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Ethics *and* Economics: A Complex Systems Approach

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Abstract: This chapter examines the nature of ethics *and* economics as a single subject of investigation, and uses a complex systems approach to characterize the nature of that subject. It then distinguishes mainstream economic and social economic visions of it, where the former assumes that market processes encompass social processes, and the latter assumes that market processes are embedded in social processes. For each vision, strong and weak theses are compared. Both visions are first explained in terms of their respective views of the positive-normative distinction, then in terms of a central normative principle, and then in terms of their policy strategies. The chapter closes with comments on the future status of ethics *and* economics as a single subject of investigation.

Keywords: ethics *and* economics, complex systems, mainstream economics, social economics, positive-normative distinction, efficiency, externalities, cost-benefit, capabilities, 'off limits,' 'taming the market'

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1. Introduction: What is ethics *and* economics as a single subject of investigation?

The subject of this *Oxford Handbook* volume is ethics *and* economics. Accordingly, a fundamental issue it must address is: what makes 'ethics *and* economics' a single subject of investigation. Indeed, ethics and economics taken in themselves each constitute distinct types of investigation, as reflected in the fact that they have long been carried out in two separate disciplines by two largely independent groups of researchers, respectively, philosophers and economists. Their long histories as distinct disciplines thus create a barrier to understanding how together they constitute a single subject of investigation, and the fact that they have each developed in relative independence from one another also suggests that there exist inherent barriers in the way each is understood to combining them in a single field of investigation. It seems a mistake, then, to proceed with a discussion of ethics *and* economics without first reaching an understanding at least some of the issues involved. However, this does not seem to be the starting point for much work that exists on economics and ethics, which instead often investigates *how* economics and ethics are connected – for example, in discussions of equity-efficiency tradeoffs – without first establishing *what* the relationship between ethics and economics is.

Where should one start, then, if we are to identify economics *and* ethics as a single subject of investigation? Given their independent histories, it would be natural to begin by saying that since ethics and economics have long been essentially independent fields of investigation, understanding what economics *and* ethics is should be framed in terms of an established discourse on the relationships between different disciplines. For example, perhaps ethics *and* economics should be understood as an 'interdisciplinary' type of investigation that somehow falls between and yet also combines ethics and economics. However, this strategy encounters the problem that there exists more than one conception of how different disciplines are related, interdisciplinarity being only one such type of relationship, and considerable debate over the different types of relationships between different disciplines. One taxonomy of the possibilities is as follows:

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

So, it seems that before identifying what economics *and* ethics is, we need to start at an even more basic level, first examine more broadly the ways in which different systems of thinking can be relatively independent but also interact, and then use any understanding that this provides to make judgments about what kind of relationship exists between ethics and economics.

The strategy for doing this adopted in this chapter is closest to the transdisciplinarity idea in that it employs a complex systems approach that treats ethics and economics as two different systems that interact in a single complex system. A complex systems approach takes the interaction of different systems as its starting point, and perhaps paradoxically explains their relative independence in terms of how they interact. That is, it does not begin with different disciplines, set them out first independently of one another, and then ask how they interact, since this strategy runs the risk of assuming they are largely unaffected by their interaction. Let me illustrate with a comparison of two ways of thinking about virtue in relation to economics.

One might then begin with virtue ethics as investigated in ethics, and apply that virtue ethics in an entirely new setting, say, in circumstances where economic behavior appears to resemble virtue behavior, and then conclude that the essential logic of that virtue ethics is unaffected by its application to the economic world. The context of application, that is, does not matter because it has been assumed away at the start by an independent disciplines-based strategy of analysis. The conviction that economics *and* ethics is an interdisciplinarity subject of investigation, as characterized above, then, would support this mode of analysis.

Alternatively, in a complex systems approach, it might instead be argued that 'virtue-like' behavior in the economic world differs significantly from what a traditional virtue ethics assumes, because a change in context has transformative effects upon that behavior. That is, context of application matters. Standard economics assumes *Homo economicus* agents are rational optimizers, but rational optimization is not part of what virtue ethics traditionally involves, so explaining 'virtue-like' behavior in the economic world transforms ethics' conception of virtue ethics. This mode of analysis has transdisciplinarity as its point of entry.

My point here concerns our mode of analysis of ethics *and* economics. Specifically, if we believe that ethics *and* economics is a single subject of investigation, we need to adopt an approach that treats it as a single complex system. It may well be, of course, that the interaction between economics and ethics which an ethics *and* economics would investigate in many cases does not have the transformative effects on either. For example, it could well be the case that 'virtue-like' behavior in the economic world does not differ significantly from what a traditional virtue ethics assumes. A complex systems approach should allow for this 'small' effects of interaction possibility just as it allows for a 'large' effects of interaction possibility. Indeed, which results we get will likely depend on the issues investigated. Thus, to put this complex systems approach to work we need to determine what issues in ethics *and* economics deserve examination.

Yet rather than proceed in a piecemeal, issue-by-issue manner, in this chapter I will instead look more broadly at transformative effects that ethics and economics might each have on one another in terms of two opposing visions of what ethics *and* economics might be about: one in which ethics as a whole has transformative effects on economics as a whole – which I associate with a social economic vision of the subject – and one in which economics as a whole has transformative effects on ethics as a whole – which I associate with the standard or mainstream economics vision of the subject.

One advantage of beginning in this way, then, is that it raises fundamental issues about what ethics *and* economics is as a single subject of investigation. Is it largely framed by ethics, by economics, or by both more or less equally? Or better, assuming there are differences of opinion on this question among ethics *and* economics researchers, what does each position imply about what ethics *and* economics is?

My own view is that a social economic vision best describes ethics *and* economics. The mainstream economics vision, however, is likely more familiar to people because it has been so influential. Its individualist emphasis frames ethical issues in the language of economics. Thus, I close these introductory remarks with a brief description of social economics as a distinct approach within economics.

Social economics originated in eighteenth century Europe as an investigation of cooperative economic relationships rooted in community social values – its object being the é*conomie sociale* or the *Gemeinwirtschaft*. Its main assumption is that human society is everywhere and always value-laden, and that explanations of economic life cannot be value-free. Market values, then, are not just prices at which goods are exchanged, but expressions of a community's values regarding how social relationships ought to govern exchanges between people. Thus, what explains the dynamics of an economy is how social values and economic activity interact and evolve together. This means economics cannot be a purely positive science in the manner of the natural sciences, nor should markets and economic activity be explained in a mechanical, ahistorical way.

Contemporary social economics maintains these ideas, but understands the idea of community in a way appropriate to a globalized world. Communities are still local in regard to our most immediate and familiar social relationships, but communities also exist between people in more extended and diverse kinds of social relationships. In both cases, then, those relationships are framed by social values which guide us in how we interact. Different social values are likely to be operative in different types of social economic interaction. Social economics investigates these differences to explain how economies work.

Let me, then, summarize the organization of this chapter.

Section 2 begins by first providing a brief overview of the complex systems approach that the chapter employs, and then uses this to distinguish the main commitments underlying the competing social economic and the mainstream economics visions of ethics *and* economics. My goal here is to set up an interpretive framework for each vision that allows us to evaluate the key concepts and principles their respective views maintain regarding how ethics and economics relate to one another and create a single subject. For example, I will explain why they differ regarding whether economics should be thought value-laden or should be value-free in terms of how they differ regarding their different understandings of the interaction of ethics and economics.

Sections 3 and 4, then, inventory and discuss the key concepts and principles for each vision. Because mainstream economics' vision is the more influential of the two, I discuss it first in section 3 and then discuss the social economic vision in section 4. The latter vision, as less familiar and as often thought more controversial, is clearer when contrasted to the former. In both sections, I distinguish strong and weak versions of these respective views to show a range of opinion on the positions and issues discussed. Section 5 returns to the interpretive framework from section 2 that underlies the chapter, and briefly discusses the future prospects for ethics *and* economics as a single subject of investigation.

2. A complex systems approach to ethics *and* economics: Two visions of the subject

Of course, there are many views of what complex systems are, so ironically one needs to simplify what we say about complex systems in order to be able to apply this framework effectively. Accordingly, I draw on one, especially influential, straightforward conception of what a complex system is that was developed by Herbert Simon, who though well known as a Nobel laureate economist was also trained in political science, and was thus well aware that investigations between established disciplines might produce new subjects of investigation.[1]

Simon's (1962) main intuition about complex systems is that they are made up of multiple, relatively independent subsystems whose interaction

- influences both their own activities but also the performance of the whole complex system which taken together they make up,
- changes which in turn reverberate back upon how these subsystems interact,
- so that the interacting subsystems and the whole system constantly influence each other in a continuing dynamic of change.

Thus, Simon presupposes that interaction of relatively independent subsystems determines both the nature of complex systems as single entities and how they change over time.

Applying this conception to ethics *and* economics would then be to say that ethics and economics are each relatively independent subsystems, as their histories as separate disciplines implies, whose interaction explains ethics *and* economics as a single subject of investigation. Heuristically,

- a process of interaction between them 'somehow' influences how each operates,
- this 'somehow' determines what ethics *and* economics is,
- and this over-riding conception 'somehow' feeds back upon and influences their interaction.

To conclude this section, I only explain the first 'somehow' for each of the two visions of ethics *and* economics, and in the next two sections identify the additional 'somehow' connections in relation to how the concepts and principles each vision employs produce their respective visions of ethics *and* economics. Throughout, I distinguish strong and weak thesis versions of each vision.

In the mainstream economic vision, then, markets are a fundamental type of human activity, and consequently non-market social processes, including ethical behavior, are either ultimately reducible to market processes (the strong thesis), or are relatively unimportant compared to market

[1] These two areas of expertise hardly capture Simon's polymath capacities, which included computational science, political science, cognitive psychology, sociology, public administration, management studies, and philosophy of science. His complex systems thinking was arguably the product of his wide-ranging expertise.

processes and should be set aside when they conflict with market processes (the weak thesis). Broadly speaking, the economy subsumes society, or *society is fully embedded in the economy*. Thus, in the interaction between social processes, here specifically ethical behavior, and market processes as two relatively independent subsystems, market processes, or economics, determine the scope and nature of ethical behavior, or ethics.

In contrast, in the social economic vision, social processes constitute the fundamental human activity and include many forms of behavior, of which market behavior is only one form. In some circumstances, then, social processes, including ethical behavior, preclude the existence of market processes and show the 'moral limits of markets' (the strong thesis), and in other circumstances social processes simply limit or condition market processes and require 'taming the market' (the weak thesis). Broadly speaking, society subsumes the economy, or *the economy is fully embedded within society*. In terms of the interaction between ethics and economics as two relatively independent subsystems, ethics determines the scope and nature of economics.

Table 1 summarizes the strong and weak versions of these two visions.

Table 1

The mainstream and social economic visions of ethics *and* economics

Ethics *and* economics visions	**Strong thesis**	**Weak thesis**
Mainstream economics: society is embedded in the economy	Social processes including ethical ones are reducible to market processes	Social processes including ethical ones should be set aside when they conflict with market processes
Social economics: the economy is embedded in society	Social processes preclude market processes: 'moral limits of markets'	Social processes condition market processes: 'taming the market'

I turn, then, in sections 3 and 4 for each vision, to how each vision 'somehow' determines what ethics *and* economics is, and how these over-riding conceptions of what it is 'somehow' feed back upon and influence their interaction, including what this implies about economic and social policy. Section 5, then closes the chapter with comments on the future status of ethics *and* economics as a single subject of investigation.

3. The mainstream economic vision: Society embedded in the economy

If society is fully or essentially embedded in the economy, what does this tell us about what ethics *and* economics is as a distinct subject of investigation and how this conception influences the interaction between the two? The natural point of entry for addressing these questions is the mainstream position on the positive-normative distinction, which frames its interpretation of ethics *and* economics. Section 3.1 sets out this position. Section 3.2 then discusses efficiency as the main 'normative' concept the mainstream employs. Sections 3.3 and 3.4 discuss two key principles of analysis central to mainstream reasoning about economic policy that bear on the relationship between ethics and economics: the externalities concept and cost-benefit analysis.

3.1 The mainstream's understanding of the positive-normative distinction

Mainstream economics' understanding of the positive-normative distinction dates back to David Hume's (1739, 1978) strong separation of the positive and normative based on a distinction in language between 'is' statements and 'ought' statements. 'Is' statements, Hume argued, concern facts, and 'ought' statements concern values. Lionel Robbins ([1932], 1935) made this distinction fundamental to mainstream (then neoclassical) economics when he inferred it implied a distinction in types of discourses, associating science exclusively with positive statements and ethics primarily with normative statements. What does this view, then, imply about economics or science and ethics respectively?

Hume had argued in his famous 'is-ought' doctrine (the 'Humean guillotine') that 'ought' type statements can never be inferred from 'is' type statements (Hume 1739, 1978: 469–470), from which it followed that science and ethics should function as entirely separate domains with science being the domain of positive statements and ethics being the domain of normative statements. The risk of confusing the two has serious consequences for science, which is undermined when 'ought' type statements are admitted, and should statements of values replace statements of fact. In contrast, ethics, particularly in the form of social policy, should be grounded in 'is' type statements, so in principle ethics is strengthened by contact with science. This leaves open the status of values, and mainstream economics has both strong and weak thesis positions on the matter.

The strong thesis, dating again back to Robbins, is that values are highly subjective and thus often arbitrary, whereas facts are intersubjective and objective. Science thus needs to distance itself from ethics. The weak thesis is that values need not always be subjective and arbitrary, though why this might be the case is usually left unexplored and secondary to the importance invested in science as a discourse that should be essentially value-free. An exception allowed in both cases is that methodological value judgments, which concern how science is practiced – such things as the desirability of clarity, consistency, a reliance on evidence, etc. – are compatible with, reasonable, openly acknowledged in economics, and thought to have no effect on economics' nature as a positive science (cf. Blaug, 1998).

Overall, then, the mainstream understanding of ethics *and* economics, based on its understanding of the positive-normative distinction, does two things. First, it treats ethics and economics quite asymmetrically. Economics and science are highly valued and ethics is seen as at best an unreliable domain of intellectual investigation which is separate from economics. Second, the mainstream view is quite unclear about the scope and nature of values since it proscribes ethical ones, openly adopts methodological ones, and says little about what justifies this difference, while still treating economics as if it were value-free. Not surprisingly, this often leads to the charge that mainstream economics is positivist in comparison with other social sciences.[2]

If we emphasize just the asymmetry point, then, the mainstream vision fits the weak thesis above, namely, the idea that markets are a fundamental type of human activity, and that other social processes including ethics are relatively unimportant compared to market processes, and can accordingly be largely ignored or left to others. However, if we emphasize the mainstream's positivism and ambiguity about the scope and nature of values that allows for methodological values as if they are not values while proscribing ethical ones, the mainstream vision can be seen to better fits the strong thesis that denies ethics' coherence, or even reduces ethical values to market values.

The strong thesis may seem improbable, especially compared to the more tolerant weak thesis, but in the next subsection I argue that there exists a strong basis for it in the standard understanding of the only 'normative' concept used in mainstream economics, namely, the efficiency concept.

3.2 Efficiency as a 'normative' concept

Efficiency, or Pareto optimality, is the idea that states of affairs which makes improvements in how competitive markets work which leave no one worse off, as reflected in their given preferences, ought to always be promoted. Thus, on the surface the efficiency concept is explicitly normative since its expression requires an 'ought' type statement. Yet at the same time, as a normative concept, efficiency as understood by most mainstream economists is different from virtually all other normative concepts. Let me emphasize two points. On the one hand, that an efficient state of affairs leaves no one worse off in preference satisfaction terms means that from everyone's own point of view such states of affairs should always be promoted. On the other hand, while the preference concept of course has a technical meaning in economics associated with the standard axioms regarding preferences that apply to it, one increasingly popular interpretation of it is as a comprehensive measure by which people fully evaluate any and all of their choice opportunities, as in Daniel Hausman's characterization of preference as providing a 'total subjective evaluative comparison' of all things that might enter into people's choices (Hausman, 2012).

[2] In fact, Robbins was influenced by interwar logical positivism, which followed Hume in the strong separation of facts and values and subjectivist view of the latter as associated with emotivism, the meta-ethical doctrine that values are merely expressions of feeling and attitude (cf. Davis, 2015).

What these two points suggest is that efficiency judgments are essentially indisputable. If a state of affairs *A* is efficient relative to a state of affairs *B*, then there exist no grounds for promoting *B* and not promoting *A*. The idea is that were preference evaluations are comprehensive of everything, not only can efficiency judgments never be reasonably contested, but should people appear to have other normative concerns the all-inclusive view of preferences implies that those normative concerns must be implicit in their preferences. An older view of preferences as essentially self-regarding precluded this argument, because then other normative values could then be set against efficiency as a product of self-regarding preferences. Yet mainstream economists have given up this older, narrower view of preferences, become steadfastly agnostic about their content, and thus removed the need to refer to other normative concepts in judging competing states of affairs.[3]

There are two opposing ways, then, to interpret this outcome. On the one hand, it can be argued that the full range of ethical thinking that philosophers have long investigated can now be seen as implicit within mainstream economics explanation of choice behavior. To be clear, this does not mean that economics as a science is no longer value-free, because it is not the science itself but people's own values as embedded in their preferences that might include other ethical values. On the other hand, it can also be argued that the efficiency concept makes any reference to other ethical values effectively redundant in economics. All that is needed, that is, for the analysis of competitive markets is the efficiency concept. Which interpretation, then, is more likely?

The first view, that the full range of ethical thinking philosophers have long investigated can be seen as implicit in economics, is pretty clearly at odds with economists' general disinterest in ethical values. In contrast, the second view that the efficiency concept is sufficient in economics reflects much of mainstream economics' ordinary practice, and so seems more likely. I argue, then, that the centrality of the efficiency concept in economics supports the reductionist strong thesis. Indeed, if we understand the efficiency concept as simply a positive description of a particular state of affairs, namely, one in which as a matter of fact no person is worse off and at least one better off, one does not need to make any reference to it as an ethical idea at all. It is simply a positive description of a certain state of affairs without including any recommendation that it be achieved, or any analysis of its normative desirability. Economists may happen to that believe Pareto optima are normatively desirable, but this is incidental to their positive analysis of markets. For economics, then, ethical values are fully reducible to market values, not, as in the weak thesis, simply a relatively unimportant independent domain with which economics interacts.

3.3 Externalities

Addressing externalities is fundamental to mainstream economic reasoning about markets. Market transactions are assumed to primarily affect only those engaged in them, but markets are not perfect, and often give rise to unintended, third-party effects on others 'external' to those transactions – spillover effects or externalities. Further, while (free and competitive) market transactions where externalities do not occur must be efficient, since the parties to those transactions see themselves as better off and no one is worse off, market transactions where they

[3] Thus, a variety of kinds of non-standard preferences are typically excluded from consideration, such as, for example preferences expressing envy.

do occur can be inefficient since while the parties to those transactions are better off, third parties can be worse off. Thus, economic analysis of externalities and how markets function is necessarily framed in terms of realizing efficiency. This is often understood to be a matter of 'internalizing' externalities, or assuring that spillover costs are borne by the transacting parties, not by third parties.

Thus, I suggest that a strong thesis emphasizes 'internalizing' externalities, and frames 'externalities' – despite the sense of the term – as phenomena properly seen as internal to market processes once markets are made efficient and function competitively. Then, if efficiency is seen as essentially a positive, non-normative concept, externalities are basically understood as disturbances in markets rather than as reflecting normative issues. In effect, there is nothing truly 'external' to market processes. This, then, is consistent with the strong thesis regarding ethics *and* economics and its reductionist approach to ethics.

In contrast, the weak thesis allows that there are circumstances where market transactions have *ethical* spillover effects, such as when people regard market transactions as unfair or unjust, even if they are otherwise efficient. An example might be low wage employment. In this case, rather than deny that such effects occur in a competitive market system, emphasis falls on how they should be treated. Thus, for negative externalities such effects are regarded as a special type of cost that must somehow be borne by the parties to the relevant market transaction. However, this translates an ethical judgment about right and wrong into a question of money expenditure, in this case puts a price tag on fairness or justice, and makes 'internalizing' the externality a matter of how market processes determine the meaning and scope of ethical ones.

Thus, the strong thesis regarding externalities eliminates ethics and the weak thesis translates it into the language and metrics of economics. Consider now the nature and role of cost-benefit analysis in mainstream economics.

3.4 Cost-benefit analysis

While the efficiency concept is fundamental to mainstream reasoning, in practice economists often find it necessary to evaluate circumstances in which some state of affairs *A* is recommended over another *B* even though some individuals are made worse off in *A*. They then reason in cost-benefit terms, which involves showing that the balance of benefits and costs associated with *A* is superior to that associated with *B*. This raises an interesting question: if efficiency is no longer the basis for policy recommendation, and the seemingly broad idea of 'benefit' has come into play, might normative principles regarding what is good then play a role in this less restricted form of reasoning, thus opening up economics to a more substantial engagement with ethics?

One reason to think that the idea of 'benefit' might have broad normative meaning in standard economics is that individuals determine what benefits them according to their preferences, and as we saw above most economists believe that preferences need not be narrow and self-regarding, but may apply to anything they might value (Hausman, 2012). Accordingly, cost-benefit analysis must weigh whatever people value against costs, whether it is payoffs to themselves or the good of others, and this accordingly opens the door to the possibility that a whole range of ethical views regarding what is good drive people's preferences and might thus figure in an 'ethically informed' cost-benefit analysis.

Yet the standard view in economics regarding preferences, while potentially open in regard to the scope of preferences, remains agnostic in regard to how they are factored into cost-benefit analysis. This tells us what would be a strong thesis in the mainstream regarding cost-benefit analysis, namely, that the content of preferences is irrelevant to registering people's perceived benefit. Economists, that is, may ignore any ethics-related dimensions of what people register as a likely benefit, and simply through some preference elicitation method construct a value to put into the balance with expected costs. It may then be shown that a state of affairs *A* ranks higher than a state of affairs *B*, but it is irrelevant whether people believe the benefit from *A* is associated with greater happiness, being able to lead 'good' lives, their social relationships being just, etc. Cost-benefit analysis seen in this way does not require we discriminate between different views of what is ethically good, and indeed ignores altogether any meanings people associate with 'good.'

The weak thesis regarding cost-benefit analysis mirrors the weak thesis regarding externalities. The point of cost-benefit analysis is to reach decisions for ranking alternative possible states of affairs. Different people's views of why a certain state of affairs is good may be helpful in creating indices useful for producing aggregate measures of good. Suppose one group of people report that they prefer a certain state of affairs because it makes them happier, and another group reports that they prefer it because they believe it is more just. All the economist needs to do is provide weights for these different views (perhaps according to their frequencies in a population), and then generate a single measure of the 'good' that state of affairs would produce. Thus, again, the meaning of what is good a – chief concern of normative reasoning – is collapsed into a market money metric.

The difference between the strong and weak views in regard to cost-benefit analysis are modest, and in both cases cost-benefit analysis ends up being essentially as restrictive as efficiency reasoning and standard analysis of externalities. In general, across all three subjects discussed in this section, the difference between the strong and weak views is a difference between eliminating ethics from economics and translating ethics into economics. Mainstream economics' view of ethics *and* economics, then, is that it basically can be explained fully in terms of economics. This reflects its guiding conception that society is embedded in the economy and social processes are explainable as market processes.

Table 2 summarizes the results of this section.

Table 2

The Mainstream Economic Vision: Society Embedded in the Economy

	Strong thesis: reductionism	**Weak thesis: exclusion and translation**
Positive-normative distinction	Science is objective and ethics is subjective	Ethics unimportant compared to science
Efficiency concept	Positive, non-normative	Other normative concepts are not needed
Externalities with ethical aspects	Internalized in competitive markets	Treated as 'costs'
Cost-benefit analysis	Benefit is only a measure of preference	Good is translated into monetary terms

4. The social economic vision: The economy embedded in society

In the social economics vision of what ethics *and* economics is, the economy is embedded in society and social processes determine the nature and scope of market processes. To examine what this involves I begin with the same starting point used in my discussion mainstream economics' vision, namely, how a social economic approach understands the positive-normative distinction. Section 4.1 set out this view, and then distinguishes strong and weak theses regarding how ethics and economics are related to one another as separate yet 'entangled' subjects. Section 4.2 then turns to what the social economic vision treats as alternative to the mainstream's emphasis on efficiency, namely, a much broader view of how normative principles pervade economic life. To structure this view, I frame it in terms of four different types of capabilities and the moral values associated with those capabilities, and then also distinguish strong and weak views on the matter. Section 4.3 then returns to the issue of 'entanglement' and (parallel to sections 3.3 and 3.4) discusses two guiding principles regarding social policies towards markets: prohibition and intervention.

4.1 Social economics' understanding of the positive-normative distinction

Whereas the mainstream's view of the positive-normative distinction is based on Hume's 'is-ought' distinction, the social economic view is that this involves a mistaken understanding of the nature of language. Of course, 'is' statements can be distinguished from 'ought' statements when different statements contain only those terms. However, the mainstream inference that a statement free of 'ought' language or its equivalents must be purely descriptive and value-free is at odds with modern philosophy of language's emphasis on the determinants of meaning. Indeed, it is generally argued by philosophers today that the meanings of terms are highly dependent on context and how they are used in speech and communication. A consequence of this is that terms that appear to be entirely descriptive can also convey normative and prescriptive content depending on how people interpret and use the statements in which they appear. It follows that descriptive statements may well be (though are not necessarily) value-laden. It further follows that we cannot assume that science is value-free simply because it is expressed in descriptive language. This applies especially to economics and the social sciences where the terms used in theories have multiple meanings and layers of interpretations.

An influential recent example of this understanding is Hilary Putnam's characterization of the descriptive term 'cruel' used in reference to infamous Roman emperors. The statement, 'Nero was a cruel Roman emperor,' is descriptive, but the term 'cruel' also implies for most people that we ought to judge Nero as inhumane and immoral (Putnam 2002: 34; cf. Davis 2015). Putnam labels this mixing up of descriptions and prescriptions and facts and values in ordinary language the entanglement thesis. Contrary to Hume, it allows us to infer 'ought' statements from 'is' statements. Nonetheless, this does not imply that we cannot distinguish science and ethics. Clearly, they are different types of investigations. The point rather is that different types of investigations can influence and affect one another – a two-way street relationship in the case of ethics and economics, rather than the one-way street economics to ethics, asymmetric relation that the mainstream assumes.[4]

Consider in the case of economics, then, the status of the theory of rational choice. If one reviews textbook accounts, one finds the theory explained in a purely descriptive way as if it were value-free. Yet the history and development of the theory is bound up with – entangled with, Putnam would say – defenses of individual freedom and autonomy, which are normative ideals. Certainly, the theory retains a descriptive function, and can be used to describe choice behavior without making reference to those ideals. However, that does not mean that those associations and meanings are absent, so, as in Putnam's Nero example, rational choice theory is looked upon by economists favorably both for its descriptive usefulness and also because it implicitly prescribes these normative ideals. Thus, rational choice theory is value-laden.

This then raises the question: how are ethics and economics as two types of discourse related to one another in the social economic vision when they are both separate domains of investigation and yet also entangled? At the end of section 2, I distinguished a strong thesis and a weak thesis for the social economic vision that market processes are embedded in social processes. Let me state them here more fully.

[4] On this, see Elgin's (1989) discussion of the relativity of facts and objectivity of values.

The strong thesis – I associate this especially with the 'moral limits of markets' view – responds to the entanglement idea by distinguishing a domain of social life from which market processes should be excluded. Its argument is essentially that normative principles have meanings that cannot be reduced to the logic of market processes, that doing so is morally repugnant (Roth 2007) and tends to 'crowd out' those principles, so that there are certain domains of social life that should simply be 'off limits' to markets. That is, some things are 'priceless.'

I distinguish two versions of the strong thesis. On the one hand, one might emphasize that markets are often destructive of normative principles, as Michael Sandel has argued in connection with the idea that there are some things that 'money can't buy' (Sandel 2012). For example, though insurance markets and court proceedings put a price on people's lives, Sandel argues human life cannot have a price. This focus, however, sets aside the issue of whether ethics is entangled with economics within markets themselves. On the other hand, then, a second version of the strong thesis argues that different ethical principles operate within markets and outside markets, so that the moral limits of markets view is rather a matter of determining which belongs in which. For example, one might argue that even if market processes exhibit commutative justice (the idea that an exchange of equals is equitable) they cannot be expected to address distributive justice (the socially equitable distributions of goods). Both versions of the strong, 'off limits' thesis, then, emphasize establishing normative boundaries on market activity.

The weak thesis – what I term the 'taming the market' view – focuses on how markets need to be transformed to be ethically acceptable, less than on what is normatively 'off limits' to markets. This perspective emphasizes policies designed to change how markets themselves function, and aims at making ethical values central to their performance and the effects they have on market prices and quantities. In effect, the strategy is to replace (or augment) the mainstream's sole reliance on efficiency reasoning as a means regulating markets. Indeed, to the extent that efficiency reasoning is thought by some mainstream economists to be a non-normative, value-free type of intervention in markets, the conviction behind the 'taming the market' view is that markets are thoroughly value-laden, and the issue is then which values ought to prevail. Below I will identify two different types of strategies this approach involves: ones aimed at directly intervening in how market outcomes are produced – a direct strategy – and ones aimed at changing the underlying conditions affecting how market outcomes are produced – an indirect strategy.

Given, then, this understanding of the positive-normative distinction and these two theses, I turn to a social economic understanding of how normative principles pervade economic life.

4.2 Capabilities, moral values, and human dignity

If, contrary to mainstream economics the positive and normative are not strongly separated, then we need to explain how economic life is value-laden. There are a variety of ways that this can be done, but one particularly influential way involves the capability approach developed by Amartya Sen. Sen believes one of the main failures of modern economics is its tendency to become an 'engineering' science and consequent failure to integrate ethics and economics (Sen, 1987). As a means of correcting this, his capability approach builds economics around a broad conception of freedom that concerns people's activities in all domains of life. Thus, in referring to people's capabilities, Sen states:

> What people can positively achieve … is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives (Sen, 1999, 5).

Sen then makes two distinctions that he uses to distinguish four different forms of what may be to a person's individual advantage. The first distinction is between what promotes a person's well-being and what promotes a person's overall agency goals, or "goals other than the advancement of his or her well-being" (Sen, 1993: 35). The second distinction is between a person being able to actually achieve something and the person simply having the freedom to pursue the objectives she wants to achieve (*Ibid.*). Combining these two distinctions, he labels the four forms of individual advantage people have as: (1) well-being achievement, (2) agency achievement, (3) well-being freedom, and (4) agency freedom.

I argue, then, that each of these four cases can be associated with a distinct moral value, so that promoting these capabilities is also a matter of promoting these different moral values.[5] Specifically:

- Well-being achievement concerns what all people should have, irrespective of their individual circumstances. Sen's own examples are being able to avoid premature mortality and being adequately nourished. Well-being achievement, then, is naturally associated with promoting equality since no one should be excluded from this most basic level of well-being.

- Well-being freedom concerns what a person freely does to promote her well-being, even if she is not successful in achieving it. An example is the pursuit of higher education. In this case, it falls upon the person to take responsibility for promoting their own well-being, so the idea of personal responsibility is central.

- Agency achievement addresses goals that people want to achieve which are not associated with their own well-being. For example, a disabled individual might value personal independence, even if they are not made better off by achieving it. When we place a moral value on this goal, we value a person's right to personal independence in itself. As something that should be achieved, it may be considered a right, and more generally as applies to all people who wish to have it, a human right.

- Agency freedom also concerns goals other than personal well-being, but in this case, it is not their achievement that is important but rather a person's ability to pursue them. For example, people provide care for others, the elderly, refugees, the sick, etc., and this is done

[5] Similarly, Davis and McMaster (2017) uses Sen's framework to identify link these four forms of individual advantage with particular moral values important to people's health care capabilities.

for its own sake and whether or not improves others' well-being. The moral value that this promotes is freedom, in both its negative and positive senses, since care for others enhances their freedoms by both reducing constraints on their lives and increasing their power to pursue their lives.

Table 3 presents these four forms of individual advantage and the moral values they involve. To be clear, others might link moral values to these four cases differently from the ones proposed here, which are only offered as reasonable interpretations of what they each normatively imply. The main point is that economic life is value-laden, and that our examination of it needs to make this explicit, not proceed as if the positive and normative are strongly separated.

Table 3

Four different types of individual advantage and associated moral values

	Well-being	**Overall agency goals**
Achievement	*Well-being achievement: equality*	*Agency achievement: human rights*
Freedom to achieve	*Well-being freedom: Responsibility*	*Agency freedom: Negative and positive freedom*

This analysis, then, tells us what sorts of moral values may be associated with different forms of economic behavior according to what people's aims are, but it does not tell us anything about the relative importance of the two in economic life. One might, for example, argue that most people are as a matter of fact mostly concerned with their well-being achievement and that, say, agency freedom, the furthest removed from that, rarely concerns them. This would imply that equality is especially important in economic life, and that securing others' negative and positive freedom is less important. Or, one might argue that all four forms are equally present in economic life, implying that all four types of moral values are as well. Other possibilities could also be considered.

Consequently, if we are to explain both *how* pervasive normative principles are in economic life and also *what* normative principles tend to prevail in economic life, we need to be able to say something about the prevalence of these different forms of individual advantage in economic life themselves. That is, our 'positive' economic analysis needs to guide us in establishing the scope and nature of our normative analysis in economic life. To proceed without this foundation and point of entry is to run the risk of simply imposing the analyst's moral preferences on one's explanation of economic life, irrespective of whether people's behavior justifies it – thus re-separating ethics and economics, but from the vantage point of ethics!

Thus, to broadly distinguish two social economic views of ethics *and* economics, here I distinguish strong and weak views regarding *how* value-laden economic life is and regarding *what* normative principles prevail in economic life, as associated with two positions on the importance of these different forms of individual advantage in economic life.

The weak thesis essentially assumes that well-being achievement and well-being freedom are the dominant concerns of most people in economic life, reflecting economics' long preoccupation with well-being. It follows that the moral values that most importantly underlie economic life are equality and responsibility. In effect, people ought to have equal chances when it comes to assuring basic education and health, and then it falls upon them individually and becomes their responsibility should they aspire to further levels of achievement. I characterize this as a weak thesis because of its more limited scope regarding *what* normative principles are important in economic life.

The strong thesis, then, can be contrasted with the weak thesis according to the greater scope it assumes applies to *what* normative principles are important in economic life. Reflecting Sen's influence in making goals other than well-being a part of ethics *and* economics, this view assumes that all four forms of individual advantage are important in economic life, and accordingly that, in addition to equality and responsibility, human rights and positive and negative freedom are important moral values in economics as well. Thus, for the strong thesis, the economy and economics is highly value-laden, whereas for the weak thesis they are modestly value-laden.

Table 4 sets out these two positions.

Table 4

Positions regarding the pervasiveness of moral values in economic life

Positions	Forms of individual advantage	Moral values
Weak thesis	Well-being achievement and well-being freedom	Equality and responsibility

Strong thesis	Well-being achievement, well-being freedom, agency achievement, agency freedom	Equality, responsibility, human rights, negative and positive freedom

I close this section, then, with a brief comment regarding human dignity as the over-arching value in the social economic approach to ethics *and* economics. The capability approach supports multiple social values and can be interpreted in weak and strong thesis terms. This suggests that it lacks a unifying vision, so that how moral values enter into economic life has no clear interpretation. However, what this approach emphasizes overall, I argue, is the moral value of the person, or the central importance of human dignity. To see this, consider how the entanglement view treats individuals as compared to the mainstream economic conception of individuals.

In light of its strong separation of the positive and normative, the mainstream conception explains individuals in purely positive terms in that their behavior depends on their private preferences, which as subjective in nature thus have no particular relationship to social values. In contrast, in an entangled world individual behavior cannot be explained without reference to values, and as a consequence individuals are embedded in a world of social values. It follows that individuals are moral beings, and as such are themselves objects of moral concern. What does it mean, then, to say that individuals are objects of moral concern? In the social economic vision, it is to invest individuals with moral importance, or regard individuals as entitled to moral respect. This is to invest individuals with human dignity, and, assuming that individuals are fundamental to the social world, it makes human dignity an over-arching moral value underlying the social economic approach to ethics *and* economics.

In the next two sections, then, I turn to two approaches to social policies central to the social economic vision of ethics *and* economics.

4.3 The moral limits of markets view: prohibitions-based social policies

I characterized the moral limits of markets view as the entanglement strong thesis, and distinguished two versions. Sandel's version emphasizes what 'money can't buy' or should not be priced in certain domains of social life – what Roth treats as morally 'repugnant' – and says that these domains are simply 'off limits' to market processes. The other version of the strong thesis instead argues that different ethical principles operate within markets and outside markets, so that the moral limits of markets view is rather a matter of determining which principles belong in which domains.

What these two versions share in social policy prescription terms is the idea of hard and fast prohibitions on where and how markets ought to operate. Social policy prescriptions reflect policies that are cast at the level of society. As such, they do not involve the sorts of policies that mainstream economics employs, where the focus is on adjusting the performance of markets through changes in prices and incomes. Rather, policy typically operates at an institutional level in adjusting the place and role of markets as a particular type (and only one type) of social institution. Needless to say, policy conceived in this way as social policy is foreign to the thinking of those who subscribe to the opposite view that society is fully embedded in the market process. At the same time, proponents of 'off limits' thinking find the idea that social policies regarding markets are a matter of adjusting prices and incomes short-sighted and misguided.

What, then, are the main mechanisms used to establish the moral limits of markets? Prohibitions first and foremost take the form of laws that compel certain types of behavior irrespective of people's economic incentives, thus demonstrating the reach and priority of law as a social domain independent of the market process. Not all laws are motivated by moral considerations, but many are, such as laws prohibiting owning people or slavery. Secondly, prohibitions take the form of custom and convention. Again, custom and convention is not always motivated by moral considerations, but they often are, as for example when it is said that elected representatives in democratic societies should not allow themselves to be influenced by personal gain.

4.4 The taming the market: interventions-based social policies

I characterized the taming the market view as the entanglement weak thesis. Rather than seeking to segregate social domains according to the normative principles that apply or do not apply within them, the aim in this instance is to change the way markets function to make them normatively more acceptable. Markets are value-laden, then, but usually insufficiently so. While markets may exhibit efficiency, they ought also, for example, function in an equitable way. This version of the entanglement thesis is thus weak compared to the strong thesis in that the degree of change it calls for through social policy is more modest. Nothing is necessarily 'off limits' to markets; markets simply need to give further support to normative considerations in how they function. I then distinguish the policy strategies this view involves as direct and indirect in regard to how they aim to change the ways that markets function.

Specifically, the direct strategy aims at changing market outcomes by intervening in the way that markets adjust. One such strategy involves imposing price controls such as price floors in the case of minimum wages and price ceilings in the case of rent controls. By setting floors and ceilings, prices are prevented from moving to equilibrium levels. Alternatively, the direct strategy can take the form of quantity controls, such as when air and water quality is protected by capping industrial effluents, the result of which again is that markets do not adjust to equilibrium levels. Thus, in both cases rather than only supply-and-demand forces, normative principles determine how markets adjust.

In contrast, the indirect strategy aims at changing market outcomes by influencing the underlying determinants of market behavior. For example, taxes and subsidies shift supply and demand curves, and this changes equilibrium prices and quantities. 'Sin' taxes on goods believed to be harmful or undesirable raise their prices and discourage their consumption. Public spending for education lowers its price by increasing its supply. Market adjustment operates normally, but changing the basis on which goods are demanded and supplied improves the outcomes that result in a normative way.

Needless to say, both the direct and indirect intervention strategies can be used in a complementary way to achieve any given normative goal. Indeed, interventions-based social policies and prohibitions-based social policies above can also be used in a complementary way to achieve the same normative goals. What distinguishes the interventions approach, then, is the idea that since markets have significant effects on normative goals, they need to be made more value-laden, whereas the prohibitions approach sees markets themselves as less entangled. Thus, the two broadly different approaches here ultimately differ on their views of entanglement and value-ladenness.

5. Future prospects for ethics *and* economics as a single subject of investigation

The point of entry for this chapter, the status of ethics *and* economics, asks whether the two types of investigation involved function as a single subject of investigation or rather as an intersection of two largely independent disciplinary investigations. As Cat's taxonomy of different forms of disciplinary interaction makes clear, there exist quite different ways in which we can understand how different disciplines interact (Cat 2017), and consequently we need to proceed on a case-by-case basis. What this chapter did, then, was map how the two main visions of the relationship between ethics and economics, based on their opposed understandings of the positive-normative distinction, support two possible, quite different conceptions of ethics *and* economics.

The fundamental importance of the positive-normative distinction to these two conceptions reflects its deep philosophical nature. Not only are important philosophical questions about central concepts in human thinking involved, but far-reaching questions about the nature of science and intellectual investigation are part of how this distinction is understood. This might seem to imply, since deep philosophical issues are perennial, that the relationship between ethics and economics, to the extent that it depends on how this distinction is understood, will always remain unresolved, and accordingly we will always have two competing visions of the relationship between these two kinds of investigation and two domains of social life.

This may well be what lies in the future for ethics *and* economics, but there is also a reason to think that the two visions will be replaced by a single one, specifically, the social economic vision. I indicated at the outset that, in my view, the social economic vision best describes the relationship between ethics *and* economics. I previously explained why I think this (Davis 2015), which was essentially that the philosophical arguments against the Humean view of the positive-normative distinction that underlies the mainstream view are correct and that philosophers are in agreement that they are correct. Further, I argued that proponents in economics of the Humean view either ignore the philosophical arguments against it or suggest reasons for defending it that do not get exposed to serious scrutiny, either from philosophers or others. Thus, proponents of the Humean view seem to have little more to defend their position than loyalty to an inherited, unexamined thinking that has characterized mainstream economics since Robbins. This suggests that the foundation of their vision of economics as an essentially positive science is tenuous at best.

Of course, this does not tell us that the social economic vision of ethics *and* economics will ultimately prevail. Factors other than rational argument often determine how disciplines develop over time. At the same time, in the long run history of the sciences and intellectual investigation views that do not have the support of the large majority usually fail and are abandoned, and mainstream economists are isolated in social science in regard to this issue. Thus, it seems that the future prospects for an entangled ethics *and* economics as a single subject of investigation seem to be good.

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