

Is Positive Economics in Principle Independent of Normative Judgments?

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1 Introduction

Many economists have stated that there is a dichotomy between positive and normative economics. Milton Friedman said, “Positive economics is in principle independent of any particular ethical position or normative judgments,”¹ and Lionel Robbins said, “Economics deals with ascertainable facts; ethics with valuations and obligations.”² These views have been criticized by some philosophers and economists.³ A main reason this dichotomy has been important to economists is that normative judgments are commonly considered subjective, whereas economics aims to be an objective science.⁴ But is positive economics independent of ethics and normative judgments?

The structure of my essay is the following. In section 2, I analyze Friedman’s claim about the independence of positive economics from ethics and normative judgments. In section 3, I object to premise (2) of his argument that claims that positive economics deals with “what is“ not “what ought to be.“ In section 4, I respond to the claim that positive economics should not deal with values even if it currently does so.

¹Milton Friedman, “The Methodology of Positive Economics,” in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), 146.

²Lionel Robbins, “The Significance of Economic Science,” in *An Essay on the Nature and Significance of Economic Science* (Ludwig von Mises Institute, 2007), 132.

³David Colander and Hwei-Chun Su, “Making Sense of Economists’ Positive-Normative Distinction,” *Journal of Economic Methodology* 22, no. 2 (April 3, 2015): 157, <https://doi.org/10.1080/1350178X.2015.1024877>; Daniel M. Hausman, “Philosophy of Economics,” in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta, Fall 2018 (Metaphysics Research Lab, Stanford University, 2018), <https://plato.stanford.edu/archives/fall2018/entries/economics/>.

⁴Hilary Putnam, “For Ethics and Economics without the Dichotomies,” *Review of Political Economy* 15, no. 3 (July 1, 2003): 395, <https://doi.org/10.1080/09538250308432>.

2 Friedman's Argument

In this section, I interpret Friedman's argument that positive economics is in principle independent of any particular ethical position or normative judgments.

The argument he gives could be standardized in the following way:⁵

- (1) If positive economics deals with "what is" not "what ought to be," then positive economics is in principle independent of any particular ethical position or normative judgments.
- (2) Positive economics deals with "what is" not "what ought to be."
- (3) \therefore Positive economics is in principle independent of any particular ethical position or normative judgments.

Friedman justifies premise (1) by claiming that normative economics depends on positive economics, because policy conclusions necessarily depend on predictions, but positive economics does not depend on normative economics.⁶ In other words, predicting the economic circumstances does not require any judgments about what outcomes are desirable. When there is a dichotomy between is- and ought-type of statements and one field deals with the former and the other with the latter, then they are independent of each other.

Friedman justifies premise (2) by claiming that positive economics deals with making generalizations about the economy and predicting the consequences of changes in certain circumstances.⁷ It does not deal with determining what a desirable consequence is, which is what normative economics does. This could be interpreted by saying that making generalizations and predictions about the economy are both matters of fact, whereas normative economics deals with values. For example, a statement that the legal minimum wage diminishes poverty is an "is" not an "ought" claim, because it makes a prediction about an end-state.⁸

For clarification, I interpret the concept "in principle" in his conclusion to mean that he concedes that economics faces special difficulties in achieving objectivity compared to the physical sciences.⁹ He does not explain this, but it could mean that in economics it is hard to run experiments with humans in the same way as with particles in physics. For example, it might be ethically infeasible to run certain experiments where human lives are at stake, or experiments conducted in one setting might not generalize to another context due to the difficulty of controlling variables. Later in the essay, I also respond to a different interpretation of the concept "in principle" in his argument.

⁵Friedman, "The Methodology of Positive Economics," 146.

⁶Friedman, 146-147.

⁷Friedman, 146.

⁸Friedman, 147.

⁹Friedman, 146.

For further clarification, when he talks about a particular ethical position and normative judgments, I understand him to mean that non-epistemic values such as ethical, political, and social ones, should be kept out of an objective science that economics aims to be. Science depends on scientists' epistemic judgments such as empirical adequacy and consistency, but this is not usually contested.¹⁰ In addition, I do not pay special attention to the fact that he does not make a distinction between ethical positions and normative judgments even though the former is just a subset of the latter.

3 Objection: positive economics deals with values

In this section, I respond to premise (2) of Friedman's argument, which claims that positive economics deals with "what is" not "what ought to be." Due to space constraints, I will not focus on premise (1) of his argument.

By the concept "deals with," I interpret Friedman to mean that positive economists do not ask normative questions nor make normative judgments in their work as scientists. This is an empirical statement about what economists do in their work. I focus here just on whether economists make normative judgments in their work as scientists, and leave out the topic of whether they ask normative questions in their work due to space constraints.

In addition, the *is-ought distinction* that Friedman uses does not capture everything important in his argument. He argues that positive economics can be an objective science.¹¹ For it to be objective, it needs to avoid the subjectivity that according to him ought-claims contain. Some evaluative claims about consequences are not ought-claims, because they are not prescriptive.¹² For example, a claim that the stock market falling 0.5% was bad is not an ought-claim. It is not the same as saying that the stock market ought not to fall. Therefore, what Friedman really cares about is the dichotomy between *positive* and *evaluative* claims.

I reject premise (2), because economists make many normative judgments as scientists. For example, economists often assume anti-paternalism, consequentialist ethics, certain theories of rationality, materialistic values, the goodness of markets, and that progress should be assessed against humans not animals.¹³ These are central ethical assumptions that economists make explicitly or implicitly. The commitment to the assumption of anti-paternalism, for example, can be seen in the practice of using willingness to pay and

¹⁰Julian Reiss, "Fact-Value Entanglement in Positive Economics," *Journal of Economic Methodology* 24, no. 2 (April 3, 2017): 135, <https://doi.org/10.1080/1350178X.2017.1309749>.

¹¹Friedman, "The Methodology of Positive Economics," 146.

¹²Johanna Thoma, "Facts and Values in Economics" (Philosophy of Economics lecture, London School of Economics, April 3, 2020).

¹³These ideas were shared in Philosophy of Economics seminar at the London School of Economics on 3 April 2020.

revealed preferences data as economists generally view agents as rational.

It is commonly believed by economists that economists can avoid making value judgments by relying on people's preferences. They assume that agents' choices reflect what is good for them.¹⁴ Economists do not actually avoid making value judgments like that, because they then rely on an ethical theory called *preference satisfaction theory*.¹⁵ Roughly, preference satisfaction theory says that what is good for someone is how well their preferences are satisfied. A strong objection to this theory is that most people's preferences are irrational and do not actually reflect what is good for them.¹⁶

Economists also make value judgments by using *thick concepts*. These concepts that are used to describe social phenomena are full of evaluative content.¹⁷ For example, economists often use concepts like well-being, growth, rationality, efficiency, poverty, standard of living, developed and developing nations, utility, wealth, and productivity. These concepts mix both factual and evaluative content.¹⁸ In the case of thick concepts, facts are entangled with values, which means that facts depend on values as well as values depending on facts.

When an economist uses a concept such as "poverty," they do not describe only factual content. Poverty as a concept represents not having enough resources to cover one's needs. This concept implies value judgments about needs. Someone in the USA might consider a person poor if they cannot afford a TV, whereas somewhere else a poor person is someone who cannot buy enough food for themselves. To illustrate this point, an economist Max Roser recently indicated that a lot of people have been lifted out of extreme poverty in the last few hundred years.¹⁹ He defined extreme poverty as earning less than \$1.90 a day. However, an anthropologist Jason Hickel responded by saying that someone needs much more to no longer be considered poor.²⁰

4 Response: positive economics should not deal with values

In this section, I respond to the objection that while positive economics currently deals with values, it should not do so and that it is possible to avoid dealing with values.

It is possible that Friedman actually means that positive economics ought to deal with

¹⁴John Broome, "Why Economics Needs Ethical Theory," in *Ethics, Welfare, and Measurement* (Oxford: Oxford Univ. Press, 2009), 6.

¹⁵Broome, 6.

¹⁶Broome, 7.

¹⁷Reiss, "Fact-Value Entanglement in Positive Economics," 139.

¹⁸Reiss, 139.

¹⁹Dylan Matthews, "Bill Gates Tweeted out a Chart and Sparked a Huge Debate about Global Poverty," Vox, February 12, 2019, <https://www.vox.com/future-perfect/2019/2/12/18215534/bill-gates-global-poverty-chart>.

²⁰Matthews.

“is“ and avoid “ought.“ That is, his claim could be a normative rather than a descriptive statement. I interpret Friedman’s use of the concept “in principle“ to mean that he accepts special difficulties for economics to achieve objectivity due to being a social rather than a physical science. However, it could be interpreted to mean that theoretically it is possible for positive economics to avoid values even if it currently does not. It might, indeed, be the case that right now positive economics also deals with values, but that should be changed.

It still does not seem possible to avoid value judgments entirely in economics, because economists need to make value judgments when they decide how much evidence is needed to accept hypotheses or make probability assessments.²¹ Economists need to evaluate how important an issue is to decide what the evidence threshold should be for the acceptance of a hypothesis or making a probability assessment.²² Economists need to consider how costly making a mistake would be, and based on that, set the threshold for sufficient evidence higher or lower before accepting a hypothesis or making a probability assessment.²³

For example, how much evidence does an economist need before accepting that giving poor people unconditional income lifts them out of poverty? Would one randomized evaluation be enough or should a hundred of them be done? There is no straightforward way to answer that. If poverty is the most pressing issue in the eye of the economist, then they might be satisfied with a few well-conducted studies, otherwise they might demand many more. Therefore, positive economics cannot escape value judgments entirely.²⁴

But what if a politician tells the economist how important an issue is, could the economist then avoid making value judgments? In other words, the inquiry itself would be value-laden, because it needs to be decided what questions are worth pursuing; but once these were set, the resulting body of knowledge would be value-free.²⁵ For example, now that the economist knows that the problem of poverty is a high priority to others, they could just describe their findings of how much a country’s income has gone up to policymakers without making their own value judgments.

I cannot see how the resulting body of knowledge could be value-free. Just knowing that poverty is important does not give enough guidance to decide whether there is sufficient evidence to support specific claims. Such guidance only helps with setting general research areas and projects. Surely the economist cannot ask from others about

²¹Richard Rudner, “The Scientist Qua Scientist Makes Value Judgments,” *Philosophy of Science* 20, no. 1 (1953): 2.

²²Rudner, 2.

²³Rudner, 2.

²⁴An interested reader can see some of the criticisms for the view that scientists must make value judgments here: Isaac Levi, “Must the Scientist Make Value Judgments?,” *The Journal of Philosophy* 57, no. 11 (1960): 345–57, <https://doi.org/10.2307/2023504>.

²⁵Daniel M. Hausman, Michael McPherson, and Debra Satz, “Appendix: How Could Ethics Matter to Economics?,” in *Economic Analysis, Moral Philosophy, and Public Policy*, 3 edition (New York, NY: Cambridge University Press, 2016), 341.

the importance of some specific findings every time they are thinking whether a claim is well-supported by evidence. It would make their work as scientists very difficult if not impossible, because they would probably need to ask for moral guidance on very many claims.

Even a simple statement such as “5% of people earned 5% more money in region X this year compared to last year“ can be questioned. Why did the economist decide that they had enough evidence for the claim? This claim would require both epistemic and ethical justification. Perhaps the reasoning would be that the economist collected national income reports from Tax and Customs Boards and compared those with last year’s national income reports. Why did they not do more, however? Plausibly, because it would be too costly to increase the amount of evidence by, for example, tracking everyone’s income by conducting national surveys and asking all the banks about their transactions. They judged the evidence to be sufficient for the goals of stakeholders.

5 Conclusion

Positive economics is not in principle independent of any particular ethical position or normative judgment as Friedman claims. He argues that positive economics deals with “is“ not “ought.“ I reject this claim. Positive economics often deals with values, because it assumes ethical theories and uses concepts that are value-laden. Even if positive economics really tried not to deal with values, it could not escape value judgments entirely, because value judgments must be made when deciding what hypotheses to accept and probability assessments to make.

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