Éthique
Économique

The Perils of Not Thinking Like an Economist: How to Assess Value

I could be well moved if I were as you.
If I could pray to move, prayers would move me.
But I am constant as the Northern Star,
William Shakespeare, *Julius Caesar*, 3.1

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Abstract

It is common to muse over the perils of thinking like an economist. There is, we are told, something missing when we only weigh the costs and benefits of some options before us, and then choose the one that will lead to the greatest utility. Such a view is now commonplace in philosophy curriculums, and it has been defended, for example, by Michael Sandel, Debra Satz, and Elizabeth Anderson. This paper, conversely, explains how scholars regularly underestimate the extent to which economics applies to their viewpoint, and how the field of economics is frequently portrayed in a misleading way. It will make clear the perils of not thinking like an economist, especially for philosophers, and it will right the caricatures we can too often hear about economists. Both philosophers and economists think about the same issue, namely the question of value. Economics, however, examines the consequences of value judgments, and as such it is an essential feature of any practical proposition about value in society.

Keywords: Economic Man, Ethics, Market Capitalism, Morality, Role of Economics

Resume

Il est courant de songer aux périls de penser comme un économiste. On nous dit qu'il nous manque quelque chose lorsque nous évaluons seulement les coûts et les avantages de certaines options avant de choisir celle qui sera la plus utile. Une telle vision est maintenant courante dans les programmes de philosophie, et elle a été défendue, par exemple, par Michael Sandel, Debra Satz et Elizabeth Anderson. Cet article, à l'inverse, explique comment les chercheurs sous-estiment régulièrement la mesure dans laquelle l'économie s'applique à leur point de vue, et comment le champ de l'économie est souvent présenté de manière trompeuse. Il mettra en lumière les périls de ne pas penser comme un économiste, surtout pour les philosophes, et il corrigera les caricatures que l'on entend trop souvent à propos des économistes. Les philosophes comme les économistes s'interrogent sur la même question, à savoir la question de la valeur. L'économie, cependant, examine les conséquences des jugements de valeur et, en tant que telle, elle constitue une caractéristique essentielle de toute proposition pratique sur la valeur dans la société.

Mots-clés : Homme économique, éthique, capitalisme de marché, moralité, rôle de l'économie

JEL Classification: A11, A12, A13

1. THE PERILS OF THINKING LIKE AN ECONOMIST ARE MOSTLY FICTITIOUS

"I have been increasingly moved to wonder", once said Frank Knight (1951: 2), "whether my job is a job or a racket, whether economists, and particularly economic theorists, may not be in a position that Cicero, citing Cato, ascribed to the augurs of Rome". Similarly, "Later in life", recounted Jacob Viner (1963: 1), Napoleon "claimed that he had always believed that if an empire were made of granite the ideas of economists, if listened to, would suffice to reduce it to dust." It is common to muse over the perils of thinking like an economist. There is, we are told, something missing when we only weigh the costs and benefits of some options before us, and then choose the one that will lead to the greatest utility. Such a view is now commonplace in philosophy curriculums, and it has been defended, for example, by Michael Sandel, Debra Satz, and Elizabeth Anderson. This paper, conversely, explains how scholars regularly underestimate the extent to which economics applies to their viewpoint, and how the field of economics is frequently portrayed in a misleading way. It will make clear the perils of not thinking like an economist, especially for philosophers, and it will right the caricatures we can too often hear about economists.

The most obvious objection to the presumed perils of thinking like an economist would be to say that there is no one way to think like an economist. One may remember the joke saying that economics is the only field in which two people can share a Nobel Prize for defending opposing things, like Friedrich Hayek and Gunnar Myrdal did in 1974. But the objection usually runs deeper. According to Sandel (2013a: 122), economics presents itself as a "value-free science", which "does not pass judgment on how income should be distributed or how this or that good should be valued." Even though there are different economic approaches, we could then think that they all refuse to engage with morality. They refuse to pass value judgments. There is an ethics of "expediency", of "calculation", as Viner noted (1963: 8f, 13), in the field of economics. Hence, "Political economy", said Lord John Russell in 1821, "is an awful thing." Likewise, Walter Bagehot remarked that "no real Englishman in his secret soul was ever sorry for the death of a political economist; he is much more likely to be sorry for his life." While such thoughts are not especially nuanced, they are nonetheless indicative of a widespread sentiment – we should not think like economists.

Economics, Lionel Robbins championed (1932: 132), must be dissociated from ethics. "Unfortunately 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." Not so, this paper will argue. Both philosophers and economists think about the same issue, namely the question of value in society. The difference, then, is not one of object, but mainly one of method. These professions will favour different means to assess value in society, which, naturally, will lead them to different conclusions. Of course, economists, as Gregory Mankiw admits (2006: 29), "like to strike the pose of a scientist." Economics is a science, unlike ethics. But the perennial distinction between art and science does not deter the critics, and we can still hear that something is rotten in economics departments. This is made even more problematic by the fact that economics, according to Sandel (2013b: 6), has become an "imperial domain", which "increasingly governs the whole of life." Hence, there is a risk that philosophers will become ever more refractory to the ideas of their peers, the economists, which, in turn, will lead to misunderstandings.

Though there are serious limitations to the economic field of study, there are perils to not think like an economist. Economics examines the consequences of value judgments, and as such it is an essential feature of any practical proposition, or at least it should be. This paper examines three standard critiques of political economy. First, (§2) it will debunk the myth of the "economic man", which philosophers often criticize. Second, (§3) it will right the misrepresentations of the utilitarian tilt of economics, which are also running rampant. Third, (§4) it will show why it is wrong to criticize economists for disregarding the "social embeddedness" of markets, as Satz did. In the end, (§5) the objective of this paper is to set the record straight, and show how political economy is a moral science, although perhaps not in a way most of its critics would approve. That economics is a moral science has already been defended, for example, by Lord Keynes, Frank Knight, Paul Samuelson, and Anthony Atkinson, but it may need some additional clarifications. One of the main objectives of political economy, like in philosophy, is to assess value in society, though political economists do so through policy proposals, unlike in philosophy.

2. The Problem of the Economic Man – Rationality Is for Other People

Let us begin with the question of the economic man, the infamous "*homo economicus*" – a narrowly self-interested agent who would go to any length to maximize his utility, or so we are told. If economics is the science which purports to study such a man, one can see why it is on shaky moral grounds. "Even to-day", said Friedrich Hayek (1933: 124), "it is regarded almost as a sign of moral depravity if the economist finds anything to marvel at in his science", to which he added, "And he is bitterly reproached if he does not emphasise, at every stage of his analysis, how much he regrets that his insight into the order of things makes it less easy to change them whenever we please." Unlike the law which is set to frustrate the "bad man", according to Oliver Wendell Holmes (1997: 993), economics fully embraces the "egoistic man". It celebrates his egoism. The first critique, then, would go as follows:

> (1) The egoism critique – i.e. economics relies on the assumption that people are selfish and egoistic. "Every extension of the market", said Anderson (1993: 145), "thus represents an extension of the domain of egoism", and the political economist, we could add, encourages such a distorted understanding of human nature.

For example, "In all domain of life," said Sandel about economics (2013b: 48), "human behavior can be explained by assuming that people decide what to do by weighing the costs and benefits of the options before them and choosing the one they believe will give them the greatest welfare, or utility." Hence, it is thought, economics offers us a unidimensional view of human nature – the desire for gain primes, and the more noble sentiments falter. We see people driven by their desires, independent of their relations to their loved ones, and ignoring the moral features that make them humans. Everything becomes a question of costs and benefits. If we are to ameliorate society, Sandel added (2013b: 76), "it is simply a matter of designing the right incentive structure", which misses the point that "norms matter."

There are two problems with such a critique – first, the economic man is not as selfish as he is often said to be, and, second, he is but an assumption, and philosophers often use similar thought experiments. Alfred Marshall rightly explained the first point as follows:

> "But ethical forces are among those of which the economist has to take account. Attempts have indeed been made to construct an abstract science with regard to the actions of an 'economic man,' who is under no ethical influences and who pursues pecuniary gain warily and energetically, but mechanically and selfishly. But they have not been successful, nor even thoroughly carried out. For they have never really treated the economic man as perfectly selfish". (1930: vi)

First, then, there is a tendency to exaggerate how the economic man is under no ethical influences. The economic man, Satz criticized (2010: 29), "may be out only for himself, but he must not generally steal, lie, cheat, or murder in order to maximize his gains". Fair enough, we could say, but the economic man does not do any such thing. He is a decent fellow, remarkably well behaved. Moreover, the economic man is not "out only for himself". As Marshall noted, it is assumed that such a man will care for his family, which is more that can be said of many people. The assumed psychology of the economic man is also bound to his social environment. He does not live in a state of "continual fear, and danger of violent death", nor is his life "solitary, poor, nasty, brutish, and short", following Thomas Hobbes (I.xiii.9, 2008: 84). His life is somewhat cozy, and his psychology, though unsatisfactory, is not far-fetched. "In fact," said Viner (1917: 248), "it may almost be said that the 'economic man' was an actual Englishman of the commercial world." Hence, the economic man is not purely egoistic, nor does he care only for himself. He is somewhat ordinary, and he operates in accordance with some social standard, say one we could find in the United States today.

Second, it is important to note that the instrumental rationality of the economic man does not explain human behaviour for the economist. The objective is rather predictive, or forward-looking if you will. Most economists are concerned with ends, not motives. We do not know why people act the way they do, and, of course, economists are aware that the complexity of human psychology cannot conform to such an "arbitrary definition of man" as the economic man. "Political economy, therefore," John Stuart Mill explained (1877: 144), "reasons from assumed premises—from premises which might be totally without foundation in fact, and which are not pretended to be universally in accordance with it." In other words, aware of its limitations, economics uses such an "assumed psychology" so as to reach interesting conclusions. But we remain aware that reality is more complex than the economic man allows. "No mathematician", said Mill (1877: 145), "ever thought that his definition of a line corresponded to an actual line." The economist is no different. Though self-interest may have been the foundation of economics at the end of the nineteenth century, with, say, William Stanley Jevons, Carl Menger, and Léon Walras, we must not underestimate the extent to which morality has always played a central role in economics. We are quite aware that the economic man is unlike any real human being.

It would be a mistake to understand economic theory through the imagined attributes of the economic man. For example, Anderson (1993: 164) criticizes economists like Friedrich Hayek or Milton Friedman by saying that they suppose that "individuals are self-sufficient in their capacities to exercise freedom and to form and express their values, independent of their relations to others." They did no such thing – this is an attribute of the economic man, but it does not define their value theory. Friedman (2002: 12), for instance, took the family as the relevant subject of inquiries into the structures of market capitalism. Methodological individualism, a key feature of neoclassical economics, does not imply individualism as a moral stance, nor, of course, ethical egoism. More importantly, however, there is a distinction between actual people and the hypothetical models economists commonly use. Consider the following case, which David Friedman recounts to illustrate the distinction.

> "One summer, a colleague asked me why I had not bought a parking permit. I replied that not having a convenient place to park made me more likely to ride my bike. He accused me of inconsistency. As a believer in rationality, I should be able to make the correct choice between sloth and exercise without first rigging the game. My response was that rationality is an assumption I make about other people. I know myself well enough to allow for the consequences of my own irrationality. But for the vast mass of my fellow humans, about whom I know very little, rationality is the best predictive assumption available." (1996: 5)

The key point is that although economics is built on the assumption of rationality, it is a mere assumption. We do not know enough about other people, and therefore we use the economic man, mindful, evidently, that he is unlike actual people. Perhaps the most implausible attribute of the economic man, we could add, is not his selfishness, but rather his unwavering rationality. According to Mill (1877: 137), the economic man is "a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end." Today, as Gary Becker explained (1962: 1), economic theory no longer assumes the hedonistic rationale or the unrealistic psychology of the economic man. It simply assumes "consistent maximization of a well-ordered function", say a utility or profit function. The philosopher could still object to such a utilitarian philosophy. But the function does not have to be utility, and economists often favour a welfare function, which, as we will see, is why many of the caricatures of economics are just out of place.

The economic man is a convenient tool. The problem is that it has been elevated to a full-fledged economic theory by its critics. Suddenly, the device became a sign of what is variously referred to as "market-oriented thinking", "market reasoning", or "economic thinking". It is no such thing. The economic man is rather a simple case of what Herbert Simon called "substantive rationality" (1986: S210), for which rationality is viewed in terms of the choices it produces, and which does not speak about the content of goals and values. There is nothing extraordinary or cold-hearted with such a reasoning, and therefore one can wonder why Karl Polanyi (2001: 46) saw fit to criticize the economic man by saying that, "Adam Smith's suggestions about economic psychology of early man were as false as Rousseau's were on the political psychology of the savage." As you would expect, "the propensity to truck, barter, and exchange one thing for another", which Smith described (1776: I.ii.1), is but a simplification of human psychology, which is not to be taken literally.

The assumption of substantive rationality has also been used by contractualist theorists. For example, the economic man is not unlike the original position defended by John Rawls (1999: 16), in which people are stripped of their particular inclinations, aspirations, and conceptions of the good when deliberating about principles of justice. Both are thought experiments that use an assumed psychology to think about the background institutions of society. However, whereas Rawls's veil of ignorance is celebrated, and justifiably so, the economic man is regularly vilified. An intellectual device that draws no ire in philosophy suddenly becomes the proof of the economist's heartlessness and ethics of "expediency".

Unlike people under the veil of ignorance, moreover, the economic man has a conception of the good – one in line with that of his contemporaries. Most contractualist theorists have made a similar assumption. For example, Thomas Hobbes assumed the psychology of the Englishman after the Civil War, John Locke the Whigs around the Glorious Revolution, and Jean-Jacques Rousseau the Frenchman before the French Revolution. Economists are no different. Today, they assume the psychology of, say, the average American consumer. We could assume a different psychology – maybe a civic one like Michael Sandel (1996), or a socialist one after Gerald Cohen (2000: 128ff, 142ff). But doing so would not permit us to recommend policies to make people better-off in our society – and making such welfare judgements, as the next section will show, is what grounds economics in ethics.

3. The Problem of Want-Satisfaction – Welfare is an Ethical Concept

Let us now consider another question. The expertise of the economist, we are told, does not and perhaps cannot say why want-satisfaction matters. "Why maximize social utility? Most economists", said Sandel (2013b: 88), "either ignore this question or fall back on some version of utilitarian moral philosophy." Economics has a purpose, but this purpose, we could think, stands unjustified. It may even be corrosive, such that it distracts us in our pursuit of some civic values. We would then face what Satz calls a "noxious market", which is only set to maximize welfare, in spite of the moral issues we face. According to Satz (2010: 92), hence, "economic theory is inherently imperialistic about the scope of the market", such that "the solution to market failure is often taken to consist in the enlargement of the scope of the market." Economics becomes driven by hedonism, which eats away the ethical character of our market societies, or, at least, so have argued many philosophers:

> (2) The utilitarianism critique – i.e. political economy endorses "provisional utilitarianism", as Robbins would say (1938: 635), which makes it rather unconcerned with moral questions. It "counts each man as one, and, on that assumption, asks which way lies the greatest happiness", following Jeremy Bentham.

The poet Samuel Taylor Coleridge (1917: 433) summarized the idea well enough – "It is this accursed practice of ever considering only what seems expedient for the occasion, disjoined from all principle or enlarged systems of action, of never listening to the true and unerring impulses of our better nature, which has led the colder-hearted men to the study of political economy." This section, conversely, shows why economics is a moral science.

Utilitarianism, there is no denying, has influenced numerous prominent economists. Economics, said Marshall (1930: 1), "examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing." Therefore, we could think that economics obsessively pursues wellbeing or utility. Following Satz (2010: 34), we could also think that "most economists purport to employ a division of labor whereby they explain only efficiency while others worry about ethics." Not so. It is common to criticize economists as if they endorsed the maxim "*de gustibus non est disputandum*", that is, "in matters of taste, there can be no disputes". Such a utilitarian view, we are told by Sandel and Satz, forces the economist to disregard the moral foundations of our society as well as the moral character of the goods being traded. Valuation then simply becomes a matter of putting a price on everything, including love.

According to Sandel (2013b: 200), economists have a tendency to commodify everything, which leads to what he calls "rampant commercialization." Such a tendency, however, is nothing but a professional quirk. Economists are not blind to the moral character of the goods and services they study. One can expect that economists will commodify things, even love as Sandel notes (2013b: 127-30), not because they think of such things as commodities, but because it makes it easier to discuss them. Likewise, one should not be surprised that political scientists will say that everything is a question of power, even marriages, or that lawyers will immediately shift a discussion about love toward the issue of prenuptial agreements.

As Viner noted (1963: 15), there used to be a term to signify the "belief in the possibility of and zeal for extending measurement to all phenomena." "Pantometry", as it was known, was a scheme for universal measurement. Such a proposal, we could think, represents one peril of thinking like an economist. There are some things that are heterogeneous, or non-comparable if you will. For example, Samuel T. Coleridge mocked those who would find similarities between one's love for one's wife and one's passion for roast beef. Yet such is a common practice today. In economics, an indifference curve represents in geometrical terms points where consumers have no preference between, say, love and roast beef. Such a view may be troubling to many critics of economics, but it should not. A professional quirk is not necessarily a bias, and it should not epitomize a field of study.

More importantly, however, the issue of valuation in economics is much more complex than one can be led to believe. Welfare is an ethical concept. Such a point has been a leitmotiv of the critiques of, say, Sandel and Satz, but it had already been explained by Frank Knight, one of the founders of the Chicago School of economics. The first function of an economic system, said Knight (1935: 42), is to establish a value scale. "It is impossible to form any concept of 'social efficiency' in the absence of some general measure of value." The alleged naivety of economists has greatly been exaggerated regarding this function.

Economists are well aware of the "mere addition paradox" Derek Parfit introduced (1987: 419-41), and accordingly they do not only look for ways to maximize aggregate welfare while leaving most poor people behind. We have come a long way since the Benthamite social welfare function, which only considers the sum of individual incomes. Most economists are rather concerned with social welfare functions guided by some values, say the separateness of persons, like the Bergson-Samuelson individualist welfare function $W[U_1, U_2, U_3, \ldots]$. If one is to use a given value scale, be it welfare, utility, or simply X, one must indeed consider a range of features, behind which there will be a theory of justice. In reality, as Anthony Atkinson noted (2009: 796), economists will examine the following questions:

> (i) Diversity – i.e. "different people hold different sets of values", such that liberty may be more important for one than social justice, and vice versa for another.
>
> (ii) Plurality – i.e. "a single person may bring to bear more than one set of welfare criteria", such that we must balance, say, greatest happiness with liberty.

As soon as the information content of individual preferences is broad enough to include interpersonally comparable cardinal welfare functions, to use Sen's words (1997: 15), our value scale must consider some distributive features, forcing us to engage with political theory:

> (iii) Intertemporal distribution – i.e. different generations have differing interests, and therefore we must consider the rate at which future utility is discounted.
>
> (iv) Interpersonal distribution – i.e. different people have conflicting interests, and therefore we must also consider the question of distributive justice.

It is not clear exactly how economists have failed to recognize the ethical dimensions of such questions. One can often hear that these are questions which economists are not even willing to discuss, and yet they are fairly common in political economy. There are many ways in which what Aristotle called "*eudaimonia*", namely "happiness" or "welfare", can be understood, and indeed there are many ways in which it has been understood by economists. We do not all blindly follow Bentham. For example, Sen proposed the capabilities approach, which is approximated by the Human Development Index that he introduced in 1990 with Mahbub ul Haq. Regarding inequality, we often use the Gini coefficient, or the Atkinson index. If "economics is what economists do", as Viner said, then there can be little doubt that economics is a moral science, if only because economists will frequently engage with moral issues. Furthermore, this tendency to engage with moral issues sheds light on the morality of the economic man. Knight noted that our understanding of such a man holds only under a certain social background.

> "We can say that a man will in general prefer a large quantity of wealth to a smaller (the principal trait of the economic man) because in the statement the term 'wealth' has no definite concrete meaning; it is merely an abstract term covering everything which men do actually (provisionally) want." (1922: 475f)

In choosing a given maximand, then, the economist is engaging with the wants of his or her contemporaries. However, given the diversity and plurality of wants, the maximand the economist chooses will also reflect some values, even more so if the economist recommends some policies to maximize it. If one were to analyse the maximand most commonly used by economists, one would find mostly the same values that philosophers frequently praise – of course, there would be growth, but also employment, sustainability, capabilities, wellbeing, social inclusion, flourishing, as well as, obviously, equality. Sometimes, the values behind the maximand can be obvious, like in the following case:

> "When asked what was the most useful item of domestic property," Cato Censorius, a famous Roman senator known for his conservatism, "replied: 'Good grazing.' And what was the next best? 'Adequate grazing.' And the third best? 'Poor grazing.' And the fourth? 'Ploughing.' When the questioner asked 'How about money-lending?', Cato answered: 'How about murdering someone?'" (Cicero, *De Officiis* (*On Obligations*), 2.89)

Cato the Elder thought that homeowners should maximize grassland suitable for pasturage on their property, and he made quite clear his disdain for what the Greeks called "chrematistics". The ordering of values here is limpid. For modern economists, the ordering may not be so obvious. Consequently, the economist could be thought to hold a similarly stubborn view as Cato Censorius – more utility is better than less, and let us stay away from moral considerations, especially egalitarian or civic ones. This is incorrect. A few names of famous economists should suffice to dispel such a thought – John Stuart Mill, Karl Marx, Lord Keynes, Amartya Sen, and Anthony Atkinson were all sincerely concerned with equality, which is echoed in the phenomena they chose to study. Conversely, Adam Smith, Ludwig von Mises, Friedrich Hayek, and Milton Friedman were more concerned with individual freedom, which ranked before any utility concern.

It is true that James Buchanan criticized the Knightian model by saying that the value scales economists establish are not necessarily social value scales. "The use of the standard of measurement", said Buchanan (1987: 64), "does not carry any normative implication relating to maximization or minimization." This is correct – as David Hume taught us, we should not derive "ought" propositions from "is" propositions. But most economists, Buchanan included, do make recommendations about the optimal policy, or about the welfare consequences of a given policy. In doing so, they make welfare statements, as Atkinson noted (2009: 794). That is, the value scale we use can exist as an independent instrument of economic science – such that we do not prescribe that the criterion identified by the scalar must be maximized. However, economists make such recommendations on a daily basis. The fact is that economists put forward welfare judgments. They regularly propose institutional changes to increase social welfare – a question which we must now examine.

4. The Problem of Social Standards – Should You Go Kill Walruses?

"But the age of chivalry is gone.", said Edmund Burke (2009: 76), "That of sophisters, oeconomists, and calculators, has succeeded; and the glory of Europe is extinguished for ever." Economists, it is often thought, offer us an unsophisticated view of society – bland and devoid of its more noble moral qualities. Let us discuss this other stigma attached to economic thinking. According to Anderson (1993: 145), norms structuring market relations have five main features – they are "impersonal, egoistic, exclusive, want-regarding, and oriented to 'exit' rather than 'voice'." A closer examination would reveal that markets are defined by none of these unflattering features, or, at least, that these are incidental features at best, not inherent ones. But let us examine the more fundamental issue. It is thought that economists will refuse to question the organizational principles of markets. They will explain market functioning, while taking for granted the institutions that permit markets to exist. The charge against economists is one of failing to be critical of our institutions:

> (3) The social embeddedness critique – i.e. modern economists are oblivious to the social embeddedness of markets, that is, they fail to see how markets rests on pervasive principles of social organization, which leave their mark on the people, the goods and services being traded, as well as on society as a whole.

Such a critique has been defended by both Sandel and Satz. For example, "Economists", said Sandel (2013a: 128), "often assume that markets are inert, that they do not touch or taint the goods they regulate." Likewise, Satz establishes a distinction between the classical political economists, like Adam Smith, David Ricardo, and Karl Marx, and modern economists. She praises the classical economists for they emphasized the "social embeddedness" of markets. That is, the market "shapes our differing and thus unequal preferences, interests, and capacities", as Smith explained by looking at the division of labour. This intuition, says Satz (2010: 39, 46), "has been lost." Not so – it is an essential feature of neoclassical economics.

This third critique rests on a straw man. The intuition about the social embeddedness of markets has never been lost. We can find it in the new institutional economics movement, represented by Ronald Coase, Douglass North, Elinor Ostrom, and Oliver Williamson. The same goes for the Chicago School of economics, with, say, Frank Knight, George Stigler, and Milton Friedman, and for the Austrian School with Carl Menger, Ludwig von Mises, and Friedrich Hayek. Not only has such an intuition lived on, but it is now also a staple of economic thinking. No economic doctrine is meaningful except with reference to a given institutional and social context. Satz (2010: 41) is right to praise Smith for his intuition that the market is a revolutionary form of social organization, but she is wrong to add that such an intuition has been "largely ignored." The Nobel lectures of Hayek, Buchanan, Ostrom, Coase, North, as well as Vernon Smith all furthered such a Smithean intuition.

Whereas the *Theory of Moral Sentiments* advanced the "doctrine of an order of nature designed and guided by a benevolent God", in the *Wealth of Nations* Smith abandoned such an idea. Therefore, as Viner explained (1927: 208), Smith was then "free to find defects in the order of nature without casting reflections on the workmanship of its Author." This is indeed the fundamental intuition of the Smithean view of markets – the market is a principle of social organization that is conductive to individual freedom, though it is far from a perfect one. It is imbued with flaws, and therefore we should be wary of markets, for example, Smith argued (1776: I.x.ii.61), when they favour the "masters" against the "workmen." Most economists have embraced this intuition. They criticize markets when appropriate, and do not shy away from exploring other organizational principles. Laissez faire is dead.

It is true that some economists have not embraced all the ethical conclusions one could reach from this more critical understanding of economics. One important conclusion, of course, is that economics is a moral science. When economists propose different rules of organization, they must engage with individual preferences and distributional quandaries. Whereas it was obvious for Hayek that every practical conclusion in economics is based on fundamental ethical postulates (1933: 122), other equally renowned economists have disagreed. For instance, the "ethical orientation" of political economy, said Carl Menger (1985: 235-7), is "devoid of any deeper meaning", "a confusion in thought", "a residue of a philosophy that comes from antiquity", and "a lamentable crutch for scientific insufficiency." One may disagree with Menger, and indeed one should, I would argue. But that is not to say that he or other economists were unaware of the social embeddedness of markets, like Satz said.

The fact is that few lessons have permeated economics as much as what could be called the "social embeddedness of markets". Yet, according to Satz (2010: 45), "contemporary economic theory tends to view a person's preferences and capacities as given inputs into an economy". Likewise, Sandel (2013b: 125) maintains that the first tenet of "market faith" is that "commercializing an activity doesn't change it." Of course, it will change it, we could say, and, similarly, people's preferences and capacities are outputs of a given economic system. It is easy to criticize economists by attributing them views which they have not advanced. But it only creates an illusionary victory. Neoclassical economics is quite aware that the organizational principles of markets will affect the coordination of individual efforts in society, as well as the direction of these efforts themselves. A given system of property rights or contract law, for example, will affect the preferences and the opportunities of the people. This was well understood by both Hayek (1980: 107-18) and Friedman (2002: 162), and today it is commonplace in behavioural economics, say with the concept of nudge.

Consider child labour. “Some economists and policy advisors”, says Satz (2010: 4), “have argued that banning child labor is a mistake because some families rely for their survival on the labor of their children. At the same time many believe that protecting young children from working is a moral requirement.” This is a false dichotomy. Satz presents the issue as though economists do not think that protecting children is a moral requirement as well.

The economic argument for child labour is not absolute, nor does it take for granted the decision of parents to put to work their children. It is most probably preceded by a sufficientarian clause saying that poor people should have enough to survive. They should also have, one could add, a reasonable prospect of a good life. For many poor people, however, this is only attainable if their young children go to work. Such an argument, therefore, reminds us that it would be a mistake to prohibit child labour without addressing the background causes of such practice. In other words, banning child labour is inadvisable, according to some economists, not because some poor families rely for their survival on such labour, but because it does not address a third alternative – banning child labour plus enacting policies to address the problems of extreme poverty.

The preference of some parents to send their children to work will not be a simple input for the economist, as Satz contends. It is rather the effect of some market institutions, which do not present some poor people with the same opportunity structure as more fortuned people. This was Smith’s intuition. “The difference between the most dissimilar characters, between a philosopher and a common street porter, for example,” said Smith (1776: I.ii.4), “seems to arise not so much from nature, as from habit, custom, and education.” Satz quotes that passage, and yet fails to see how economists today are in line with Smith. The economic argument for child labour does not so much defend the morality of the practice, nor does it take it as a simple input. Rather it makes clear the dilemma we face – our moral condemnation of child labour leads to additional sufferings for some poor people. Before banning child labour we should revise the market structure that led to the practice.

If anything, we could say, the difference between a philosopher and an economist arises not so much from the nature of their investigation, as from their method to address value in society. Philosophers tend to propose absolute or lexically ordered schemes of value. Political economists, conversely, will most likely have to consider the trade-offs between different changes in policy. There is nothing especially repugnant with the latter method.

> “An organized system”, said Knight, “must operate in accordance with a social standard. This standard will of course be related in some way to the values of the individuals making up the society, but it cannot be merely identical with them; it presupposes some process of organizing the various individual interests, weighing them against each other and adjudicating conflicts among them.” (1935: 42)

The economist, then, will often have to adjudicate conflicts between different values, say between individual liberty and sufficientarianism. Therein lies the ethical character of economics. If maximum wealth could be reached by reinstating slavery, the political economist, of course, would not advocate such an outrageous policy. Economists operate within the bounds of some ethical standards, normally well-matched to those in place. Hence, Satz and Sandel could perhaps criticize the standards economists use. Liberty frequently comes first for neoclassical economists, while the values of employment or equality may be more noticeable in, say, Keynesian economics. Maybe we should have a different standard to guide us through the trade-offs we encounter. However, that is not to say that political economy is "an awful thing" – nor that economic reasoning is "naïve".

Consider the case of people who pay to shoot a walrus, which Sandel uses to great effect. In Canada, walruses have been decimated, and thus they cannot be hunted anymore, except for aboriginal subsistence. In the 1990s, the Canadian government allowed Inuit people to trade their walrus quota, thus allowing individuals to pay, about $6,500, for the licence of killing a walrus under Inuit supervision – a morally dubious activity, certainly. "But from the standpoint of market reasoning," says Sandel (2013a: 131), "there is much to be said for allowing the Inuit to sell their right to shoot a certain number of walruses." "It makes some people better off without making anyone worse off." This case, however, is not indicative of "market reasoning", as Sandel says, nor is it clear that it should be allowed.

There are two problems. First, making at least one person better-off without making anyone worse-off is not "market reasoning", or "economic reasoning". It is rather Pareto superiority, that is, a change that benefits someone and injures no one. But in a market society, of course, there will never be a change in policy that will produce only benefits and no costs. If political economists were to recommend only Pareto superior changes in policy, then they would never make any recommendation. Normally, one will rather favour a theory of efficiency, following Alfred Marshall, which is concerned with net gains – not with some gain with no loss (Friedman, 2000: 25). The fact that there will always be a losing party in political economy is precisely what makes it so interesting. As soon as we get past cases in which there are only two persons trading, some people will be made worse-off, which is why economics is tied to political theory, and corporate governance to ethics.

Second, and more importantly, efficiency will have to be balanced with other values, as we have shown, and therefore economic reasoning is much more complex than transpires in the case of shooting walruses. It is not obvious that we should always pursue efficiency, and, when we do, we should not do so mindlessly. Reducing the gender gap, we could say, is worth at least a few units of efficiency. Saving walruses in Canada may be worth causing some discomfort to eager hunters. Political economists are aware of such dilemmas, and our understandings of markets are permeated with similar questions.

5. The Perils of Not Thinking Like an Economist Are Quite Real

If economics, as we can be led to believe, is a science moved by an ethics of expediency, which refuses to even engage with current moral debates, then we can understand why so many philosophers are wary of such a field of study. Likewise, if one were to take for granted the ways in which economists are often portrayed by their critics, one could be tempted, following Charles Dickens (1854: 558), to say that, "Political economy is a mere skeleton unless it has a little human covering, and filling out, a little human bloom upon it and a little human warmth in it." The problem, however, is that these are mere caricatures. We should not be so concerned with the perils of thinking like an economist, as rather with the perils of thinking like a straw man economist. But that is an underwhelming conclusion. Let me now conclude with a few thoughts to explain why the profession of economist is so often mischaracterized by some critics, almost grotesquely on occasion.

First, many scholars may have a problem with the misleadingly simple rationality we use in economics. "But the very fact", said Hayek (1933: 128), "that economic thinking consists merely of ordinary reasoning from commonly known facts—but carried beyond the point at which it is immediately obvious […]—makes it difficult for the non-economist to believe that economics can teach him anything." As economists assume global consistency of behaviour, one can be stricken by the simplicity of such a way of thinking. This is what transpires in many critiques of political economy. It is too simple. It bypasses the more complex questions we should consider. This simplicity, however, is an illusion. One who refuses to think like an economist will likely misses some key points, even if one is an illustrious philosopher. For instance, Rawls thought that both capitalism and socialism were compatible with his theory of justice, for they both permit people to exercise and develop his or her conception of the good. Hence, he said that his theory is indifferent between these two economic systems (1993: 298; 2001: 112f). Political economists cannot remain indifferent – market capitalism makes everyone better-off, and leads to more want-satisfaction than a non-market system. This, in turn, will affect the ways in which people can pursue their conception of the good. Sandel (2013b: 29f) may very well criticize Mankiw for defending capitalism as a system that maximizes "the economic well-being of everyone in society", but such a simple observation will likely have far-reaching implications for any theory of justice.

Second, when criticizing economists, it is common to only criticize the conclusions some economists have advanced. The usual suspects are neoclassical economists advocating for market capitalism. Rather than engaging with their arguments, then, it is tempting to simply write off the whole profession. It is a shorthand for engaging seriously with the ideas of some economists. Such a trend can be observed in the critiques of so-called "neoliberalism", which are now running rampant. According to Anthony Giddens (1998: 8-14), neoliberals advocate for unfettered market forces, and, Joseph Stiglitz (2009) added, they are "market fundamentalists". Yet no one really advocates for such an unfettered system, save perhaps for market anarchists, and, even then, the anarcho-capitalism defended by, say, David Friedman is often misrepresented beyond recognition. As Hayek explained, the problem with economics is that it makes it harder to reach some conclusions. Hence, it becomes tempting for the people who want to reach these conclusions to disparage economic thinking in general, so not to have to engage with the ideas they disapprove of.

Third, and perhaps more generally, the unethical trend of economic thinking is mostly fictitious. Most economists engage with moral issues on a daily basis, though, of course, not in the same way as most philosophers. These issues do not arise out of one's reading of Plato, but rather of one's policy proposals regarding some maximand one has chosen. The immorality of the economist has been greatly exaggerated. Even Bernard Mandeville could only praise vice if it is "by Justice lopt and bound" (1989: 76). Economics is not a depraved science. We should not underestimate the central role played by considerations of justice.

In conclusion, this paper has shown how the usual critiques of political economy coming from some philosophers are unconvincing. Economics, we could say, is lopt and bound by contemporary ethical standards. If anything the presumed perils of thinking like an economist is more a disagreement with some classical liberal economists, say Hayek, Friedman, Buchanan, Stigler, and Becker. Yet, as Hayek noted (1933: 122), "No serious attempt has ever been made to show that the great liberal economists were any less concerned with the welfare of the poorer classes of society than were their successors." In fact, I have shown elsewhere[1] that classical liberals are indeed concerned with the welfare of the poor. Many of the critiques of economics unfortunately distract us from engaging with the crucial ideas of some neoclassical economists. Let me conclude by giving the final words to John Stuart Mill who summarized quite well what should be our answer to our critics:

> "The same persons who cry down Logic will generally warn you against Political Economy. It is unfeeling, they will tell you. It recognises unpleasant facts. For my part, the most unfeeling thing I know of is the law of gravitation: it breaks the neck of the best and most amiable person without scruple, if he forgets for a single moment to give heed to it. The winds and waves too are very unfeeling. Would you advise those who go to sea to deny the winds and waves—or to make use of them, and find the means of guarding against their dangers? My advice to you is to study the great writers on Political Economy, and hold firmly by whatever in them you find true; and depend upon it that if you are not selfish or hardhearted already, Political Economy will not make you so." (1867: 70)

The perils of thinking like an economist are mostly fictitious, though, as Mill reminds us, the perils of not thinking like economist are quite real and possibly fatal for a civilization.

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