Department of Economics

Working Paper

Economics as a Normative Discipline: Value Disentanglement in an 'Objective' Economics

By

John B. Davis

Working Paper 2022-01

College of Business Administration

MARQUETTE
UNIVERSITY

Forthcoming in *The Positive and the Normative in Economic Thought*, London: Routledge
eds. Sina Badiei and Agnès Grivaux

Economics as a Normative Discipline: Value Disentanglement in an 'Objective' Economics

John B. Davis
University of Amsterdam and Marquette University

"The Positive and the Normative in Economic Thought"

Collège International de Philosophie (CIPH) and University of Nantes
16–18 December, Paris

Abstract: This chapter critically evaluates standard economics' treatment of positive and normative, drawing on Putnam's (2002) fact-value entanglement argument. It argues that economics is an inherently value-laden discipline but may still be an 'objective' one. The means of achieving this is to carry out a programme of value disentanglement that evaluates research approaches according to whether their different value structures are consistent. The method employed assumes that economics and social science disciplines are built around anchor values or normative ideals and additional sets of values concerning what most people in those disciplines see as most valuable and good about human society and characteristic of human nature from the perspective of their disciplines. Since the rise of neoclassicism, in economics the anchor value has been what I term an 'individual realisation' ideal. This normative ideal is coupled with values that interpret what individual well-being involves, based on additional values regarding what individuals are. The chapter evaluates the value structures of mainstream economics preferences/utility and the capability conceptions of individuals. The chapter concludes with discussion of different forms of interdisciplinarity and advances a general framework for ethics and economics in an 'objective' economics.

Keywords: positive, normative, fact-value entanglement, individual realisation, capability, disciplinarity

JEL codes: A13, B20,B41, B55

It is not wonder, but rather social enthusiasm which revolts from the sordidness of mean streets and the joylessness of withered lives, that is the beginning of economic science.

(Pigou 1920 [2002], 5)

There is no reason to suppose that most human beings are engaged in maximising anything unless it be unhappiness, and even this with incomplete success.

(Coase 1988, 4)

1 Positive and Normative in Economics

The concepts of positive and normative are controversial in economics. Most mainstream economists believe that science is value-free, that economics is a science and therefore that there exists a value-free positive economics, and that values should only enter into economics from outside its scientific practice through economic policy. In contrast, most economic methodologists and philosophers of economics, many historians of economics and many heterodox economists are critical of this view, though there is little agreement over why and over what a correct view of the subject involves. I begin, then, by explaining how I understand these concepts and their relationship in order to ground the chapter's main arguments regarding the normative economics of a capability conception of individuals.

The original foundation of the mainstream view is the idea that science is based on facts and facts are fundamentally different from values – the famous fact-value dichotomy of David Hume (Hume 1739). However, philosophers now agree, following W.V.O. Quine's (1953) influential rejection of the analytic-synthetic distinction, that there is no clear way to distinguish facts from conventions about what count as facts, and since conventions reflect values, values inevitably enter into purportedly positive, fact-based theorising (Walsh 1987; Davis 2015; Reiss 2017).

The most influential argument in this regard specifically applied to economics is Hilary Putnam's (2002) well-known 'value entanglement' view. Many seemingly positive, value-free concepts are actually what have been called 'thick ethical concepts' (Williams 1985) in that they mix together evaluative and descriptive meanings. ('Thin ethical concepts' are those that are explicitly evaluative.) For Putnam, then, this means, contrary to Hume, that facts and values cannot be strongly separated in economics. It follows that economics should not be seen to be a value-free discipline.

At the same time, in many cases concepts' evaluative meanings are implicit, unclear, disputed and not infrequently relatively benign and uncontroversial. Consequently, it is not hard to see that economists strongly attached to the idea of a positive, value-free economics will choose to neglect them. Indeed, adherence to the idea that economics is a value-free science is part of mainstream economists' training and socialisation as mainstream economists, and so not surprisingly new arguments have emerged in defence of the idea that economics is a value-free science. Most mainstream economists, then, would likely say two things today were they presented with the reasoning in Putnam's argument. First, this does not address their intuition that economics and science must be 'objective' because they are different in some fundamental way from non-science domains such as the humanities. Second, a value-ladenness view creates a 'slippery slope' problem since, if it is allowed that values play a role in economics, one could argue this leads to relativism that undermines economics as a science. Putting these points together, we can see how the evolution of mainstream economics creates a new defence of the idea that economics is a value-free positive science – one that builds on the original fact-value distinction and reflects change in the acceptable methods of research in economics.

Since the 1970s, then, there have been two discernible 'turns' or shifts in economic method. First, there was a turn away from natural language argumentation in economics and a turn to mathematical modelling associated with recasting economics as applied economics (Backhouse and Cherrier 2017). Second and more recently, there has been what has been called an 'empirical turn' in economics coupled with a decline in pure theory research (e.g., Hamermesh 2013; Angrist et al. 2017).

Much, then, has been written about what these two turns involve, but Tony Lawson is surely correct in saying that they reduce what the world is to what he terms 'event regularities' or recurring (probabilistic) patterns or correlations between observable events (e.g., Lawson 1997). Lawson's view, and that of many methodologists and philosophers of economics, is that no science can be purely empirical, that ontologically there must be something that explains the patterns we observe in the world and that good social science investigates what this is. Yet while the mainstream still aspires to make causal claims about the world and uses the language of causation in its publications, 'correlation is not causation' has now become a cornerstone of mainstream economic method.

Consider, then, how this creates a new defence of the idea that economics is a value-free positive science. First, since Putnam's 'value entanglement' argument is that values are pervasive in natural language, economics can be argued to be a value-free positive science because it has cleansed itself of values by removing value-laden 'unscientific' natural languages from economics by making mathematics its only 'scientific' form of expression. Second, its empirical, applied turn makes economics a data-driven, evidence-based science, thus implying that theory is not a value-laden enterprise but rather merely a receptacle and organising framework for facts.

This new position also allows the popular view in the mainstream that values are irredeemably subjective to stand unchallenged, reinforcing the argument that values ought to play no role in economics. Not only, then, does the mainstream's new view of itself set aside Putnam's 'value entanglement' argument, but it also sets aside methodological and philosophical debate about the positive and normative in economics, reinforcing the general view that methodology and philosophy of economics, and the history of economics, are all irrelevant to the practice of economics. In the language of performativity, the mainstream has thus 'performed' itself into being a positive science, not through reasoned engagement with the issues Putnam and others have raised, but by defensively isolating itself from them, presumably in the interest of maintaining its purported status as a 'science.'

However, this twentieth century positivist conception of science is now widely seen as antiquated and naïve, so that the mainstream's self-isolation from contemporary thinking about the nature of science is more likely to diminish rather than strengthen its scientific credibility. There are also reasons to think this state of affairs will not continue. Economics' general influence in the world calls for a more enlightened view of its nature as a social science, and increasing interdisciplinarity in social science may temper economics' positivism. Thus, it is not unreasonable to say that economists may ultimately come to see that the idea of an entirely positive economics is indefensible, and recognise they need a better understanding of the role values play in economics.

What, then, might be the way forward? The goal cannot be to develop a new conception of 'positive' economics and again try to somehow remove values from economics. At the same time, this does not mean that a value-laden economics cannot be an 'objective' social science. Rather, I believe it means we need to reinterpret what objectivity in economics is and show what it requires. Generally, then, I take this to involve determining how values operate in economics. Specifically, since multiple values operate in most economic approaches, and since this need not produce consistent value structures, I interpret determining how values operate in economics to be a matter of determining which values should and which values should not play a role in any given economic approach.

There are obviously many ways an analysis of this sort could be done, but the way I will do it is by pursuing a strategy of 'value disentanglement.' Different economic approaches are value-entangled when the different values they combine are somehow inconsistent with one another. Disentangling their value structures then involves sorting out their different value commitments, and determining which values can and which values cannot play roles in those approaches. Putnam was not interested in disentangling facts and values in economics because he believed they could not be disentangled, but if economics is a value-laden science and yet also a credible, 'objective' science, I argue we need to find some way to disentangle different approaches' value structures.

Section 2 discusses mainstream economics' value entanglement, identifies the specific 'foundation' value I believe the mainstream, and in fact much of economics employs, and then explains how this 'foundation' value is entangled with a problematic additional mainstream value derived from its particular conception of individuals. It goes on to show how we can disentangle this value structure by setting aside the problematic additional value the mainstream approach employs. This raises the question of what additional values might alternatively be combined with this 'foundation' value to make economics a credible, 'objective' value-laden science.

Section 3 turns to value entanglement in the capability approach. It argues that it employs this same 'foundation' value, but not the problematic additional value the mainstream employs when it is seen as operating with a capabilities rather than preferences/utility conception of individuals. It argues, however, that in some cases this value structure is entangled with another problematic additional value, and thus that we also need to disentangle this particular value structure for the capability approach to secure its status as a credible, 'objective' value-laden science.

Section 4 provides a general framework for ethics and economics, and argues that the capability approach with a capabilities conception of the person provides strong foundations for an 'objective' value-laden economics.

2 Disentangling Values in Mainstream Economics

a. The 'Individual Realisation' Ideal in Mainstream Economics

Different social sciences, including economics, I argue, are structured around certain deep values or 'foundation' values that take the form of normative ideals concerning what most people in those disciplines see as most valuable and good about human society, and also see as characteristic of human nature from the perspective of their discipline. What particular researchers choose to investigate, then, reflects their discipline's shared normative ideals, plus additional values they hold that together, we might say, constitute their normative 'anthropological' priors. In this way, 'positive' science is always normatively interested. Even investigations in the natural sciences are not disinterested in and unmotivated by people's concerns about the world and our place in it. Arguably, this is more strongly the case in the social sciences where what investigators' research is directly engaged with human life and more closely bears on human well-being.

I think it is fairly clear, then, what the foundational or anchor normative ideal is in mainstream economics, at least since the early twentieth century emergence of marginalist neoclassical thinking through to the current behavioural economics heuristics and biases program. It is what I call an 'individual realisation' ideal, which is a kind of well-being idea. The ideal is that in economic life people ought to be able to realise or fulfil their nature as individuals, if this can be made possible. This ideal by itself is open-ended, and in the mainstream tradition it is coupled with an additional value, namely that people's well-being involves their being able to satisfy their preferences/maximise their utilities. Thus, combining the individual realisation ideal and the value that well-being involves preference satisfaction/utility maximisation gives us the basic value structure of mainstream thinking: an ideal and a view of its content.

To be clear, I should emphasise that other approaches in economics do not employ this ideal, or, when they do, they combine it with additional well-being values. I return to how different approaches in economics differ in the last section of this chapter, but here focus on the mainstream understood as the thinking that derives from neoclassical economics. There are three key assumptions that I believe hold this value structure together and provide the basis for economic reasoning in the mainstream:

1) People, anthropologically speaking, are 'preference satisfiers/utility maximisers' and nothing else.

2) Though it is evident people do not always succeed in fully satisfying their preferences/maximising their utility – thus they do not always realise their individual nature – they nonetheless always strive to do so.

3) How particular economies are organised and function is what limits people's ability to fully satisfy their preferences/maximise their utility, and thus whether they realise their nature.

It could be said that another key value underlying the mainstream view is freedom, as many have argued. Yes, freedom is a value in this structure, but I take this value to only be a popular way of interpreting this overall structure, not as something additional. People who are able to realise themselves as individuals where that involves satisfying their preferences/maximising their utility do so freely. Promoting freedom, then, reduces to promoting this overall normative view.

The principal form of mainstream economic reasoning, then, is efficiency analysis, whose rationale, based on the assumptions above, is that we ought to implement what we value, namely, this normative ideal with its preference satisfaction/utility maximisation interpretation. That is, what efficiency analysis ultimately says we ought to do is make it possible for people to become what they potentially can be. It thus derives 'ought' from 'is' – exactly the opposite of Hume's famous maxim. What is the case – that people have a certain nature and strive to realise it – tells what ought to be the case, and that their realising of that nature should always be promoted.

The purportedly 'positive' part of efficiency analysis, then, is organised around identifying the circumstances in which actual economies limit people's ability to fully satisfy their preferences /maximise their utility – typically where markets do not function freely, since a supporting belief associated with the long history of liberalism is that free markets are the main means of realising this ideal. The acknowledged 'normative' part of efficiency analysis is minimised by its framing in seemingly innocuous Pareto judgement terms to say efficient markets are 'better' than inefficient markets – innocuous because presumably no one would say making at least one person better off without making anyone else worse off could ever be doubted or has any significant normative content.

Not surprisingly, most mainstream economists regard efficiency reasoning as purely a technical tool of analysis. Because of their confusion over the positive and normative, they mistakenly think that no normative ideal is presupposed, that the preference/utility anthropology is purely descriptive, and thus that Pareto efficiency judgements, despite their nature as ought statement prescriptions, must therefore be value free. Thus, though mainstream economics from the ideal it rests upon to the form that ideal takes is thoroughly normative, ironically most mainstream economists think it fully positive and value free! Figure 1, then, summarises this normative economic framework.

Figure 1: The Mainstream Normative Economic Framework

normative ideal:
individual realisation

content of normative ideal:
individual realisation occurs through preference satisfaction/utility maximisation

is-ought economic reasoning:
people strive to realise themselves in this way, so they ought to be able to freely do so

form of analysis:
Pareto efficiency analysis identifies where they are prevented from doing so and recommends policies to address them

To disentangle this conception, then, I argue that the content the individual realisation ideal takes as preference/utility behaviour is inconsistent with holding that ideal, so that the normative structure involved cannot ground a credible, 'objective' economics. I focus, then, on two key assumptions the mainstream view of preference/utility behaviour employs, which derive from its associated conception of the individual, so that the failure of mainstream economics as an 'objective' normative economics is traceable to its problematic individual conception. These two assumptions are:

i. People's preferences are their own preferences and not someone else's preferences.

ii. Satisfying preferences/maximising utility per se never raises issues about what is good and bad for the individual.

Many have criticised these assumptions, but I will instead argue that they show us that preference satisfying/utility maximising does not increase well-being and is thus inconsistent with the individual realisation ideal. I address (i) in connection with the problem of adaptive preferences, and (ii) in connection with the problem of 'bad' preferences. I thus argue that sustaining the individual realisation ideal requires we disentangle it from the mainstream preferences/utility anthropology and its attendant view of the individual.

My general method of analysis or approach to disentangling value structures, then, is relatively simple in that it takes one key value, for me the value that acts as the value 'foundation' or normative ideal in a science, as the anchor around which its value structure is organised, and then only argues the need for consistency between that key value and any other values that an approach employs. Consistency in this sense is only a matter of reasoned argument, and people certainly can disagree over when it does and does not hold. Therefore, while there is no 'royal road' of a mechanical sort to producing credible normative structures for an 'objective' economics, this does not mean we cannot make progress toward identifying such structures.

b. Adaptive Preferences as Own Preferences

The role of assumption (i) is to link the realisation ideal to the form it is said to take by ruling out that a person satisfying their preferences/maximising their utilities might not contribute to their own individual realisation but instead to someone else's. The idea is that, if a person's preferences are always their own preferences, satisfying them presumably only benefits them, or at least benefits them primarily. The standard view's externalities concept allows that others do benefit in exceptional circumstances, but this is taken to be a special case, not the general case. Generally, satisfying one's preferences is primarily seen to bring about an otherwise unrealised state of the person, and must thus promote the person's individual realisation.

Yet the theory offers no explanation of when these effects accrue to those said to primarily benefit from them rather than others. Why are 'externalities' not the general case? It certainly seems possible that when a person satisfies their own preferences others benefit more than they do. Whether this happens indeed seems to be an empirical question. Thus, the standard externalities concept seems ad hoc and ungrounded.

Its rationale, presumably, lies in the theory's view of individual autonomy that derives individual autonomy from the person's private subjectivity (rather than, say, social institutional arrangements). If preference satisfaction/utility maximisation is tied to a private subjectivity, it would seem it must be associated with the single autonomous individual. So the effects of preference satisfaction are, in effect, compartmentalised across individuals. It follows that externalities are essentially accidental 'spillovers.'

However, the private subjectivity idea confuses the meaning and the source of preferences. Individuals are indeed the source of their own preferences, even if they are socially influenced. Yet their meanings, or what it is they say they prefer, cannot be private because meanings are by nature shared. Even what something means to a particular individual rests on shared language and discourse. Thus, the standard individual autonomy idea does not show a person's preferences are only their own preferences, and so when the effects of a person's preferences satisfaction/utility maximisation accrue to that person and when they accrue to others is undetermined. For example, if a person preferring some new type of good to more conventional ones influences others to prefer that good as well, the benefits of doing so could well accrue primarily to others. That is, when we see the content of preferences as shared meanings, where they originate does not determine where the effects of their satisfaction occur.

Consider in this light, then, the phenomenon of adaptive preferences. Sen (1995) pointed out that often people do not desire things that most people would agree would improve their well-being because they have been habituated to not desiring them or because they have somehow been led to believe it is not for them. For example, women may prefer traditional lives even though this may be ostensibly incompatible with their personal development. In effect, their preferences have been culturally adapted to their social circumstances and the context of their lives (also see Nussbaum 2000, 2001; Teschl and Comin 2005). They are still their own preferences but they also reflect others' values. How?

Since the meanings of things we prefer are shared, they can reflect shared standards about what is valuable. Those standards come from the societies and cultures we live in. Thus it may be a woman's own preference to live a life incompatible with her personal development because she frames what she prefers in the language of custom. As with Putnam's entanglement concept, how we understand meanings we give to things is entangled with how our language meanings socially structure the contents of our preferences.

Consequently, it is a mistake to say that (i) people's preferences are always their own preferences and not someone else's preferences. Yes, a person's preferences are their own preferences, but what those preferences mean is not exclusively their own. Assumption (i) is thus an unsuccessful means of saying that satisfying one's preferences must produce higher states of individual well-being and promote individual realisation. I conclude that the preferences/utility form the realisation ideal takes in standard theory is inconsistent with that ideal in the sense that the way it is understood does not explain what promotes individual realisation.

c. The Problem of 'Bad' Preferences

The role of assumption (ii) is different. It essentially rules out the possibility that satisfying a person's preferences might be inconsistent with promoting their individual well-being and their realisation as individuals. I call one such set of preferences 'bad' preferences. The term does not exist in the standard understanding, because preferences are not understood in terms of their content, good or bad. Preferences in the standard view are simply preferrings. Indeed, making the content of people's preferences a part of the understanding of what a preference is would undermine the idea that economics is a positive science that does not employ values in its explanation of behaviour, since if what people preferred were to enter into this explanation, that would make values immediately relevant to the analysis of their behaviour.

Nonetheless, popular thinking commonly recognises 'bad' preferences as preferences for things generally believed to be harmful to a person: preferences for certain substances (smoking, alcohol, drugs, some foods etc.), preferences for certain lifestyle behaviours (physical inactivity, excessive risk-taking, ignoring the future etc.), and preferences for certain socially rejected behaviours (selfishness, breaking laws, violence towards others etc.). In these cases, it is clear that having such preferences may not promote individual well-being and thus individual realisation. In presentations of the standard model, then, such examples are never used, and preferences are either referred to formally – x is preferred to y – or with uncontroversial examples as illustrative.

This reflects the mainstream view that derives individual autonomy from the person's private subjectivity (rather than from, say, social institutional arrangements). A private subjectivity is essentially closed to social inspection. What people prefer is therefore unknown to others, even when we observe the choices they make. Since privacy constitutes a barrier to any form of scrutiny over the content of people's preferences, we have no grounds for assigning values to their preferences. If society judges certain choices 'bad' or somehow unacceptable, that is an entirely independent matter. Society may interfere with people's choices, but their preferences are not nor cannot be judged or evaluated.

Suppose, then, that 'bad' preferences such as those above conflict with and offset other 'good' preferences people have. Then satisfying one's preferences might not promote their individual well-being and their realisation as individuals. In effect, their preference structure is inconsistent with that goal. One solution to this problem, to ensure preference consistency, is to say people have preferences over their preference – meta-preferences, second-order preferences, or higher-order preferences that could function so as to counteract 'bad' preferences (Frankfurt 1971; Jeffrey 1974; Margolis 1982).

Yet this view, while it offers a more realistic way of explaining how people might deal with their 'bad' preferences, creates a problem for the idea that preferences are value-free preferrings and the private subjectivity doctrine. If people's higher-order preferences originate in their recognition of social values, then their preferences would cease to be purely their own preferences and would in some way reflect social preferences. If such preferences were still somehow their 'own' preferences, then people's preferences could be regarded as inherently normative.

The higher-order preferences idea has not been taken up by mainstream theory, which continues to maintain its positivist preference satisfaction/utility maximisation anthropology. Thus, problems such as 'bad' preferences cannot be solved in the theory, and this shows that its anthropology is inconsistent with the normative ideal it is based upon.

3 Disentangling Values in the Capabilities Approach

a. The 'Individual Realization' Ideal When People Are Made Up of Capabilities

It might seem odd to say that both the mainstream and capability approaches, which are so different in how they address the economy, share individual realisation as a foundation value and normative ideal that people ought to be able to realise or fulfil their nature as individuals. Yet both focus on the well-being of individuals, albeit with quite different views of what their well-being involves due to their quite different views of what individuals are. Indeed, most capability theorists agree the capability approach premises individual well-being because it rests on 'ethical individualism' (Robeyns 2005). Some argue that the capability approach is too individualist (Stewart and Deneulin 2002) and ought to be tempered by greater attention to group or collective capabilities (Stewart 2005, 2009; see Leßmann 2020). Group or collective capabilities raise complex questions about the nature of agency that should be addressed, but from a normative economics perspective I take the primary issue to be explaining how individuals are better off in the capability approach.

Whereas for mainstream economics, then, the individual realisation ideal is coupled with the view that realising that ideal involves people satisfying their preferences/maximising their utility, in the capability approach realising that ideal involves people developing their capabilities. Clearly this involves an entirely different view of what people are and what individuality involves. Regarding economic reasoning, in the mainstream view since people are identified by their preferences, economics analyses how they can further realise their preferences. In contrast, in the capability approach since people are identified by their capabilities, economics analyses how they can further realise their capabilities. In both cases, the anthropological priors – what is the case about people – provide the basis for policy recommendation – what ought to be the case. The is-ought reasoning – *contra* the Humean maxim – that they both employ is that since people strive to realise themselves, however they are understood, they ought to be able to freely do so to the extent this can be made possible.

This also means, then, that the particular form of economic reasoning each employs is quite different. Whereas the mainstream uses Pareto efficiency reasoning to determine what prevents people from further satisfying their preferences/maximising their utilities, the capability approach, I argue, treats possible capability improvements in two ways: in terms of addressing capability shortfalls that presuppose existing social economic structures; in terms of capability gains that could result from changing social economic structures to improve capability development. Figure 2 summarises this capabilities approach normative economic framework.

Figure 2: The Capabilities Approach Normative Economic Framework

normative ideal:
individual realisation

content of normative ideal:
individual realisation occurs through capability development

is-ought economic reasoning:
people strive to realise themselves in this way, so they ought to be able to freely do so if possible

form of analysis:
identify causes of capability shortfalls and potential capability gains and design policies to address them

This raises the question of whether there exists a value entanglement problem in the capabilities approach. I argue in the next section that there is – I call it the paternalism problem – but see it as located at the level of the form of analysis, not at the level of the content of the normative ideal, where value entanglement is a problem for the mainstream view. As a result, it can be addressed through disentangling, whereas value disentangling in the mainstream case essentially requires we give up its preferences/utility view of individuals.

b. The Paternalism Problem

Given the individual realisation ideal, and a capabilities conception of individuals, the capability approach assumes that broadly speaking people ought to be able to freely develop their capabilities as they choose. In effect, people's capability development is bottom-up type of process because individuals have privileged understanding over their particular circumstances. At the same time, however, we have seen in connection with the adaptive preferences problem that bottom-up determination of which capabilities people choose can be contrary to individual well-being. This has led to a debate in the capability movement over whether there ought to be a list of capabilities people generally ought to be able to develop (Nussbaum 2001a, b), or whether this ought to be left open (Sen 2009). That there should be a list might be thought top-down, paternalist and contrary to the idea that people themselves should determine from the bottom-up which capabilities they develop. Yet the adaptive preferences problem also suggests that an entirely bottom-up view of capability development would not always advance people's individual well-being.

I locate this problem at the level of the form of analysis in the capabilities approach normative economic framework (see Figure 2), not at the level of the content of the normative ideal (where value entanglement is a problem for the mainstream view). That is, it is not a problem with how the individual realisation ideal is coupled with the value that people's well-being resides in their capability development. Rather it resides in how we go about identifying the causes of capability shortfalls and potential capability gains, and then design policies that balance the top-down and bottom-up elements in how people think about capability development. I make two points, then, regarding how we may go about this.

First, there is an extensive history of examining what people's capabilities involve that draws on wide-ranging, international and cross-country evidence regarding the things people value. As set out, for example, in the United Nations Development Programme (UNDP) *Human Development Report 2019*, this combines bottom-up input from people in different social circumstances with top-down analysis that shows shared, common views as pertaining to promoting people's *basic capabilities* in the world as it is today and promoting people's *enhanced capabilities* in the world as it will be in the future. The argument that there ought to be a list of capabilities people generally ought to be able to develop has support in the evidence regarding the universal appeal of basic capabilities. The argument that people's capability development needs to be open to their own experiences has support in the evidence that people also desire to enhance their capabilities as suits their experience. The two types of capabilities, however, are two sides of a coin. In principle, then, paternalism need not be a problem, and the challenge lies in how we go about identifying the causes of capability shortfalls and potential capability gains, and design policies appropriate to different people's circumstances.

Second, when we see people as made up of capabilities, one centrally crucial capability, particularly when we focus on their individual realisation, is a personal identity capability. This is a capability people can develop that involves them reasoning about and evaluating how the capabilities they seek to develop fit their individual circumstances – a self-conception a person has framed in terms of what makes them up. Though people's lives change, and thus the capabilities they believe they need do as well, a personal identity capability, should they develop it, would enable people to continually organise their capability development. I suggest, then, that maintaining a focus on this unique capability, and encouraging its development in people, can act as a guide to how societies promote people's basic and enhanced capabilities. Individual realisation, that is, needs to be self-directed as well as socially facilitated.

Thus, while paternalism is inevitably an issue for the capability approach, it is not an intractable one. I turn, then, to the field of ethics and economics.

4 A General Framework for Ethics and Economics in an 'Objective' Economics

A long-standing problem for economics as a discipline, then, is its uncomfortable relation to ethics (Sen 1987). The mainstream strategy is one of evading the issue through its positivist dismissal of ethics as having any relevance to economics as a science. Yet the reality is that economics is inherently normative and deeply engaged with ethical concepts. This creates high risk for the discipline, since its exclusion of ethics is the foundation of its claim to be an objective science. The way forward, I believe, is for economics to acknowledge its normative foundations and encourage reasonable debate about what they should involve. This would lead to a better understanding of the relationship between ethics and economics – or rather, when we give up the idea that economics is a value-free positive discipline, it would mean a better understanding of ethics *in* economics.

Yet ethics and economics are also independent domains of investigation, neither of which is reducible to the other. Thus, explaining ethics *in* economics involves explaining not only how economics is normative, but also how economics as a discipline relates to ethics as a discipline. I first discuss the general issue of how disciplines relate to one another, adopting one influential interpretation that distinguishes four forms of disciplinary relationships, and interpret it as it applies it to ethics and economics. I then turn to what this analysis tells us about economics as a normative discipline. In the last section, I return to the issue of how economics can be an 'objective' discipline, and explain why I believe the capability approach, with a capability conception of the individual, provides reasonable basis for explaining how ethics operates *in* economics and how economics can function as an 'objective' science.

a. Different Relationships between Disciplines and the Status of Economics and Ethics

Relationships between different disciplines are often discussed under the umbrella term 'interdisciplinarity.' Yet there are multiple ways in which such relationships have been explained and multiple names for different types of relationships between different disciplines. The classification I adopt developed by Jordi Cat (2017) distinguishes four main types of disciplinary relationships.

> *Interdisciplinary* research or collaboration creates a new discipline or project, such as interfield research, often leaving the existence of the original ones intact. *Multidisciplinary* work involves the juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem. *Crossdisciplinary* work involves borrowing resources from one discipline to serve the aims of a project in another. *Transdisciplinary* work is a synthetic creation that encompasses work from different disciplines (Cat 2017, sect. 3.3).

Let us then interpret his characterisation of these different types of relationships according to:

(i) whether the interacting disciplines are significantly affected by their interaction;

(ii) whether their interaction produces new fields between them that draw upon them.

(For simplicity I only discuss two-discipline relationships in order to focus on economics and ethics, and set aside multiple-discipline relationships – for example, bioengineering combines health science, mathematics and engineering.)

Thus, according to Cat, cross-disciplinarity occurs when disciplines borrow resources from one another to serve their respective goals, and no new domain of "interfield research" is created. Any "borrowing" that goes on is said to be instrumental to the respective disciplines' aims. To capture this instrumentality idea, we could say transfers of concepts from one discipline to another are eventually accommodated to the existing frameworks of the sciences that adopt them – a 'domestication' of their other-science meanings to fit their new-science locations (Davis 2018, 60–63).

This is how Mark White (2018) understands mainstream economics and ethics – as a cross-disciplinary interaction between economics and ethics. He recognises there is published research on economics and ethics, but argues it is insufficient to constitute an interfield domain of investigation of any significance. Economics and ethics rather exists in the form of two separate subfields of research, one in economics and one in philosophy. For the mainstream, the economics and ethics subfield operates largely in a way that serves economics' positivist self-image. White characterises the mainstream economics and ethics subfield as 'accomodationist.' Despite the wide variety of conceptual resources ethics and moral philosophy offer, mainstream welfare theory only draws from utilitarian ethics which it has 'domesticated' to fit its ordinalist and positivist interpretation of welfare. Other types of ethical reasoning, for example, deontological ethics and virtue ethics, are excluded.

Interdisciplinarity exists where communicating disciplines still have a high degree of independence from one another, but a "new discipline or project" – or new domain of "interfield research" – begins to emerge to which they contribute. They may draw upon it, but the existence of this field, though an active area of research, has little effect on the contributing disciplines. Interdisciplinarity, then, is another way to understand how mainstream economics understands economics and ethics. The field can also become a viable, if small, subfield within economics, with some contributions that do not fit comfortably with its main principles. Non-standard and heterodox economics approaches to economics and ethics are an example.

In contrast, multidisciplinarity exists where 'common problems' emerge, but 'interfield research' has yet to emerge. For Cat, multidisciplinarity exists where different disciplines are working on related issues and there exists a "juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem." Since they are working on related issues, it follows that developments in either can begin to influence how the other develops, but their work on these issues remains confined to their respective disciplines.

A possible example of a multidisciplinarity – not connected to economics and ethics – is the relationship between the economics' theory of rational choice and individual psychology's heuristics and biases research program. Their 'juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem' arises out of both being concerned with the problem of explaining individual-choice behaviour. They share a 'treatment' of that issue in that both explain choice subjectively. At the same time, they both are also influenced by the other: economics by psychology in its need to explain non-rational behaviour, and psychology, at least in the heuristics and biases research program, by economics in its framing individual choice as departures from rationality.

Cat's last case, transdisciplinarity, is the opposite of cross-disciplinarity. Transdisciplinarity exists as 'a synthetic creation that encompasses work from different disciplines'. In this instance, not only do we have a new free-standing field outside its contributing fields, but its synthesis of those fields rivals and potentially supplants their respective subfield treatments of its new subject matter. I have argued that complexity theory is an example of a transdisciplinary field (Davis 2018). It is the product of different disciplines (actually it derives from multiple disciplines), but its practitioners, while having independent disciplinary origins, increasingly identify with it as a separate field of 'complexity science'. Other candidate examples are international political economy and cognitive science.

Following White, however, economics and ethics is either a cross-disciplinary field, or perhaps an interdisciplinary one. Published research on economics and ethics still seems to primarily occur either within economics or philosophy. The two disciplines are so institutionally specialised in academic life that researchers are incentivised to only publish in research outlets in their home disciplines. Additionally, economics' history of welfarism and positivist self-image acts to limit the development of thinking about economics and ethics in economics to a subfield form of investigation. Thus for economics, economics and ethics can at best be referred to as an ethics *in* economics, meaning within its standard concerns.

Table 1 summarises how each of these four types of relationships between disciplines stands in regard to whether the interacting disciplines are significantly affected by their interaction and whether their interaction produces a new domain of interfield research. Cross-disciplinarity and interdisciplinarity describe the current status of economics and ethics; transdisciplinarity and multidisciplinarity represent aspirational conceptions of what the field alternatively might be.

Table 1: Disciplinary Relationships and Economics and Ethics

	Contributing disciplines affected	New domain of interfield research
Cross-disciplinarity	No	No
Interdisciplinarity	No	Yes
Multidisciplinarity	Yes	No
Transdisciplinarity	Yes	Yes

b. Economics as a Normative Discipline

My argument that economics is a normative discipline, rather than simply a value-laden one, rests on the idea that the way values enter into economics shows they can have consistent structures that support 'positive' analysis. The mainstream criticism of economics as value-laden ignores this idea, and consequently assumes that if values operate in economics, they would do so in an arbitrary way leading to relativism. Above, I described a simple value structure for economics and other social sciences built around an open-ended anchor value or ideal regarding what a discipline's main goals are and what its basic anthropological view of human nature is, as specifically concerns its discipline. The value structure a discipline is built upon then adds other values to interpret this open-ended ideal. In economics, I argued, these additional values reflect beliefs about what individuals are.

What makes a discipline's value structure consistent and allows it to ground a discipline's 'positive' analysis? I argued that this can be established through a critical analysis of how particular approaches in a discipline couple additional values with its anchor ideal. As I said, there is no 'royal' road to determining consistency. Indeed, values and value structures are complicated, as students of ethics well know, so reasoned argument is all that is available to us. Yet that we can engage in this reasoning tells us that how values operate in economics and other social sciences is not arbitrary and incoherent.

This account makes disciplines' anchor ideals fundamental to understanding them as distinct disciplines. My view is that the specific anchor ideal dominant in current economics – the 'individual realisation' ideal – is a product of economics' history as a discipline, especially since the rise of neoclassical marginalism, and its continuing pre-eminent disciplinary concern with individual behaviour.

Clearly, other anchor ideals also operate in economics past and present. Keynesian economics in a non-microfoundational approach arguably operates with a different non-individualistic anchor ideal related to promoting the social good, as connected to its normative orientation on unemployment and economic stability. Classical political economy and Marxian economics also operate with non-individualistic anchor ideals related to distribution and social class relationships. In my view, current heterodox approaches, institutionalism in the Veblenian tradition, feminist economics, and social economics all are anchored by the 'individual realisation' ideal, and are distinguished from each other and from mainstream economics in how they understand well-being and what conceptions of individuals they employ. For example, Kantian-inspired approaches (White 2011; Ballet et al. 2014; Bromley 2019) characterises people as sets of rights and responsibilities, and many feminist economists emphasise individuals' relational nature.

Other disciplines, then, mostly operate with other kinds of anchor ideals. Sociology is closer to classical political economy and Marxian economics. Individual psychology is closer to current economics, and social psychology is more like classical political economy and Marxian economics. Political philosophy seems quite diverse in the anchor ideals it investigates. My view is that diversity and pluralism in the capability approach makes the 'individual realisation' ideal central. In contrast, John Rawls's thinking (1971) is anchored in a conception of social fairness, though his liberal conception of the individual arguably makes the 'individual realisation' ideal central (Davis 2012). Similarly, Avishai Margalit's (1998) idea of a decent society in which people do not humiliate one another makes social decency fundamental, though one can also argue it depends on a dignity conception of the person and thus an 'individual realisation' ideal.

Disciplines, then, are grounded in different anchor ideals, and this produces different value structures, all of which are subject to critical evaluation. My emphasis in this evaluation has been upon consistency, but, given the diversity of values in our thinking, we can also look critically on how different approaches promote some values and suppress others. The mainstream approach, I have argued, promotes a certain conception of autonomy, namely, a highly subjective one with its emphasis on efficiency, while suppressing a more social relational view of autonomy, as in the efficiency–fairness trade-off. Thus, critical examination of different approaches' value structures involves judging their adequacy per se and judging how they narrow the value space we draw upon.

This all makes ethics and economics a difficult domain of investigation, one made more difficult by the current status of that domain. As White argues, ethics and economics today may be confined to being a cross-disciplinary investigation, with all the limitations which that involves. My view, however, is that ethics and economics needs to be a transdisciplinary type of investigation since this would open it up to deeper and wider reflection on how values operate in economics, both methodologically and substantively. In the closing section that follows, I discuss how this transdisciplinary view would advance economics as an 'objective' discipline, particularly as envisioned in connection with the capability approach.

c. Economics as an 'Objective' Discipline and the Capability Approach

My argument that a value-laden economics can be an 'objective' discipline rests on an understanding of objectivity alternative to the positivist mainstream view. Mainstream economics grounds objectivity in facts as if facts are always value free and values are inherently subjective (like individual preferences). Putnam shows this view is untenable. One implication of this is that we need to reappraise the status of facts in economics. We know, then, that facts are constructed through social-institutional processes, so the status of any particular set of facts depends on how reliable people generally think those processes are. For example, data collection processes in government agencies are often taken to be reliable, and the facts they generate are agreed to provide foundations for science (though of course there are still debates about how adequate these fact-generating processes are).

The other implication of Putnam's analysis is that we also need to reappraise the status of values. Where we should start, then, is with the social status of values, or with social values. When we step away from subjective values, or those specific to individuals, and focus on social values, those that are widely shared in society, we can see that, like facts, they also are embedded in social-institutional processes, albeit processes that are not always as institutionally compact as procedurally formalised data-collection processes. For example, one social value is that killing other people is generally morally wrong. This value is strongly embedded in most countries' legal systems which specify a range of circumstances under which people can be punished for killing other people. There is little social debate, then, over whether killing other people is generally morally wrong. Thus, like facts generated by institutionally reliable data-collection processes, this value has objective status in most societies.

Using the framework above for values in economics, in whole societies some values can also be seen to function as anchor values or normative ideals for those societies. In contrast to 'institutionally compact' values given detailed legal specification, such as killing is morally wrong, these society-level values are open-ended and general, and their interpretation in any particular society is then determined according to what additional values with which they are coupled. Thus, the main social value in many societies that operates as a broad, open-ended normative ideal is justice, and what justice involves in different societies, and according to different people within any particular society, depends on what additional values are used to interpret it. Thus, just as the moral value that killing is wrong has objective status in most societies, so also justice as a normative ideal has objective status in most societies.

Those in economics, then, who believe values are inherently subjective are mistaken in recommending that values be purged from the discipline. I argue that what they should rather be concerned with, given the fundamental importance of social values, is which value structures employed in economics are consistent. On the one hand, this is a matter of how we understand the disciplinary goals of economics itself. On the other hand, this also seems to be a matter of how we understand economics as a social science. If we look upon this in terms of economics' relations to other disciplines, and focus specifically on the relation of ethics to economics, then how economists treat the relationship between ethics and economics would seem to tell us how economics might function as a value-laden, 'objective' discipline.

White, we saw, bases his critique of mainstream economics as having an 'accommodationist' posture towards ethics on its narrow normative profile exclusively rooted in a transformed (or 'domesticated') utilitarianism. As the general interpretation of the efficiency–fairness trade-off in the mainstream shows, the promotion of a 'normative' stance that prioritises efficiency goes hand-in-hand with a demotion of other values. Fairness, of course, is Rawls's (2001) understanding of justice. Thus, the mainstream's cross-disciplinary relation to other disciplines White emphasises demotes justice as a social value of any importance to economics. This, then, is unlikely to be a way forward for economics.

However, were economics to move beyond restricting itself to cross-disciplinary relationships with other disciplines and move away from its self-isolation from other social sciences, it would need at least to make space for other social values within economics, and, given the social importance of justice in the world today, somehow make it part of its ethics *in* economics. Aiming for a new ethics *in* economics is not aiming for a transdisciplinary, interfield ethics and economics. That conception seems unrealistic as a possible pathway for economics at the present time. Instead, what seems more realistic is a multidisciplinary understanding of how normative values could play greater, non-instrumental roles in economics according to their perceived social importance. In terms of the efficiency–fairness/justice relationship, this would be a matter of seeing the relationship as complementary rather than as substitutive. It is also the difference between an ethics *in* economics that is intentionally pluralist and one that is not.

Table 2 removes the interdisciplinary and transdisciplinary pathways for ethics and economics, both of which assume the development of an interfield ethics and economics, and compares the cross-disciplinary and multidisciplinary conceptions of an ethics *in* economics, where an interfield ethics and economics does not really exist, as the two possible pathways for the future. My argument in this chapter has been that the second pathway is one that aims to produce a value-laden 'objective' economics.

Table 2: Two Possible Conceptions of an Ethics* in *Economics

	Other social values incorporated?	Pluralist?
Cross-disciplinary	No	No
Multidisciplinary	Yes	Yes

Summarising, what the central part of this chapter has argued is that if we accept that much of contemporary economics is organised around the individual realisation ideal, then its normative structure should be evaluated according to the further values it employs, particularly regarding how individual well-being is understood. In the mainstream, individual well-being is understood subjectively. In the capabilities approach, it is understood in terms what people need to be able to do in societies today. However, what people – objectively – need to be able to do is itself clearly dependent upon social standards for what well-being requires. This makes a society's view of justice central to well-being, since if a society regards it as unjust that people are unable to do certain things, such as have adequate nutrition, safe housing, needed education, etc., then these things – objectively – enter into individual well-being and individual realisation.

Thus, if we aspire to a better ethics *in* economics, one that brings more social values into economics, especially social justice – important as it is in most societies – then the capability approach, I argue, with its particular anthropology and understanding of individual well-being and individual realisation offers a foundation for this. How its normative structure is filled in remains open because that depends on how we explain how people understand what realising themselves involves. It potentially provides, then, the normative foundations to allow economics to function as a credible, 'objective' discipline.

References

Angrist, Joshua, Pierre Azoulay, Glenn Ellison, Ryan Hill, and Susan Feng Lu (2017) "Economic Research Evolves: Fields and Styles," *American Economic Review: Papers & Proceedings* 107 (5): 293-297.

Backhouse, Roger, and Béatrice Cherrier (2017) "The Age of the Applied Economist: The Transformation of Economics since the 1970s," *History of Political Economy* 49 (Supplement): 1-33.

Ballet, Jérôme, Damien Bazin, Jean-Luc Dubois, and François-Régis Mahieu (2014) *Freedom, Responsibility and Economics of the Person*, London: Routledge.

Cat, Jordi (2017) "The Unity of Science," in Edward N. Zalta (ed), *The Stanford Encyclopedia of Philosophy* (Fall Edition), <https://plato.stanford.edu/archives/fall2017/entries/scientific-unity/>.

Coase, Ronald (1988) *The Firm, the Market, and the Law*, Chicago: University of Chicago Press.

Davis, John (2015) "Economists' Odd Stand on the Positive-Normative Distinction: A Behavioral Economics View," *Oxford University Press Handbook on Professional Economic Ethics: Views from the Economics Profession and Beyond*, G. DeMartino and D. McCloskey, eds., Oxford: Oxford University Press.

Davis, John (2012) "Rawlsian individuals: Justice, experiments, and complexity," *Journal of Economic Issues* 46:3 (September 2012): 729-743.

__________ (2018) "Comment on White on the Relationship Between Economics and Ethics," *Annals of the Fondazione Luigi Einaudi* 52 (2): 57-68.

Frankfurt, Harry (1971) "Freedom of the Will and the Concept of a Person," *Journal of Philosophy* 68 (1): 5–20.

Hamermesh, Daniel (2013) "Six Decades of Top Economics Publishing: Who and How?" *Journal of Economic Literature* 51(1): 162-72.

Human Development Capabilities Programme (2019) *Human Development Report 2019*, United Nations.

Hume, David (1739) *A Treatise of Human Nature*, edited by L. A. Selby-Bigge, 2nd ed. revised by P. H. Nidditch, 1978, Oxford: Clarendon Press.

Jeffrey, Richard (1974) "Preference Among Preferences," *Journal of Philosophy* 71 (13): 377–391.

Lawson, Tony (1997) *Economics and Reality*, London: Routledge.

Leßmann, Ortrud (2020) “Collectivity and the Capability Approach: Survey and Discussion,” *Review of Social Economy*

Margolis, Howard (1982) *Selfishness, Altruism, and Rationality*, New York: Cambridge University Press.

Nussbaum, Martha (2001a) “Adaptive Preferences and Women’s Options,” *Economics and Philosophy* 17 (1): 67-88.

__________ (2001b) *Women and Human Development: The Capabilities Approach*, Cambridge: Cambridge University Press.

Pigou, Arthur C. (1920 [2002]) *The Economics of Welfare*, New Brunswick, NJ: Transaction Publishers.

Putnam, Hilary (2002) *The Collapse of the Fact/Value Dichotomy and Other Essays*, Cambridge, MA: Harvard University Press.

Quine, Willard van Orman (1953) “Two Dogmas of Empiricism,” in W.V.O Quine, ed., *From a Logical Point of View*, Cambridge, MA: Harvard University Press: 20-46.

Rawls, John (2001) *Justice as Fairness: A Restatement*, Cambridge: Harvard University Press.

Reiss, Julian (2017) Fact-value entanglement in positive economics,” *Journal of Economic Methodology* 24 (2): 134-149.

Robeyns, Ingrid (2005) “The capability approach: A theoretical survey,” *Journal of Human Development 6* (1): 93–117.

Sen, Amartya (1987) *On Ethics and Economics*, Oxford: Basil Blackwell.

__________ (1995) “Gender Inequality and Theories of Justice,” in M. Nussbaum and J. Glover, eds., *Women, Culture, and Development*, Oxford: Clarendon Press: 259-73.

Sen, Amartya (2009) *The Idea of Justice*, Cambridge, MA: Belknap Press of Harvard University.

Stewart, Frances (2005) “Groups and capabilities,” *Journal of Human Development*, 6 (2): 185–204.

__________ (2009) “Horizontal inequality: Two types of trap,” *Journal of Human Development and Capabilities*,” 10 (3): 315–340.

Stewart, Frances and Severine Deneulin (2002) “Amartya Sen’s contribution to development thinking,” *Studies in Comparative International Development* 37 (2): 61–70.

Teschl, Miriam and Flavio Comin (2005) “Adaptive Preferences and Capabilities: Some Preliminary Conceptual Explorations,” *Review of Social Economy* 63 (2): 229-247.

Walsh, Vivian (1987) “Philosophy and economics,” in J. Eatwell, M. Milgate, and P. Newman, eds., *The New Palgrave: A Dictionary of Economics*, vol. 3, London: Macmillan: 861-9.

White, Mark (2011). *Kantian Ethics and Economics: Autonomy, Dignity, and Character*. Stanford, CA: Stanford University Press.

__________ (2018) “On the Relationship Between Economics and Ethics,” *Annals of the Fondazione Luigi Einaudi* 52 (2): 45-56.

Williams, Bernard (1985) *Ethics and the Limits of Philosophy*, London: Collins.