way as to increase individual freedom. This obviously complicates the idea of free choice as traditionally understood in rational choice theory, as demonstrated by the debate over whether libertarian paternalism, the label nudge policy initially had, is an oxymoron (Thaler and Sunstein, 2003). Thus, behind the issue of how the value basis in policy recommendation is transferred to behavioral economics' description of behavior lies a much larger issue of what freedom of choice involves that occupies both standard rational choice theory and behavioral economics.

From this perspective, that behavioral economics' counterfactual analysis explanation of choice behavior produces both an arguably more realistic explanation of behavior and also generates its value-laden explanations of that behavior is less paradoxical than it may seem. As a concept, free choice, as Putnam would argue, has both descriptive and normative dimensions, such that we cannot understand the concept without understanding the role each plays. We describe how people make choices and simultaneously value those choices to the extent we believe that they stem from what people freely want. Thus, behavioral economics, because it employs counterfactual reasoning in its characterization of behavior, makes this larger value issue regarding what freedom involves central to that characterization. So it is ultimately the value-ladenness of behavioral economics' explanations of behavior in regard to the nature of free choice that lies at the root of those explanations, not just in how its treatment of Pareto recommendations influences those explanations.

The opposition between standard rational choice theory and behavioral economics, then, is not just a matter of which approach is 'descriptively' more adequate, despite what behavioral economists claim. It is also, or perhaps primarily, a matter of which view of freedom of choice is *normatively* more adequate (cf. Ballet et al., 2014). From this it follows that *both* approaches are value-laden because they both advance explanations of behavior that depend on valuing freedom of choice. That is, both make the value of freedom, as they each interpret it, central to their descriptions of behavior. In the next section, then, I argue that ultimately the position of behavioral economists is that behavioral economics' 'descriptive' superiority to rational choice explanations is a matter of its superior normative foundation in regard to explaining freedom of choice – or that the 'descriptive' *in*adequacy of rational choice theory is for them due to its weaker explanation of freedom of choice. Both approaches, therefore, fall on the wrong side of Robbins's divide, but in fact the real message here regarding the positive-normative distinction – following Putnam – is that for both Robbins was wrong, even if lip service is paid to him, and the central issue is which approach has the better value-laden explanation of behavior. To make this argument, I take Sunstein as a key figure for behavioral economics in virtue of his articulation of the scope and nature of freedom when nudge policy is formulated in terms of the idea of 'defaulting' one's choices to others.

3 Choosing Not to Choose

Sunstein is an interesting contributor to behavioral economics because he was trained in law, has worked in government, and is not an economist. This suggests that he lacks the professional blinders that most economists exhibit regarding the positive-normative distinction and the role ethical values play in economics and science, and that he is intent in an unencumbered way on advancing a policy framework that he believes would be valuable to society today. At the same time, Sunstein's collaboration with Richard Thaler (Thaler and Sunstein, 2003, 2008) established for him the basic logic of nudge policy in identifying circumstances in which individuals are put in the position of opting-in or out of choices constructed for them by choice architects, or as he explains it in *Choosing Not to Choose*, of adopting default rules whereby one chooses to have others make one's choices. Default rules, then – and the emphasis is on rules – are an extension of the basic nudge idea. Indeed, for Sunstein they "count as prime 'nudges,' understood as interventions that maintain freedom of choice, that do not impose mandates or bans, but that nonetheless incline people's choices in a particular direction" (Sunstein, 2015, 6). There is a further difference. Whereas nudges are formulated mostly in terms of the behavior of choice architects, and the people affected by them are often passive (and can even be unaware of them), default rules address how people authorize choice architects' nudges, and thus raise fundamental issues regarding the social basis of individual freedom. Consider, then, how nudge policy in the form of default rules changes the interpretation of people's choices.

On the surface, it might seem that making a choice whose alternatives have been structured by choice architects is little different from how choice is explained in standard rational choice theory. The individual still has freedom of choice and still seeks to optimize even if the choice setting has been designed by a choice architect. But for Sunstein thinking in this way overlooks the potential large-scale positive effects on freedom associated with what happens when we systematically apply nudge policy throughout economic life. When nudge policy is applied generally, it does not just tip a collection of isolated choices in ways that individuals would prefer were they able to see beyond their psychological biases – as in the example of where healthy foods are placed in the cafeteria line. Rather, adopting nudge policy is a matter of promoting an entire system of default rules throughout society whereby individuals can opt out of choices, 'choosing not to choose,' or more accurately choosing to have others choose for them, in order to expand, not contract, their freedom, and thereby extend the reach of their choices beyond their own expertise and abilities by exploiting the social division of labor. The proper example here is having new employees defaulted into basic pension plans, a policy that extends freedom through their reliance on the expertise of others, increases their choices in retirement via their higher incomes, and improves general well-being by reducing the burden on society of poverty among the elderly.

Establishing a system of default rules, then, might be seen as using economic policy to establish a more far-reaching principal-agent system. But it also is different in that on the standard view principal-agent relationships are formed between fully rational individuals able to appraise their benefits and costs, whereas what Sunstein imagines is a world in which individuals are often less than rational but still rational enough to favor a system in which third party, choice architect policy-makers design systems of utility-enhancing default rules for large numbers of people. One way of putting this is to say that what Sunstein, with his non-economist, legal background, is more interested in is a better system of government rather than in producing more efficient markets. Whereas economists usually see the locus of policy as targeting how markets work, people trained in law are often more worried about the representative character of government authority. Indeed, this means they are concerned with the role of third parties in market systems in a way that economists are not.

Market transactions, of course, are essentially two-party transactions, and third-parties are often associated with transaction spillovers or externalities. For Sunstein, this has things upside down since having choice architects create default rules gives third parties a role in making two-party transactions more successful. In contrast, standard economists are likely to see the third-party role of choice architects as interfering in the market and nudge policy as thus paternalist. For them, nudge policy is indeed an oxymoron, because it both aims to promote freedom while simultaneously undermining by interfering in market transactions. Thus economists with their focus on the logic of markets and Sunstein with his law/government frame are unlikely to find common ground in any debate over the nature of freedom. This then provides one explanation of why the debate between the two sides has rather settled on a disagreement over how rational they each think people are – the descriptive adequacy issue. Rational choice theorists believe people are basically rational. It would follow from this that system of default rules based on third-party interventions in two-party transactions is paternalist. Behavioral economists take psychology seriously, and believe that people are not always rational. It would follow from this that they see a system of default rules as enhancing freedom and welfare. Thus rationality is the immediate entry point when one focuses on the market and the other on government, but what really distinguishes their view is their different normative visions regarding what freedom involves.

Stepping back to take a wider view, that a debate over the nature of freedom seems to have been deflected into a debate over how rational people are also reflects how two different science-public policy constituencies have lined up against each another to defend their respective visions of society: traditional economists on the one hand and an alliance of psychologists and people from law and government like Sunstein on the other. The former, since the time of Adam Smith, have generally been skeptical of the reach of government, and see the market as the principle means of securing freedom. This accordingly requires that we see people as essentially rational. The latter, are inclined to see government as benevolent, and able to promote forms of freedom beyond what markets produce. This accordingly requires a more complex view of freedom built on a relationship between markets and government. As if to meet this issue head on, Sunstein expresses his view of the opposition between these two normative visions quite clearly in his opening remarks in *Choosing Not to Choose*:

> Is the rise of personalized default rules a blessing or a curse? Short answer: Blessing. Is it a utopian or dystopian vision? Short answer: Utopian. But no short answer is sufficient. This book offers a framework with which to answer these questions. I am going to celebrate default rules (mostly), and remark on their contribution to human freedom (Sunstein, xiii).

That is, with his book's framework he not only intends to make the positive case for nudges and defaults but also for his vision of a society. However, this will not likely satisfy those critics who do not share his optimism. Yet neither is it likely that the empirical evidence economists and psychologists may be able to produce regarding choice behavior will demonstrate to one side or the other the superiority of behavioral economics over standard rational choice theory – or the reverse. Indeed, from a methodological point of view and in the history of science empirical evidence has rarely been sufficient by itself to show one theory superior to another. I suggest that this is especially the case in social science when theories may also differ in their normative foundations.

Thus, despite behavioral economics' charge that rational choice theory is descriptively inadequate, what its main complaint seems to be is that it is normatively inadequate. At the same time, rational choice theory's opposition to behavioral economics may have less to do with its analysis of rationality and more to do with rejecting the latter's normative vision in favor of its own. Yet both approaches still nominally subscribe to Robbins' view that economics should be value-free. In part this can be ascribed to their failure to understand the positive-normative distinction and the 'entanglement' of facts and values. But it might also be ascribed to the widespread view that science needs to be 'objective' coupled with an equally widely held view that ethics is subjective. So irrespective of their clear concern with the nature of freedom, both appear committed to arguing their cases in conventional terms that mislead us about their deeper basis for disagreement. This inversion, then, only becomes clear, by accident as it were, when a non-economist lacking the positivistic instincts of an economist makes a defense of behavioral economics around nudge policy, which is decidedly all about expanding freedom.

4 Behavioral economics imperialism

In this section, I try to say what the emergence of behavioral economics – the produce of a reverse imperialism of psychology towards economics – might generally tell us about economics imperialism. Science imperialism, then, concerns the status of sciences as relatively independent domains of investigation, and how the expansion of a science might influence other sciences. Economics imperialism in particular is usually understood to be a matter of economics' export of its distinctive approach as a social science to other social sciences (Mäki, 2008). What is often taken as 'distinctive' of economics' approach, then, are its main methods and concepts, in particular: optimization analysis and equilibrium theory; efficiency and competition between atomistic agents. While these ideas are certainly characteristic of economics' distinctive approach, an economics imperialism framed in these terms ignores the normative dimensions of economics imperialism associated with economics' ethical vision of society, and thus how that vision may be promoted along with its distinctive approach.

At the same time, this neglect is what one would expect under the influence of Robbins' dichtomy between science and ethics. Indeed, following Robbins, what an imperialistic economics should be thought to offer to other social sciences is an approach that maintains a clear line between positive and normative analysis. Further, if this line does not appear to be well observed in other social sciences, emphasis on this dividing line would be a part of what would then justify an economics imperialism in terms of its 'distinctive' approach. That is, central to economics' own conception of economics imperialism is the idea that economics is a positive science.

The argument in the sections above, however, is that economics only pays lip service to Robbins' dichtomy, and in fact both standard rational choice theory and behavioral economics are engaged in a debate over the nature and scope of freedom in economics' implicit normative vision. So contrary to the view that economics imperialism is a positivist project built around the Robbins doctrine, I argue that economics imperialism is pre-eminently a normative project that promotes the main ethical values traditionally associated with economics, and that a behavioral economics imperialism in particular is all about promoting its interpretation of those values.

Previously, I discussed behavioral economics imperialism in connection with development economics – a behavioral development economics imperialism – arguing that the use of the Kahneman-Tversky heuristics and biases framework to explain behavior in developing economy societies has produced economic explanations of many non-market dimensions of life in those societies, thus causing behavioral development economics to function as a new kind of economics imperialism (Davis, 2013). Indeed, as such a behavioral development economics imperialism is also as a conventional social and cultural imperialism, or perhaps a western social science imperialism under the leadership of an economics expanded by its adoption of psychology.

Consider, for example, the research investigating how people might be encouraged to buy bed nets, which are used to combat malaria (see Banerjee and Duflo, 2011). For a variety of reasons associated with traditional ways of life, people in developing societies often do not make good use of bed nets, even when they cost very little. At issue for behavioral development economists, then, is whether people's choices can be influenced by how market prices for bed nets are set. Should prices be high to signal their value? Low to make them affordable? The goal in any case is to change household behavior by encouraging people to think rationally as people would do in market societies rather than as they have traditionally thought about such matters, and thereby transform non-market behavior into market behavior. In principle, then, because non-market behavior is extensive in developing economy societies, there are many opportunities for choice architects to demonstrate how nudge initiatives might provide effective policy strategies. In effect, the heuristics and biases program, originally framed in psychological terms for developed economies is then re-framed in more anthropological terms for developing economy societies.

How do Sunstein's arguments bear on this? Sunstein's arguments of course are formulated for developed economy societies, not the developing world, as demonstrated by the fact that his default rules are conceived of as expanding people's freedom in connection with their existing participation in markets. Thus, encouraging people to be rational by adopting default rules for having others choose for them is a matter of replacing one set of market relationships – where one makes one's own choices – with another set of market relationships – where one has others make one's choices. But the application of default rules in developing economy societies where much behavior is non-market behavior plays a different role. In this case, when people adopt default rules to have others choose for them this may be a matter of replacing traditional social relationships – where one either makes one's own choices or allows others to make those choices for customary reasons – with market relationships. That is, the default involved is a default from traditional behaviors to market behaviors. In the bed nets case, decision-making regarding their use generally reflects long-standing relationships within households, particularly involving customary practices and the gender division of labor. Changing the use of bed nets by establishing new defaults in terms of how people respond to market prices for bed nets is consequently a matter of substituting new household social relationships tied to the market for existing ones that evolved largely independently of the market.

From this perspective, applying nudge policies in developing economy societies is pre-eminently a normative project that promotes the particular conception of freedom Sunstein employs at the expense of existing ethical values in those societies. For example, in traditional households many decisions involving defaults that determine who will make choices for the household reflect prevailing conceptions of fairness and individual dignity. These values are then de-emphasized in the interest of increasing household freedom as Sunstein understands it through greater participation in the market. If imperialism is fundamentally a matter of displacing one set of practices, whether in science or life, by another, then in this instance a behavioral development economics is a normative kind of imperialism associated with behavioral economics' specific normative vision. But this aspect of behavioral development economics imperialism, under economics' conception of itself as a positive science, mostly goes unacknowledged, except perhaps by those who are encouraged by nudges and defaults to abandon their traditional forms of behavior.

5 Economics' status and relation to the other social sciences

I close with a discussion of an issue closely related to economics imperialism: economics' status and relation to the other social sciences. A key premise of economics imperialism as traditionally understood, I argued, has been that economics maintains a clear line between science and ethics which other social sciences have generally failed to observe. Economics has accordingly been regarded by many economists as a more objective social science, and this has been a main argument justifying economics imperialism and the export of its ideas and methods to other social sciences (Hirshleifer, 1985; Lazear, 2000). Yet the argument above was that economics only pays lip service to Robbins' divide between science and ethics, and in fact is actively engaged in promoting value-laden explanations rather than value-free ones. This then raises a question regarding economics' actual relation to the other social sciences. On the one hand, if economics is value-laden just as it believes other social sciences are value-laden, then the traditional view regarding its superiority as a social science is mistaken. On the other hand, if the social sciences are generally value-laden, though presumably in different ways, then economics' relation to the other social sciences needs to be re-explained in terms of which values they respectively employ and how they employ values and make value-laden explanations. Let me then narrow this large issue down to just behavioral economics.

Behavioral economics is an interesting case because it is the product of psychology's influence on economics – a reverse imperialism – and is thus a hybrid field in economics and social science. My argument above was that its claim that standard rational choice theory is descriptively inadequate really means it is normatively inadequate because rational choice theory's explanations of behavior fail to adequately explain freedom of choice. This then suggests that the Kahneman-Tversky individual psychology from which behavioral economics is drawn is also value-laden in a similar way, namely, that the heuristics and biases program has as an underlying normative theme that individuals' freedom is constrained by their psychological weaknesses. I will not defend this conclusion beyond what I have said above about behavioral economics counterfactual reasoning since it would require a thorough examination of that research program. Rather I will only comment on what it would imply about economics' relation to other social sciences were it true that the Kahneman-Tversky research program makes a conception of freedom central to its explanations of behavior.

Let me note, then, that psychology's reverse imperialism towards economics raises an issue sometimes neglected in discussions of economics imperialism. Often the focus of the latter is the economics' promotion of its conception of social science without much attention to economics' degree of success in its reception elsewhere in social science. In contrast, in the case of psychology's reverse imperialism towards economics the focus has rather rested on psychology's successful reception in economics as reflected in its undeniable influence on many economists. Psychology also, we should note, appears to be relatively unique among the social sciences in this regard, and this invites us to ask what has made its reception successful where other social sciences have not been. My answer to this question should already be clear from the discussion above. Psychology in the Kahneman-Tversky research program and standard rational choice theory, despite their considerable differences, share a very similar value basis in their concern with freedom of choice. Other social sciences, which have had less influence on economics, can accordingly be judged to have been less successful in this regard because they have lacked this close match in their value orientations with economics.

This suggests, then, a different view of the relative autonomy of the social sciences and economics' relation to the other social sciences than many may hold. That is, if it is conventionally thought that what accounts for the relative autonomy of the social sciences from one another are their different subject matters and correspondingly different methods and concepts, then what the increasingly close connection between economics and psychology seems to indicate is that the relative autonomy of the social sciences depends more on the relative autonomy of their different value assumptions. Economics and psychology, though they of course differ significantly in their methods and concepts, nonetheless appear to exhibit less autonomy from one another than they each do from the other social sciences because of their shared normative foundations. They are each concerned with the nature of individual freedom, albeit in somewhat different types of circumstances. If this conclusion is correct, then it goes some distance to explaining the still basically unexplained question of when are other social sciences likely to influence economics. The answer to the question, then, is they are only likely to influence economics when the value foundations they promote are close to the values that economics promotes.

I leave this discussion here, and make one final remark. One goal of this paper was to demonstrate how behavioral economics offers a different but related understanding of freedom as exists in standard rational choice theory – indeed one that can be taken to be both descriptively and normatively superior. Thus economics' identity and standing as a relatively autonomous social science appears to depend on what happens regarding how people judge the debate over what freedom involves. That is, if the conception of freedom that Sunstein and others defend becomes increasingly reflective of how people in society understand freedom, then psychology's influence on economics is likely to strengthen, and behavioral economics is likely to become increasingly dominant in how economists think about choice behavior. I do not offer any predictions for the future on this score. They would require considerable speculation about the direction of modern society. But I will say that this debate will likely be influenced by books such as Sunstein's and by the likelihood that one of the important on-going ethical debates in society will be over the scope and nature of individual freedom.

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