

Economics and Ethics

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One of the greatest barriers to meaningful debate within and about economics has been the successful mainstream rhetoric that economics is a technical subject. Where economics is presented as a science, ethical considerations are deemed to belong to non-science. According to this view, the economist's role is to produce technical results to be handed over as expert advice to policy makers, for them to use according to their (separable) ethical principles. Where the issue of ethics *has* arisen within mainstream academic economics, it has tended to refer to the kind of generic academic ethics applied by funding bodies, employers of consultants and publication outlets: not to plagiarise, to declare conflicts of interest, not to be abusive, and so on. While important in themselves, these are ethics of personal behaviour which are considered to be independent of research methodology and research content.

But ethical responsibilities have come to the fore in public discourse in the wake of the recent financial and economic crisis. Given the real consequences of the crisis and their uneven distribution, questions arise as to how far economists are morally culpable. Not only did mainstream economists fail to alert the authorities to the forces leading towards crisis, but their theories had equipped financial market players with the technical skills to stoke the system's vulnerability to crisis. Moral issues continue to arise, given the policy advice in favour of fiscal austerity which came from the same economists. The nature and role of expert advice raise moral issues surrounding the status of economic knowledge itself.

There is clearly more scope for ethical issues to arise in economics than implied by narrow generic academic ethics. In order to consider this scope we raise issue with the notion of economics as a purely technical discipline and explore the implications for ethics in relation to economics as a whole and in relation to the responsibilities of individual economists. There has for some time been growing academic interest in considering ethics and economics in this wider sense, such that there is now a body of resources by which to address these issues, such as the *Handbook of Economics and Ethics* (Peil and van Staveren, eds, 2009). Meanwhile, George De Martino (2011) had spearheaded discussion of the possibility that economists, like other professional groupings, might be required to sign an oath which established ethical standards. A range of perspectives on such a possibility and related issues was published in the *Oxford Handbook on Professional Economic Ethics* (De Martino and McCloskey, eds, 2016).

Ethical issues enter at the level of how economic knowledge is produced. Where mainstream economics textbooks refer at all to methodology, it is to a logical positivist approach whereby economists derive positive propositions and test them against independent facts. While Hume had simply pointed out the distinction between 'is' and 'ought' statements, modern mainstream economists assert that economics is only concerned with the former (see further van de Laar and Peil 2009 and Davis 2016). It is not that economists do not seek to contribute to the betterment of society – most do – but rather that this is to be done by producing useful, empirically-validated

positive statements.¹ The resulting methodology is seen as defining the discipline, effectively ruling out other approaches.

But modern economics began, with Hume among others, as a moral science within the field of moral philosophy; ethics were integral to economic reasoning (Dow 2009). It is not then a question of whether it is desirable to strip economics of ethics, but rather whether it is actually possible to do so. As Kayatekin (2014: 605) argues with respect to Hume: ‘to the extent economic behaviour is determined by passions such as greed, benevolence and pleasure, we cannot separate economic activity and morality’. The theoretical framework itself determines how values are discussed. Thus ethical concepts such as trust and moral hazard are analysed in mainstream theory in terms of incentives and self-interest, while elsewhere they are analysed in terms of institutions and social conventions (Nooteboom 2009, Dow 2012). Inevitably policy advice too is formulated in terms of the framework employed, an important issue for example for banking reform in the wake of the crisis.

Ethical judgements are thus embedded even in apparently-technical mainstream models, and in concepts such as efficiency (van Staveren 2009). Within a mainstream framework, market competition is presumed to ensure that labour and capital are paid the value of their marginal product, justifying the pattern of income distribution, for example. Similarly, mainstream theory supports promotion of free trade on the grounds that it produces a net increase in welfare, i.e. where losers could in principle be compensated by winners, *even if compensation does not actually take place*. The embeddedness of moral values is even more apparent beyond the mainstream, where market forces are analysed as being as much matters of power and social convention as they are about price incentives.

This brings us to the ethics of the economist herself, as researcher, as teacher, as consultant and as policy adviser. The first implication of economics being a moral science is that it is unethical to present economic propositions as separable from ethics (Dow 2015). Theory is contestable, not just in relation to alternatives, but also in relation to its moral presuppositions. It is therefore incumbent on the economist to be explicit about the ethics embedded in her theorising and to be prepared to engage in debate about them. But the responsibility extends further to being open about the limitations of any one approach to economics. This requires the economist to be prepared to explain and defend her approach relative to alternatives.

Unfortunately the mainstream approach to economics as a technical subject precludes debate about ethical presuppositions as irrelevant. Yet logical positivism can no longer be sustained in economics (just as the philosophy of science has long since left it behind). This is not just because theory is imbued with ethics; it is also a matter of epistemology. If the subject matter of economics is complex and evolving, no one approach can hope to deal with the whole. Where knowledge is uncertain, and different understandings are possible, pluralism provides the most robust disciplinary strategy. Different groupings of economists focus on particular aspects of that complexity according to their ontology, and understand evidence in their own way (Dow 2004).

¹ Waterman (1994) explores the efforts in the nineteenth century to develop positive economics to supplant normative political economy.

If the truth of propositions cannot be demonstrated, but is rather a matter of persuasion, the economist has a much broader ethical responsibility than simply revealing the values embedded in theory, challenging though that is (Dow 2016). To engage in honest debate with other researchers, and as a consultant or policy adviser, the economist has a moral responsibility to acknowledge the limitations of her knowledge, and to explain and defend her approach relative to others. The same moral responsibility applies to the economist as teacher. To educate young scholars to be morally responsible economists in the face of epistemic challenges, the economics teacher needs to equip them to understand and choose between different approaches.

According to this type of analysis, the moral opprobrium in which economists were held after the crisis was due to a number of ethical blind spots: economic arguments were presented as definitive, without the show of modesty more appropriate given the epistemological challenges; the arguments were presented as technical, as if there was no ethical content; the responsibility was not recognised to be transparent about ethical content; and the responsibility was not recognised to explain and defend the chosen approach in relation to alternative approaches. Rather than retreating into an unsustainable defense that economics is scientific and therefore free of ethical considerations, economists should aim to rebuild trust in the profession by accepting that more robust knowledge will arise from addressing the ethical content of the subject and opening it up to debate. The professional ethic of tolerance of different approaches is critical. But non-mainstream economics, with its openness to addressing ethical issues, needs to be recognised by the mainstream as economics. The epistemological argument for pluralism needs to be accepted for the principle of tolerance to have substance.

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