

Morality and Value Neutrality in Economics: A Dualist View

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Abstract: In this paper, we propose a dualist view that economics exhibits the properties of both moral science and value-neutral approach, regardless of the normative-positive distinction. Our argumentation is derived from the understanding that, analytically, economics is a broadly-defined rational choice theory. As implied by this claim, on the one hand, economics behaves as a moral science for two main reasons: all economic theories and policy discussions are necessarily based on moral premises about means-end considerations; economics as an analytical approach can be and has been applied to explanations of a wide range of moral phenomena. On the other hand, since economists — without being informed of some ethical presuppositions of higher order — cannot deal with the comparisons among different value criteria, their approach remains neutral regarding judgmental positions, which should be given *a priori* to make economic enquiries possible. Ultimately, by this view we reconcile morality with value neutrality in economics, without slicing the discipline into two distinctive branches.

Keywords: Methodology; Rationality; Moral science; Value-neutral approach; Normative-positive distinction

JEL classifications: A11, B41, D60

1. Introduction

Amartya Sen, a Nobel economist and an influential moral philosopher, once argued that economics has two different origins: one is ‘ethics-related,’ and another is ‘engineering-based’(Sen, 1987, p.6). Although Sen’s argument remains debatable, it is hard to deny that both ethics and engineering approach contributed significantly to the birth of the so-called ‘dismal science.’ More important, the mixed origin of economics, which brings about the constant intertwinement between morality and value neutrality in the discipline, casts doubts and vagueness on its identity: Is economics a branch of moral science or a mere engineering-based technique? Or, can it be both of them? Relatedly, how do the two sources of genes, ethics and engineering, coexist in the very body? Can morality and value neutrality be reconciled with each other? If yes, in which way? Those fundamental questions go back at least to the very beginning of modern economics, which was founded by another moral philosopher, Adam Smith, some 250 years ago, and continue to be debated among scholars from multiple disciplines today.

To a large extent, the traditional perspective developed by, *inter alia*, Pantaleoni (1889), J. N. Keynes(1917), Robbins(1935), Samuelson (1947), and Friedman(1953), still dominates not just the discussions on the above questions, but also economics research and teaching in general. To summarize, this perspective is an attempt to single out the ethics-related component from the rest of the discipline to obtain ‘pure economics,’ or ‘science of economics,’ or ‘positive economics,’ which only pertains to *is* and *facts*, and thus is free of moral considerations. Then, the ethical residue was walled in the field of ‘art of economics,’ or ‘normative economics,’ or ‘welfare economics,’ which pertains to *should* and *values* (also see Colander 2009). Although acknowledging the importance of both morality and value neutrality in economics, the above authors laid emphasis on the facts/values or positive/normative distinction. For instance, having stressed ‘(t)he problem whether political economy is to be regarded as a positive science, or as a normative science, or as an art, or as a combination of these,’ J. N. Keynes lamented that ‘(c)onfusion between them is common and has been the source of many mischievous errors’ (1917, p35). Also, as Robbins made it even clearer (1935, p.148), ‘...it does not seem logically possible to associate the two studies in any form but mere juxtaposition. Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse.’ At one level, their argument can be labelled as a somewhat *pseudo dualist view* that morality and value neutrality are merely juxtaposed in two distinctive branches of economics.

Nonetheless, with little attention to how economists explain their subject matter and how they prescribe policies for the real world, such a perspective is, at best, unhelpful for dealing with the topic under discussion. Instead, in this paper we

propose an alternative dualist view that economics behaves both as a moral science and a value-neutral approach, irrespective of the aforementioned twofold distinction¹. This argument is directly implied by our understanding that analytically, economics is based on the principle of means-end rationality, taken in its broader sense. It turns out that holding this principle is a common, but often unspoken and thus forgotten property underlying all approaches relying on the economic way of thinking – from the neoclassical school to behavioral economics – regardless of how they differ in the concrete empirical counterparts of the *means* and *end*. Thanks to this methodological heartland, our dualist view can be briefly summarized as follows: On the one hand, economics exhibits the property of a moral science. It is not just because all theorizing and policy discussions in economics are necessarily based on certain moral premises with respect to means and end, but also because economics as a rational choice theory of human behavior has been applied to address a wide range of moral questions. On the other hand, economics also behaves as an engineering-like approach. It is because without certain ethical presuppositions toward which a specific economics research project remains neutral, economists cannot do their job, and, in particular, they have no relevant expertise to deal with the comparisons and choices among different value criteria and moral norms, which are assumed to be justified as ends for their own sake.

Apparently, our dualist view appears to share some consistency with the ‘entanglement view’ developed by H. Putnam and his coauthor V. Walsh (Putnam, 2002; Putnam and Walsh, 2007, and 2009). According to them, economics is entangled throughout with values and thus the so-called welfare economics, a branch carrying ‘an ineradicable taint of values’ (Putnam and Walsh, 2009, p.291), cannot be separated from the rest of the discipline. Although it seems that this position may also lead to the inseparability of the moral and value-neutral facets of economics, their view has been established from *without*: it relies principally on the entanglement of facts/values/theory in a generic sense, with special attention to the ‘epistemic values’ such as ‘coherence,’ ‘plausibility,’ and ‘reasonableness’ (Putnam, 2002, Chapter 2), rather than ‘non-epistemic values’ or ‘ethical values.’² By contrast, in this paper we take a *within* perspective — namely addressing the dual identity of economics by mainly, if not exclusively, examining the analytical feature of the very discipline. In addition, since our focus is on the implications of the rationality principle for economic enquires, it is with non-epistemic values or ethical values that the current

¹ Accordingly, it also implies that even we put aside the question of whether the two branches can be sharply distinguished (see Hands, 2012), our dualist view still holds true.

² More specifically, as pointed out in Scarantino (2009), epistemic values refer to ‘accuracy, consistency, scope, simplicity, and fruitfulness’(P.465), and are crucial for pursuing scientific knowledge of all disciplines; non-epistemic values contain ‘all sorts of personal, ethical, political, and socio-cultural values’(p.465). Notably, in this paper we do not enter into the debate about the distinction between the two sorts of values, which has no direct relevance to our main thesis.

paper is principally concerned. To a lesser extent, our study will also touch upon epistemic values in economics, but in a different way from Putnam and Walsh's argumentation.³

The rest of the paper is organized as follows: Section 2 discusses the means-end rationality principle which is fundamental to revealing the dual identity of economics. Section 3 turns to the distinction of normative/positive economics – a common but misleading perspective addressing how morality and value neutrality are related in the discipline. Section 4 focuses on the moral dimension of economics, and explores how ethical principles guide economics and how economics, in turn, contributes to understanding ethical issues. Section 5 considers the engineering dimension of economics, and shows that the discipline remains neutral regarding different judgmental positions in the sense that certain kinds of moral premises and value criteria should be given prior to economic enquiries. Section 6 concludes the paper.

2. Rationality principle and economic enquires

Although Robbins' main focus may be on the 'science of economics' which is free from ethical considerations (see Colander, 2009), his well-known analytical definition of economics can still serve as the foundation for our understanding on rationality. According to the LSE economist, economic enquiries are essentially concerned with how the available means can be allocated to achieve the end that is given *a priori* (Robbins, 1935, p.16)⁴. In other words, economics is a study about the aspect of human behavior that can be read as an outcome of means-end consideration. In much the same spirit, Becker (1976) later argued that the maximizing behavior, along with other assumptions, forms 'the heart of the economic approach' (p.4), thereby proposing a definition of economics equally based on its method of analysis. Of course, there are also many others who define economics differently, such as focusing on subject-matter instead of on method⁵, they are indeed not fundamentally at odds with Robbins and Becker's emphasis on the analytical feature of economics: even if economists may only give attention to some particular classes of social

³ In a similar vein, Dupré (2007) also asserts that because scientific enterprise, including economics, matters for human beings, it is hard to draw a dichotomy between facts and values. Although having addressed some economics concepts, such as inflation and work, in Dupré's argument the analytical feature of economics is still left untouched and the value-laden nature of economics is viewed as a special case of the generic non-distinction of facts and values.

⁴ In his original text, Robbins (1935) uses the plural 'ends' rather than the singular 'end.' However, in a specific research project, economists cannot deal with several ends without additional information/assumptions, unless they are intermediary or instrumental ends that can be measured by some common metric, to achieve an ultimate end.

⁵ For example, classical theorist Jean-Baptiste Say (1832, p.9) defined 'political economy' as a science that 'unfolds the manner in which wealth is produced, distributed, and consumed;' as one of the founders of neoclassical economics, Alfred Marshall began his masterpiece textbook by asserting 'political economy or economics is a study of mankind in the ordinary business of life' (1920, p.1); institutional economists such as Buchanan (1964) and Coase (1978) place emphasis on the market system and related institutional arrangements as the subject-matter by which economics should be defined. Since the debate about the definitions of economics is beyond the scope of this paper, interested readers are referred to Kirzner (1960, Chapter 1), and Backhouse and Medema (2009) for further discussions.

phenomenon and human behavior, they still rely on a special cognitive instrument or perspective, which is nothing but the economic way of thinking. The latter, by common understanding, is self-evidently founded on the principle of means-end rationality⁶. In particular, once we stretch the connotation of the terms ‘means’ and ‘end’ to accommodate various alleged behavioral anomalies and other nonmaterial concerns, the principle of rationality is shared, explicitly or implicitly, with all economic approaches and schools of thought, as long as they do not abandon the economic way of thinking when enquiring into human choices and trade-offs.

With this understanding in mind, it turns out that *economics is a broadly defined rational choice theory*, which can be applied to production/distribution/consumption of wealth, or to exchanges and market system, or to others. Although one may argue about the latter, namely the subject-matter of economics (see Footnote 5), theorizing upon the rationality principle remains an integral feature of economic analysis. Here, the term ‘rational’ – being a major source of confusion – should be taken in its broader sense. It by no means implies that economic agents always make the *right* choice that leads to the highest level of material satisfaction. In reality, of course, people often make the so-called ‘non-optimal’ decisions due to some constraints on the one hand, and also pursue non-material satisfaction on the other. Instead, the term ‘rational’ merely means that from an economic point of view, all human actions and choices are perceived as the outcomes of certain kinds of means-end reasoning, and thus, are explained in this way. At this point, unlike what is commonly but wrongly believed (see Schumpeter, 1934; Popper, 1985), the rationality principle in its broader sense is not an approximation to reality (whether it is a good or bad one), but instead, – to use Kant’s terminology – the *a priori* form of intuition which makes economic explanations possible and further defines the epistemological limitations of the discipline⁷. To put it differently, ‘rational’ in the above sense is just a synonym of ‘explainable,’ and accordingly, from an economic point of view, ‘explain’ is equivalent to ‘rationalize.’ As a logical outcome of this claim, economic explanations can only be provided for rational phenomena. For example, to explain why some investors lose money, all economists can do and need to do is to deal with the following two questions: do they seek something other than profit, such as social justice, wellbeing of others, and so forth? Are they subjected to some constraints, such as information, cognitive capacity, willpower, and moral commitment, which result in *financially non-optimal* decisions? On this view, even in the case described by Sen that ‘(if) a person does exactly the opposite of what would help achieving what he or

⁶ Since other disciplines, such as sociology, psychology, and biology, may also rest on some versions of the rationality principle, the way of thinking based on rationality principle does not offer a *sufficient* condition to define economics.

⁷ Arguably, this can be analogized to the argument that to think about ‘extension,’ we need the notion of ‘space,’ whereas the latter cannot be considered as an approximation to reality.

she want to achieve' (Sen, 1987, p.13), through the lens of economists the behavior of this person remains still rational, or, has rational aspect, in the sense that there are some factors either in his/her utility function or in the set of constraints that outside observers (perhaps including the decision maker under consideration) do not see. *It is not a matter of fact, but a matter of logic!*

Unfortunately, the above logic may be so obvious that economists do not notice it anymore, especially when they are deceived by the very different empirical contents of the means and end. In particular, it is not uncommon to equate Robbins' definition with neoclassical economics, which bears essentially on self-material interests and resource/technique constraints. For example, as a leading philosopher of economics, Daniel Hausman argued, economics as defined by Robbins refers to, in effect, neoclassical theory, and thus, it excludes Keynesian theory (Hausman, 2008, p.32). Nonetheless, this holds *if and only if*, at the very beginning, we restrict the means-end considerations to those typically taken in neoclassical economics, even though there is no logical reason to prevent us from doing differently. Why can we not treat sense of achievement as a variable affecting the utility of investors? Why can we not consider computational capacity and information, along with budget, as constraints to which consumers are subject? Why can we not take fairness into account when exploring the players' choices, say, in an Ultimatum Game? All these questions are not only legitimate, but also reflective of the fundamental approach to human behavior that economists use every day, with or more often without their own consciousness. In awakening this kind of self-consciousness, we realize that it is Hausman rather than Robbins, who excludes non-neoclassical theories from Robbins' 'economics.'

To further shed light on the status of the rationality principle in economics, we next compare two models of theorizing, neoclassical economics and one of its major rivals, behavioral economics. As shown in the table below, although both approaches significantly differ in what the maximization goals and constraints are considered, they can be reduced to an enquiry of the same conceptual scheme, namely constrained maximization framework⁸. As already argued, the latter should be interpreted in its broader sense, and thus is not restricted for some specific behavioral assumptions⁹. It should also be emphasized that the empirical contents of neoclassical economics and those of behavioral economics do complement, rather than substitute for each other. For example, in the real life most individuals are concerned not only with their own material interests, but also, to a different extent, with those of others.

⁸ From this perspective, perhaps counterintuitively, behavioral economics is but a special version of rational choice theory.

⁹ At this juncture, it is worth quoting Becker who once wrote, 'It [the economic approach] is a method of analysis, not an assumption about particular motivations' (Becker, 1996, p.139).

Table 1: Neoclassical economics versus behavioral economics

Items\Approaches	Neoclassical economics	Behavioral economics
Factors in utility function	Self-material interests such as consumption, profit, wage, and other monetary rewards...	Moral enjoyment and psychological needs such as sense of fairness, sympathy for others, self-actualization...
Constraints	Budget, production capacity, resources, technology...	Moral commitment, information, limits of reasoning and computational capacity, willpower...

Importantly, discussing how economists explain is not a digression, but instead, a key (a forgotten key!), to demystifying the identity of economics. The above argumentation indeed helps us know how economic enquiries or explanations have been pursued: they necessarily start with some presuppositions about means and end involved in human behavior and social phenomena. The moral significance and implications, with which these presuppositions are associated, have been put beyond question in a specific research project. Although it is perfectly legitimate for economists to further question the assumed goals and constraints, this kind of endeavor should, again, build on other presuppositions and be addressed in a new research agenda. Once we understand the way economic enquires go, our dualist view on the identity of economics naturally follows.

3. Twofold division of economics in the light of rationality principle

Before embarking on the dual identity of economics, we now turn to the twofold distinction of economics¹⁰, on which the existing discussions about morality and value neutrality in economics are usually focused. As will be argued below, without an enquiry into the necessary analytical feature of the discipline, both branches of economics poorly characterize what economists do in practice on the one hand, and since the dual property of the discipline is ingrained throughout its research agenda, this dichotomy perspective has no direct relevance to the current topic on the other.

Let us begin by positive economics, which, for many, constitutes ‘the more prestigious branch of the discipline’ (Dupré, 2007, p.35). First, economic enquires, such as the mainstream microeconomics, do not typically start with observations of agent’s behavior and then generalize those empirical facts to obtain universal and necessary laws of human behavior, whereas this is commonly believed as the main task of a descriptive science (see Hands, 2012). Second, more important, even

¹⁰ See Colander and Su (2015) for a historical review on this topic.

economists, especially behavioral economists, base their theory on systematic experimental or actual observations, they cannot economically *explain* or *understand* their findings by merely *reporting* them. To put differently, from an economic point of view, one cannot explain/understand *is* only from *is* itself. Instead, from observing *what is* to understanding *why*, they have to rely on some assumptions about what economic agents want and what constraints they are subjected to, thereby establishing an operational framework of rational choice. For instance, if an economist concludes his/her research by showing that there is x percentage of responders who reject the offers from the proposers in an Ultimatum Game experiment, then what can we understand from this? Perhaps nothing, unless the economist continues to *rationalize* the players' behavior with the help of constrained maximization scheme, which necessarily entails moral judgments and evaluations. Even more strikingly, once moving to the step of *why*, *positive economics of explanation* turns out to be a framework for telling what a predefined rational agent *should* do and thus, it is hard to be distinguished from the normative.¹¹

Indeed, if taking normative economics in this latter sense, then not only the twofold division but also the existence of a distinctive normative economics make little sense (also see Hands, 2012). For instance, we do not need any *analysis* to investigate what a consumption-maximizer should do, because he/she just should maximize consumption, as assumed or defined! With this in mind, in what follows we consider normative economics as a policy science which offers prescriptions about what should be done to improve the outcomes of human choices and tradeoffs in real life.

Still, as implied by the rationality principle, normative economics in this sense is also founded on some presuppositions and thus, strictly speaking, deals with 'if ..., then... should....,' rather than 'should' alone. It turns out that this logical formula for *normative economics of prescription* is similar to that for *positive economics of explanation*. The only difference between them lies in what economists do about the means-end considerations: when explaining, economists only face the set of means-end of the economic agents in question and do not change or intervene in them. When prescribing, however, economists face two sets of means-end, or in other words, two sets of empirical contents structured under the rationality principle. One is that of the economic agents facing decision problems, such as policy makers' own utility and constraints. By the economic way of thinking, economists have to mend it otherwise

¹¹ Unfortunately, many conflate *is* with *why*. For instance, some top behavioral economists, such as Tversky and Kahneman (1986), and Thaler (2000) believed that their approach is a positive science about what people actually do. It seems that their view is only *half right* in the sense if their research ends up with fact-finding. It is *half wrong* that when continuing to explain their findings, they have to rely on some normative framework. In doing so, they depart from what people actually do, and equally address the question of what a rational agent— in a sense different from that in neoclassical economics —should do.

their policy prescriptions will logically fail. Another is that involved in policy objectives and options, namely the value criteria by which policy arrangements are judged and the constraints (including moral obligations) by which some policy choices are excluded. Economists do not change or intervene in this set of means-end in a specific research project, otherwise they will either go beyond the scope of economics, or confront the problem of infinite regress (say, investigating the value of value of...etc.). In view of that, normative economics also behaves like an engineering approach that remains neutral to the moral concerns regarding this second set of presuppositions.

Without loss of generality, let us consider the following situation. If a policy maker chooses Policy I rather than Policy II, the only logically consistent explanation for this is that Policy I is the outcome of the policy maker's maximizing strategy. Therefore, if some economists believe that Policy II is better than Policy I to reach the goal G (for example, double the economic size of a country in ten years) given the constraint set C (for example, reach G without war), they should change the empirical counterparts of the policy maker's utility and constraints insofar as Policy II appears as the outcome of the latter's new maximizing behavior. To do so, economists confront two cases which may occur alone or together: (1) The policy maker is subject to the information constraint that he/she is unaware of Policy II being a better choice. In this case, economists can simply relax the set of constraints of the policy maker by informing him/her of Policy II (say, by providing empirical evidence or theoretical explanations). It might be a relatively easy task. (2) Although knowing Policy II as a better choice, the policy maker does not choose it, because either the policy maker is subject to some constraints other than information (say, moral obligations), or Policy II would adversely affect his/her own utility. In this second case, economists might face a tougher task: they should persuade the policy maker to adopt new values and moral positions. Also of importance is that when doing the above things, economists have to take the policy goal G and constraint set C as necessary givens in the sense that they do not explain nor argue about them. Otherwise, no policy analysis can be started or ended. Notably, it is these unexplainable or not-yet-explained givens that, to a large extent, bring about major disagreements among economists and policy makers on various ethics-related economic issues – from taxing the super-rich to stopping environmental dumping.¹²

We summarize our above arguments in Table 2 and conclude this section as follows: in the light of the analytical feature of economics, morality and value

¹² To some extent, the argument that ethical issues cannot be explained by mere logical reasoning and/or fact-finding corresponds to some sorts of non-cognitivist meta-ethical theories, such as *emotivism* of A. J. Ayer and C. L. Stevenson and *prescriptivism* of R. M. Hare. In general, they assert that moral principles are not based on facts and logic, but emotional attitudes and other subjective factors. For further discussion, see Hodgson (2001) and Putnam (2002, Chapter 4).

neutrality constitute two omnipresent elements which are ingrained throughout the discipline. By this view, despite its popularity, the normative/positive distinction, even if properly considered, is of no direct relevance with respect to the dual identity of economics. It can, therefore, be argued that the dominant perspective based on this conceptual scheme, namely the aforementioned *pseudo dualist view*, simply misses the point and offers more illusion than illumination to the topic.

Table 2: Implications of normative/positive distinction

Branches\ Functions	Description	Explanation	Prescription
Positive economics	Typically, economic enquiries neither start with observing behavior and generalizing behavioral laws, nor end with that.	Explaining with the help of the rationality principle; no change made in means and end of the economic agents	-
Normative economics	-	facing decision problems.	Making changes in means and end of the agents facing decision problems; no change in means and end involved in policy objectives and options.

4. Economics as a moral science

Departing from the normative/positive division, in what follows we will argue that the dual identity of economics – both as a moral science and a value-neutral approach – is nothing but an implication of the analytical feature of the discipline as a broadly-defined rational choice theory. Let us begin with its moral dimension, which has been reignited in the wake of the 2008 financial crisis¹³.

The first argument for economics as a moral science is fairly straightforward: the ends motivating the behavior of economic agents reflect their ethical positions about the goals, desires, preferences, and other value concerns. In particular, from an economic point of view, the sense of sympathy, feeling of fairness, religious beliefs, and other nonmaterial factors all serve as the components of the *thing* – called utility or by other names – which agents seek to maximize. Notably, some may be unaware that the neoclassical hypothesis about utility is indeed also a value-laden assumption

¹³ In fact, ethics-related economic issues, especially distributive justice, business ethics, and the relationship between efficiency and equity, have come to the center of the post-crisis theoretical rethinking. See, among others, Posner (2009), Atkinson (2011), Bhagwati (2011), Friedman (2011), Shiller and Shiller (2011), Stiglitz (2012), Mankiw (2013), and Piketty (2013).

in itself: it basically says that economic agents are only concerned with their own material welfare, such as consumption, profit, wage, and other monetary payoff.

Second, apart from ends, few notice that some ethical concerns and principles also take the form of moral constraints to human conduct. Generally speaking, the latter refer to the factors that prevent economic agents from making the choices which are believed as morally wrong, even if these choices can yield a higher degree of utility, judged from one perspective or another. In this regard, it is particularly noteworthy that the ‘commitment’ proposed by Sen (1977), which does not help the pursuit of one’s utility, can be understood as a moral constraint of this kind, rather than a counterexample to rational choice. The reason for that is quite unequivocal: according to our arguments in Section 2, if a relevant factor is assumed not to affect the end of economic agents’ behavior, or, equivalently, not to enter into their utility function, it should necessarily enter into the set of constraints facing them. Otherwise, this factor is no longer of relevance for explaining or understanding the agents’ behavior. Once again, it is not an empirical matter but a logic derivation from the economic way of thinking. It seems, however, that Sen himself did not realize what the concept of ‘commitment’ would imply if taking the perspective of the rationality principle.

Third, another less-considered moral aspect of economics lies in its expansion into the traditional domain of ethics. In fact, following the pioneering efforts of Gary Becker and other brilliant economists (see, *inter alia*, Becker, 1976 and 1996; Stigler and Becker, 1977; Hirshleifer, 1985), this research line — under the heading of ‘economic imperialism’ — has been using the language of constrained maximization to provide powerful explanations for a wide range of value-laden behavior and moral phenomena, including altruistic behavior, discrimination, prejudice, crime, addiction, religion, tradition, and social norms (for reviews of literature, see Raditzky and Berholz, 1987; Lazear, 2000). In particular, much of the focus has been put on the emergence, survival, and fading of tastes/preferences and behavioral constraints in relation to the relevant social and natural conditions. It is important to note that in doing so, economic imperialists no longer stick to the maxim ‘*de gustibus non est disputandum*,’¹⁴ but instead account for or *endogenize* various moral factors in terms of individual rational behavior.

Fourth and lastly, as argued in Section 3, non-epistemic or ethical values are omnipresent in policy discussions or the *normative economics of prescription*. Below we will not restate our previous arguments, but add a point regarding epistemic values, albeit the latter are not our main focus. Since what economists can do about real-life decision making is to mend the preferences, desires, tastes, and constraints of the

¹⁴ Namely, there is no arguing about tastes.

agents who face decision problems, their *science* should not stay dismal. Instead, it should turn out to be some sort of informative or persuasive advertising, or even ‘preaching’ as put by Stigler (1980)¹⁵, which is required to be, say, easy-to-understand, appealing, attractive, convincing, and etc. It is these features that make economics — especially when it is to do with policy prescriptions — laden with epistemic values. Unfortunately, this point, which is equally derived from the economic way of thinking, attracts little attention from the existing literature, especially from Putnam and Walsh’s related discussions (Putnam, 2002; Putnam and Walsh, 2007, and 2009; also see Section 1).

5. Economics as a value-neutral science

The close interlink between economics and ethics is, however, not at odds with the discipline’s value neutrality, or its engineering-like feature. As the rationality principle implies, economic enquiries should be necessarily based on some premises on means-end considerations. It is obvious that once these premises are given beforehand as *explanantia*, their moral rightness or wrongness has been put beyond discussion. However, as previously stressed in Section 2, there is no logical reason to prevent the latter from being the objects of other enquires (namely as *explananda*), either within or without the field of economics.

To better articulate our thoughts, let us look at two societies, *a* and *b*. Society *a* is highly unequal in terms of income distribution but even the poorest person there can make 5000 dollars each year. Society *b* is composed of individuals with equal annual income, say 4000 dollars. Then, if an economist is asked a question like ‘keeping other things constant, which society is better for me?’ The most likely answer would be: ‘It all depends on your value criteria.’ If a bigger (smaller, respectively) enough weight is given to the absolute income than to the *desire for equality* in the asker’s utility function, society *a* (society *b*) will be the better choice. Or, if the asker takes a moral commitment to choose a more equal society, regardless of his/her own material situation¹⁶, there will be no other choice than going to society *b* subject to this behavioral constraint — since in this case the choice for society *a* is already excluded. In this view, economic approach remains completely neutral regarding the asker’s moral positions.

A second example may help to further illustrate our claim. When we ask ‘what is

¹⁵ Notably, in taking a narrowly-defined utility-maximization perspective, Stigler (1980) argued that ‘(s)ocial policies and institutions, not individual behavior, are the proper object of the economist-preacher’s solicitude’ (p.150). We take issue with this claim by pointing out that with no exception, all policies and institutions are made by *individuals* or by *individual maximizers*. Thus, economists should change those individuals’ behavior otherwise economic theory ‘would become irrelevant’ (p.150).

¹⁶ Commitment is as defined in Sen (1977); also see Section 4 of this paper.

the *optimal* Gini coefficient for a society?’ logically, it is always followed by another question like ‘optimal in which sense?’ There are surely a number of candidate criteria. For instance, a certain level of Gini coefficient can be seen as *optimal* in the sense that other things being equal, it can lead to the highest economic growth rate, or to longest average life expectancy, or to lowest crime rate, etc. But how should we choose and weight these different criteria of optimality? Obviously, to tackle this new question, we further need an *a priori* criterion that allows the comparison of these candidates. Then, the latter should be reduced to some intermediary or instrumental ends to achieve a single intrinsic end of higher order (also see Footnote 4). In other words, some common metric is needed to measure those candidate criteria or intermediary ends, thereby making the comparison possible. Yet, there is a cautionary note that any particular end, like *desire for equality*, should not always be taken as ultimate or intrinsic in itself. The reasoning above would indeed continue until the investigators are, more or less reluctantly, satisfied with certain kinds of *free* argument. The latter may be borrowed from other disciplines including ethics, or even be given arbitrarily.

Unfortunately, in the relevant literature, value neutrality of economics has been widely misinterpreted as an argument that the formations of tastes, preferences and values, are *always* put beyond question by economists. For example, Kenneth Boulding (1969) once mentioned an illusion called the ‘Immaculate Conception of the indifference curve.’ By that term, Boulding referred to the belief shared by some economists that the tastes of economic agents are simply given and the question of how they are formed is beyond the scope of economics. In our view, Boulding’s irony is not entirely irrelevant, but our attitudes toward it are mixed. On the one hand, following Boulding’s proposition, we assert that economists have plenty of analytical tools to enquire into the process of the taste/preference/value/norm formation in order to deal with questions like ‘why does an indifference curve look like this rather than like that?’ Indeed, as achieved by the economics imperialism literature, the applications of economic approach have yielded insights of scholarly and practical value to various ethical issues. On the other hand, however, economics cannot start with nothing but necessarily with some presuppositions about goals and constraints, which, from an economic point of view, frame human conduct. These presuppositions should be taken for granted, or, to use Boulding’s words, should be ‘immaculately conceived.’ In economic enquiries, they indeed play a role as the *first mover* that gets the ball rolling (also see Hausman, 2012, Chapter 6).

Accordingly, in light of the analogy of the *first mover*, it turns out that economics remains a neutral instrument to explore the consequences and implications of certain moral premises and value criteria given beforehand, regardless whether they are morally justified by the economists who draw on them. This leads to a related question: can economists ultimately answer what are the morally right premises?

Based on what has been argued previously, our response should be negative. The reason is that in order to judge these premises we always need other criteria of judgment and theories of justice. Hence, it turns out that this kind of justification will, as mentioned in Section 3, either go beyond the scope of economics at some point, or become an *infinite regress* problem. This question further brings us to the purpose of economics. Although perhaps no one would argue about Pigou's view that economics is for 'the bettering of human life' (Pigou, 1920, p. vii), its identity as a value-free technique implies that we cannot know this purpose by solely doing economics, just like we cannot know the purpose of physics by solely doing physics. Why we do those two disciplines is indeed a metaphysical question that is beyond the scope of economics and physics. In this light, if economics is used for some purposes which are commonly believed as unethical — for example, designing an intentional inflation to steal people's savings, the discipline per se is not to blame for that.

By adding these points we touch upon the epistemological limitation of the economic way of thinking. In short, economists cannot know the moral significance underlying both human conduct and even their own subject, unless some moral premises are given to them for free. Here, we hasten to stress that just like every scientific discipline – including natural sciences which rely also on some *a priori* principles, axioms, or the *ultimate given* (such as the assumption of the existence of physical laws), economics is not an exception. More important, the recognition of this kind of *limit of knowing* or *professional incompetence* due to the division of theoretical labor is not a shame but a good starting point for a call-for-collaboration with other disciplines, especially ethics.

6. Conclusions

For centuries, although it is widely recognized that economics is closely entwined with both ethics and engineering, many, if not most, economists believe that these two mutually exclusive approaches cannot be used *together* for featuring the discipline. With this understanding, they are inclined to draw a sharp dichotomy between the two facets of economics – as a moral science and as a value-neutral technique, and relate them to normative and positive economics, respectively. In our view, however, this common perspective rests on disregarding the fundamental logic of economics. The latter can be summarized as explaining and theorizing human behavior through the lens of the rationality principle — taken in its broader sense.

It is important to emphasize that holding this principle is not for the need of realism, and thus empirical justification for it is of no relevance; nor is it for mathematical convenience, and thus it holds regardless of whether formal optimization techniques are used. Instead, the rationality principle just serves as an *a priori* common grammar of economic analysis that defines how economists explain

their subject-matter and what they can do to improve the real-life situation. Specifically, on the one hand, no matter what analytical tools and behavioral assumptions are taken, the choices and tradeoffs of economic agents can be explained by economists *if and only if* they are reduced to the outcomes of means-end considerations of some kinds; likewise, social norms, institutions, and market relationships can be explained *if and only if* they are reduced to the outcomes of the choices and interactions of these *rational* agents. On the other hand, economists can offer effective policy prescriptions *if and only if* they can make changes in the means-end considerations of the decision makers in question.

Being aware of this common grammar leads us to the reconciliation of morality with value neutrality in economics, without slicing the discipline into two branches. However different these two elements appear, they are indeed two sides of the same coin, instead of two parts making the coin! On the one hand, economics is a moral science not only because all theorizing and policy discussions in economics are necessarily based on certain moral premises about the means-end scheme of the agents; it is also because economists have provided, from the standpoint of their discipline, explanations for a wide range of moral issues, including the formations of tastes and social norms. On the other hand, economics remains neutral regarding judgmental positions and value systems. This is because, without ethical presuppositions, economists cannot judge and evaluate the human choices in which different ultimate value criteria or ends are involved.

Finally, some may still be reluctant to accept the dualist view that economics exhibits the properties of both moral science and value-neutral approach, regardless of the normative-positive distinction. To a large extent, this avenue of understanding is reminiscent of the long struggle with the duality paradox of light. Today, the latter is no longer paradoxical for most, if not all, physicists, because quantum mechanics tells us that light behaves both as a wave and as a particle, rather than a part of light behaves as a wave, and another part behaves as a particle. In light of *light*, there is nothing conceptually paradoxical that economics, as its methodological heartland implies, behaves both as a moral science and as a value-neutral technique at the same time.

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