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**Delineating Our Values:  
Pragmatism, Economics, and Morality**

**Abstract:** The economics profession has been the victim of grudges in the world of philosophy that have left it crippled in multiple respects. The inability of many economists to agree on an ethical outlook makes the entire profession seem callous, unloving, and inhuman. I describe a pragmatist outlook towards epistemology and ethics that could replace the dull scientism that economists feel obligated to stick for purposes of supposed “rigor”. I compare the postmodernism of Deirdre McCloskey with the work of various pragmatists, and I show the strong parallels between the moral outlook of Adam Smith and William James. I then use Hayek’s hypothesis in the Atavism of Social Justice as an example of what an economics with thorough ethical considerations may look like.

## Introduction

When a physicist is asked what they study, they have the privilege of giving an easy answer. I study physical objects and the laws that govern them. Few would disagree with that formulation. Ask ten economists what it is they study, and you'll get eleven different answers. Market behavior, "Human Action", and the money supply are among the answers you might receive. Economic methodology has split the profession into more camps than it's worth counting. Grudges from the world of philosophy have hurt economists more than they may realize. These misunderstandings have led academic or political adversaries within economics to remain in their camps, and completely misunderstand those on the other side.

One of the more popular but still contested descriptions of the practice of economics is of a means-ends analysis. To all such models, ends are completely exogenous. Ends are tastes, pleasures, or desires of the actors within the model. Where do these ends come from? "Beats me. Go ask a sociologist." is all you can pull out of such a means-ends theorizer. Regardless, all the laws of economics are expressed in this framework of utility-maximizing and means delineating. From these laws we can predict price changes with relative accuracy. When people want apples more, the demand, and thus the price, goes up. We can also predict the minimum wage leading to an increase in unemployment. How should we then judge whether or not means-ends analysis is the way that economics should be done. It satisfies certain of our demands. It may well give us predictive power, but does it offer us strong convicting truths about how we should conduct ourselves in the political and market world?

The field of welfare economics has attempted to satisfy the demand for a normative economics, but falls short in certain respects. In the words of neoclassical economist Frank Knight,

“Rigorously speaking, there is no such thing as an economic interest, or a material interest, ... economic interest is never final; it is an interest in the efficacy of activity, and the use of means, in promoting . . . final interest. And these final interests do not inhere in particular physical things ...but are all, at bottom, social interests. Even the food interest, the ‘most’ material of all, is in concrete content overwhelmingly a matter of social standards.” (Knight 1934, 306-307)

With economics being at the crossroads between the natural and social sciences it is a great example of the failures of modernism to provide either compelling ethics nor in giving us a satisfactory outlook of the world.

Countering modernism in economics need not be the rejection of the whole of economic thought as popular detractors may seem to portray it. We need not adopt a nihilistic and chaotic relativism, but rather ought to go forth with a pragmatist outlook on which I will elaborate later. In fact, there is a rich history of other less alien, more human economics. Many forget that the godfather of the discipline, Adam Smith, was initially a moral philosopher. The Wealth of Nations was more of an extrapolation of the Theory of Moral Sentiments than it was a positive model of the 18th century economy.

This essay is an attempt to show areas where a switch to the pragmatist outlook would be beneficial to the economics discipline both in terms of integrating more human ethics, and in making a better more convincing view of how the economy works. The essay is split into three

parts. The first is a description of the pragmatic outlook in terms of James, Dewey, and Rorty drawn alongside the economic postmodernism of Deirdre McCloskey. The second part is a comparison of the moral systems of Adam Smith and William James, and how these systems could be used well by economists. The third part is a look at the work of Friedrich Hayek, particularly his hypothesis about social justice and how the pragmatist outlook is exemplified wonderfully through Hayek's style.

### **Deirdre McCloskey and Samuelsonian Modernism**

Postmodernism often gets a speaker sneering glances if they're anywhere except a conference full of continental philosophers or thoroughly leftist academics. The term itself need not be all that scary nor must it be attached to any sort of leftism. All that it need mean is an attempt to get past some sort of modernism. Deirdre McCloskey has explicated her project in such terms. A modernism is some way of doing things that has become an obelisk in society. The tradition that has become so entrenched in practice that it's practitioners are blind to its influence can become very dangerous very fast.

Postmodernism is a reaction to one of these obelisks. It will always entail an element of risk, undefinability, and vagueness. The looseness makes it appear unreliable, but some looseness must be adopted in order to get past modernism. The modernism that McCloskey wants to get over is the modernism put in place by the spectre of Keynes and his missionary Paul Samuelson. "The family bible of the Samuelsonians is Paul's modestly entitled Ph.D. dissertation "The Foundations of Economic Analysis," which proposed in 1947 that all of economics should produce qualitative existence theorems out of a method of constrained maximization under the sign of logical positivism." (McCloskey 2012, 355)

The main character in the Samuelsonian story of the economy is Max U; a utility-maximizer only constrained by private property and the size of his wallet. These are the characters who inhabit the means-ends analysis models that can often offer us some predictive power, but rarely provide us with the answers we desire. “In 1630 the Puritan John Winthrop, whom Marglin admires, noted that “every man is born with this principle in him to love and seek himself only.” Max U. You can see it in your three-year-old grandson.” (McCloskey 2012, 357) Max U is not someone we are unfamiliar with. We see him in ourselves everytime we scoff at our neighbors who buy the more expensive wine that is only worth the price in the eyes of high-browed wine snobs.

The problem comes in when the utility-maximizer approach is treated as the only way to properly describe the economy. It becomes obeliskized and any proposition outside that framework is dismissed. The dismissal could be a grave mistake, especially if the framework excludes possible incredibly relevant truths. The main criticism of postmodernism is that there is no good casuistic scale to decide between frameworks. McCloskey and the pragmatists offer a viable alternative.

The pragmatists offer an entirely new conception of truth that I believe holds incredible potential in bringing economics past the Samuelsonian rut. To the pragmatists, truth need not be an appeal to some external reality, but a discovery of principles and guiding rules that satisfy the inquirer in their search. William James in his essays on pragmatism calls something pragmatically true if it is true “in so far forth”. “...truth is one species of good, and not, as is usually supposed, a category distinct from good, and co-ordinate with it. The true is the name of whatever proves itself good in the way of belief, and good too, for definite assignable reasons.”

(James 1907, 37) The realist or correspondence notion of truth is akin to, if you utter a sentence verbatim from the Holy Book of Reality, the book of all true sentences, then you utter the truth. Pragmatism holds that some sense of correspondence truth is nice, but really all that true things need be are those principles that one ought to believe to get by in the world. Knowledge in the bookish sense is then not a prerequisite for action; any guiding principle that guides one well is a true principle.

John Dewey, a student of James, explicates the difference between common sense inquiry and scientific inquiry. “Such [common sense] inquiries are, accordingly, different from those which have knowledge as their goal. The attainment of knowledge of some things is necessarily involved in common sense inquiries, but it occurs for the sake of settlement of some issue of use and enjoyment, and not, as in scientific inquiry, for its own sake.” (Dewey 1938, 60-61)

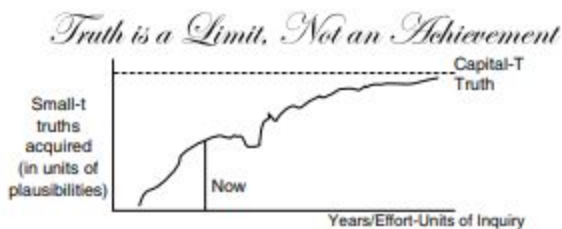
Common sense inquiry is the issue of searching for a solution to a problem. Scientific inquiry is thus a slave to common sense inquiry. It’s goal is in the creation of bodies of facts and theories for use in common sense issues. Just like answers to common sense inquiry, scientific inquiry is judged by its ability to solve problems. Science and practice are not two different endeavours. Modernism can harm common sense inquiry in the sense that it privileges certain forms of inquiry over others, hurting the common sense goals of which inquiry is supposed to bend towards.

Further fears that pragmatism is mere cultural relativism, are ameliorated by the neo-pragmatist Richard Rorty,

““Relativism” is the traditional epithet applied to pragmatism by realists. Three different views are commonly referred to by this name. The first is the view that

every belief is as good as every other. The second is the view that “true” is an equivocal term, having as many meanings as there are procedures of justification. The third is the view that there is nothing to be said about either truth or rationality apart from descriptions of the familiar procedures of justification which a given society —ours—uses in one or another area of inquiry. The pragmatist holds the ethnocentric third view. But he does not hold the self-refuting first view, nor the eccentric second view.” (Rorty 1989)

To McCloskey, truth is not the attainment of nature-matching, but the process of good inquiry



and idea production to contribute to any sort of human flourishing. This diagram on truth from her book, *Bourgeois Virtues* explicates the pragmatic view of truth as opposed to big T truth that is the end of all our

inquiry. (McCloskey 2006, 325) Economists should see their practice as the construction of useful metaphors of the world to guide action, not reality matching models that are nigh impossible to create or justify to the levels that they supposedly can be. “economics becomes pomo\*and scientific\*when it realizes that truth is a mobile army of metaphors, both the truth of a science and the truth of the humans the science is talking about.” (McCloskey 2012, 356)

### **The Casuistry of Moral Sentiments**

Adam Smith in some sense can be called a proto-pragmatist. He was practicing the philosophy before it got a name. *The Theory of Moral Sentiments* much looks like a pragmatist’s sorting through of useful and unuseful ideas. Smith grounding things in sentiment of course opens the door to him being called a relativist or a utilitarian. Smith is not a utilitarian because

he does not reduce all moral value to utility. Smith begins with the moral sentiments that we hold, and then parses through them cutting out those that don't work, and working to add new valuable sentiments. He is a pragmatist in the sense that he doesn't begin with a single moral principle that determines the truth or falsehood of all other moral claims. He accepts those moral claims that are true or good in practice; good in so far forth.

John holds two moral sentiments, that stealing is wrong and that you should feed the poor. These work quite well as moral sentiments for John. His life so far has consisted of feeding the poor, and doing so in a way where he has never had to steal. Unfortunately, John has a horrific house fire. All his possessions are destroyed, and to top it all off, his family and community abandons him despite all of the charity he has done. Now he is in the position where he must give up one or the other of his moral sentiments. Luckily for him since, he did not obtain these sentiments from an appeal to a first principle, he does not need to give up both. He can either choose to give up helping the poor, and not steal or help the poor, but resort to theft. He doesn't need to give up all hope on his morality.

Figuring out what morals to use as guide rails for action is like Dewey's common sense inquiry. Moral philosophy or contemplation on morals before such a moral dilemma occurs is akin to scientific inquiry. The goal of the moral philosophy is to offer John tools for making moral choices in a wider variety of situations that were premeditated upon. The moral philosophy is not the source of the morals, but it is now a way to assist John in revising his sentiments going forward.

Part of Smith's moral system included four principles for moral approval. "First, we sympathize with the motives of the agent; secondly, we enter into the gratitude of those who



receive the benefit of his actions; thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally ; and, alst of all, when we consider such actions as making part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well-contrived machine.” (TMS 326) These were ordering principles for the various sentiments one might, and can be replaced or adopted on their efficacy in creating a functional moral system.

Smith’s most interesting character in the *Theory of Moral Sentiments* was the impartial spectator. When someone decides to give up one sentiment for another they are appealing to a third disinterested party who would hold the same sentiment, though they are not involved in the situation. “All such sentiments suppose the idea of some other being, who is the natural judge of the person that feels the; and it is only by sympathy with the decisions of this arbiter of his conduct, that he can conceive, either the triumph of self-applause, or the shame of self-condemnation.” (TMS 193) The impartial spectator holds the sentiments that we all aspire to have. Principles can help guide us there, but the principles aren’t what makes the sentiments that they lead us to valid, it’s those sentiments in practice that do.

James’ essay *The Moral Philosopher and the Moral Life* builds a remarkably similar framework for moral delineation. He sets up his discussion in three questions; the psychological question, the metaphysical question, and the casuistic question. The psychological question is quite straightforward; from whence come our moral ideals (or sentiments)? The utilitarians believe they are all derived from forms of pleasure or pain. Apriorists think that all moral values are derivative of some first principles known to all rational beings. James champions the

intuitionist school, those that believe there are multiple varied sources that cause moral ideals to be fixated in our heads and hearts.

The metaphysical question is to ask what is even meant by the words good and evil. To James, goodness and badness must be in the heart of some actor to be real in the way that we think of them. For something to be good or bad, someone must hold them to be so. The moral philosopher's goal is to find a moral universe, a good that all hold to be good or a bad that all hold to be bad. In a world with only one sentient moral claimant, a moral universe always exists. When multiple claimants are brought in, the possibility of a moral multiverse becomes an issue.

The possibility of the moral multiverse brings in the casuistic question. When there are multiple conflicting moral claimants to recreate the moral universe, there must be a system of sorting through the various claims. "So that the ethical philosopher's demand for the right scale of subordination in ideals is the fruit of an altogether practical need. Some part of the ideal must be butchered, and he needs to know which part. It is a tragic situation, and no mere speculative conundrum, with which he has to deal." (James 1891, 344) Butchering as few of his ideals as possible is the moral philosopher's imperative. If he can find a casuistic principle that includes as many values as possible, then all the better, but ultimately something will have to be given up. "The course of history is nothing but the story of men's struggles from generation to generation to find the more and more inclusive order." (James 1891, 346)

James comments on the presumption of status quo as one method of casuistry that has proved effective,

"The presumption in cases of conflict must always be in favor of the conventionally recognized good. The philosopher must be a conservative, and in

the construction of his casuistic scale, must put the things most in accordance with the customs of the community on top. And yet, if he be a true philosopher, he must see that there is nothing final in any actually given equilibrium of human ideals, but that, as our present laws and customs have fought and conquered other past ones, so they will in their turn be overthrown by any newly-discovered order, which will hush up the complaints which they still give rise to, without producing others louder still.” (James 1891, 347)

James concludes with a discussion of God, similar to Smith’s conception of the impartial spectator. This entire endeavour of moral philosophy can be adopted under a strenuous or easy-going mood. Anyone can adopt the same practices and patterns of casuistry, but it is an altogether different thing to treat this practice as if it really matters. “The strenuous mood,... , makes us quite indifferent to present ill, if only the greater ideal be attained.” (James 1891, 351)

When the all-encompassing creator of the universe is added as a moral claimant, then the casuistic scale of the eternal claimant can create the strenuous mood in those who put little effort into their moral life. “When, however, we believe that a God is there, and that he is one of the claimants, the infinite perspective opens out. The scale of sympathy is incalculably prolonged. The more imperative ideals now begin to speak with an altogether new objectivity and significance, and to utter the infinitely penetrating, shattering, tragically challenging note of appeal.” (James 1891, 352) God here is even more powerful than Smith’s impartial spectator. Not only is it a method for moral delineation, but inspires the actual desire to follow the morals.

I hope the parallels between these two great thinkers have become clear. These non-foundationalist and pragmatic moral outlooks offer economists something to take up in law

of the weaker means- ends analysis they have now. Moral sentiments that have been mulled over for generations provide a stronger ground to describe human behavior than mere preference.

### **Moral Sentiments in The Atavism of Social Justice**

Hayek never called himself a pragmatist, but like Adam Smith, his work makes him appear just in line with a pragmatist's mindset. Hayek at times stated that the purpose of a model was to offer insights into the world, not to directly model or copy it. In the Atavism of Social Justice, he takes a pragmatist approach to moral sentiments about justice. Hayek's story is that the sort of justice that gets called social or distributive justice is a moral sentiment that remains in our genetic makeup from the times that humans had to survive in small bands. As time went on, some individuals were disaffected by their tribes for various reasons, and went off on their own. When these individuals encountered one another in the broader world they needed a new sort of justice to ameliorate their differences. This became a new form of justice, that Hayek dubs catallaxy, from the Greek word for a making a friend out of one's enemy.

The sentiment of social justice is the same sentiment that one feels for a starving family member. In the environment of a small band, all members are likely to have similar goals in mind, and their survival depends partly on them having all the same goal. Since they all go down with the same ship, obtaining a moral universe as soon as possible may be an imperative. The rules created in the catallaxy are an entirely new form of moral sentiment. These sentiments approximate what Smith called commutative justice, rules such as property boundaries and respect for contract. Respect for these moral values allow individuals to be productive and pursue their moral ends in the wider world. The mutual respect for one another's goals allows

both the moral ideals to be revised and communicated more effectively and for people to be more productive in achieving such goals.

The issue arises when the sentiments from the band era attempt to supercede the catallaxy sentiments. The belief that a moral universe should be demanded as soon as possible is necessary for operation in a band culture, but is not necessary for moral pursuits in the wider world. First principles and dogmatic moralities often offer ideals that can be quickly delineated to satisfy this demand, regardless of whether or not the morals work when instantiated. There is no time to test whether or not these ideals satisfy the real moral needs of the people. The immediate demand for a moral universe trumps such concerns. “Better chaos forever than an order based on any closet-philosopher’s rule, even though he were the most enlightened possible member of his tribe.” (James 1891, 346) Such dogmatic orders may have place in a small group, but are woefully out of place in hands of the State. Unfortunately, the moral struggle of the classical liberal is against one of the deepest moral intuitions.

### **Conclusion**

Most who are afraid to adopt a pomo or pragmatist method are scared that terrible things can be justified through such a framework. We don’t really want to dispense ourselves of truth do we? If so, then any claimant to a morality could impose his ideology on the masses without any way to show him of his errors. Rorty has addressed similar fears, “Post-Nietzschean thinkers like Adorno and Heidegger and Foucault have run together Nietzsche’s criticisms of the metaphysical tradition on the one hand with his criticisms of bourgeois civility, of Christian love, and of the nineteenth century’s hope that science would make the world a better place to live, on the other. I do not think that there is any interesting connection between these two sets of

criticisms.” (Rorty 1989) People are scared of Nietzsche because he challenges their comfortable sense of morality as well as their sense of truth. Rorty’s point is that these two challenges of Nietzsche are not coextensive. Someone can take Nietzsche's view of truth and thoroughly remain a Christian, now testing their Christianity on new terms. A pragmatist take towards truth could open the door to some abandoning of principles that are dearly held. But what is the point of holding something to be true if one is not willing to test that truth in the world. Surely, a moral ideal could be dropped inappropriately, but that is part of human fallibility. A moral ideal could be clung to just as misguidedly.

A pragmatist take on both what truth and morals can be in economics, I hope, is here shown to be the most fruitful. Economists should treat their models like tools for guiding actions, not as carbon copies of reality. We will get much farther and feel much more human doing it. By looking back to the founder of our discipline we can get an understanding of what the real moral outlook of economics could look like. Hopefully, it is not too late to rescue the spirit of Adam Smith that still exists in economics for the sake of the good of whole and for truth to prevail.

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