

## Economics and Ethics

By HERBERT JOHNSTON

IN HIS ARTICLE entitled "Business and Ethics" (*Fortune*, October, 1948, p. 120), William A. Orton stated that "The purposes of good thinking in the field of social policy are two: first, to distinguish the elements in the situation that are given and not immediately alterable from those as to which we have some freedom of choice; and second, to discover the grounds and the probable effects of the choices that are open to us." This statement poses clearly the age-old and fundamental problem of the relation of economics and ethics, and in the word "grounds" suggests the solution. This essay is simply an attempt to amplify that suggestion.

It is not our purpose here to consider the relation of business activities themselves to ethics; it should be sufficiently clear that these must be directed by the virtue of justice, and are governed by moral norms as are all human actions. Robbing banks is not a morally legitimate business activity; neither is demanding higher wages on the sole ground that your employer can afford to pay them; neither is setting higher prices on the sole ground that you are big and powerful enough to exercise "price leadership" in a given field. Our primary concern at the moment is with the relation of economic science to ethics. Is there any such relation at all, and, if so, of what sort is it?

The term "economics" has undergone considerable change in its long history. Aristotle, and his mediaeval commentators, identified economics with household management, that prudence by which the head of a family looks to the material, intellectual, and moral needs of the members of his household. That part of household management concerned with the obtaining of wealth, in order to satisfy directly the material and indirectly the intellectual and moral needs of the family, Aristotle called *chrematistics*.

In the ancient and mediaeval world, then, economics had a wider meaning than it has today, since it was directed to the satisfaction of more than simply material needs; it also had a narrower meaning, since it was concerned with the requirements of the family alone. The modern science of economics analyzes and describes the past and present efforts of men to acquire and use material wealth, and seeks whatever laws this analysis can be made to reveal. On the basis of these laws it attempts to predict the probable results of a tentative course of action directed to the future acquisition or use of wealth. On as large and as scientific a scale as possible, it provides vicarious experience, and advice based on that experience.

## I

WHAT RELEVANCE has the ancient concept of economics to our problem? We certainly need not restrict economic investigation and activity to the supply of family wants alone, for the individual person and the civil society must also obtain and use wealth, as Aristotle himself realized. What is relevant is that Aristotle, and his mediaeval commentators after him, subordinated chrematistics, the art of acquiring wealth, to what they called economics. They saw that because of the very nature of material wealth, it must be a means to a further end and not an end in itself.

Food, clothing, shelter, transportation, and such goods and services supply the material wants of men and thus allow them that sufficiency and independence of the demands of the body that are prerequisite for the pursuit of a truly human life. Human beings are not angels: with no material wealth they cannot live at all; without enough wealth they cannot develop their intellectual and moral capacities and achieve a properly human perfection. Neither are they beasts: when their bodily needs and comforts have been looked after they are living successfully as animals, but have only begun to live as men.

Wealth, then, is not itself a final end, an ultimate goal, and hence to pursue it without limit is to overturn the whole scale of human values. Wealth is a means to an end, to the personal good of the individual man and to the common good of the family and the State. And it remains a means because of its very nature, whether one conceives the end of man to be pleasure, or power, or the State, or the beatific vision of God.

Then what Aristotle called chrematistics and what we call business activity (agriculture, manufacturing, commerce, finance) provides the necessary material instruments by which men and the societies they form are enabled to direct themselves to their ultimate end, whatever they conceive it to be. The modern science of economics, in turn, supplies the information through which these material instruments may be efficiently acquired and used. And since wealth is precisely an instrument, one of the means for the attaining of the end of life, economics is a science subordinate to ethics, for ethics is that practical, normative science concerned with human acts in relation to their ends and the order that can be established in those acts; its aim is "to discover the *grounds* . . . of the choices that are open to us." To make economics a completely autonomous science is to make wealth the end of life, to say that men live to eat rather than eat to live.

This conclusion does not at all mean that one must become a skilled moralist before setting up as an economist, or that the moralist can deter-

mine what the economist's findings should be. Before men can use wealth at all, they must know how to acquire it; and before they can use it intelligently they must know, so far as possible, what will happen when they do certain things with it. It is the task of scientific economics to discover these facts and the laws that they reveal; these are "the elements in the situation that are given and not immediately alterable." Without such knowledge, men and societies will proceed blindly in ordering their material affairs, for the choice of means to an end must be confined to the realm of the possible.

Knowledge and calculation are necessary before a man buys a home, a corporation expands its physical plant, or a government undertakes unemployment insurance. Before you can intelligently choose means to an end, you must know what means are available and what the probable result of their use will be. The economist's job is to provide this information. The results that he will obtain cannot, obviously, be dictated by any ethical considerations, for the economist is, directly, concerned with what is and not with what ought to be. Neither can his method of investigation be so dictated, for that is determined by the nature of the reality which he is investigating. Economics, then, is distinct from ethics, and is autonomous within its own field.

## II

TO SAY THIS is to tell the truth, but not the whole truth. Economics is distinct from ethics, but is not unrelated to it. In the first place, an ethical conviction about what ought to be may direct economic investigation along certain paths to find out whether the means to the desired end are feasible; to discover, for instance, what terms could be included in an unemployment insurance scheme, or on what scale slum clearance could be carried out. The judgment that such undertakings are desirable is a moral judgment; the decision as to whether they are feasible must wait for economic information. The moralist has not determined the economist's findings, but he has suggested his field of investigation. This is one way in which economics and ethics are related.

In the second place, and this is more fundamental, economics and ethics are related, and related in a definite way, because of the very nature of what each deals with. Economics is concerned with wealth; men use wealth to gain certain ends; decisions about ends are decisions about what ought to be—they are ethical decisions. Economics supplies us with information about material means; ethics supplies us with information about the ends for which those means are to be used. And since means are sub-

ordinate to ends, economics is subordinate to ethics, and is not completely autonomous.

But what, in turn, is ethics, and on what foundation is it built? If it is constituted merely on the basis of prejudice or whim or human authority, it certainly is not scientific knowledge, and cannot rightly claim to supply the directives of human life. Its foundations, however, are not so weak as this, regardless of how a positivist may misconceive them. Ethics is a science, and a science of what ought to be, that is, a practical, normative science directed to acquiring information that men may use in ordering their lives.

But it is and can be such a science only because it is grounded in what is, in experience of reality. You can build a scientific knowledge of how man ought to act on a scientific knowledge of what man is. What man is, you can discover from observation and reasoning. And when you know what sort of being man is, you can determine what the ultimate end of such a being must be, and at least the general direction of the actions by which he may reach that end. It is not easy to do this job well, but it is possible. Everyone who does not conceive of himself as living a completely pointless life actually attempts to do it, although often on insufficient information or by hasty, illogical reasoning. But the job can be and has been done well; and when it is done, that practical, philosophical science called ethics has been constituted, and constituted from an observation of reality, not from prejudice or whim or authority.

### III

Is SUCH KNOWLEDGE of the end of human life, of "the grounds . . . of the choices that are open to us," sufficient by itself to guide us in our economic activities? No, but neither is purely economic knowledge. Before we can act intelligently we must know both the grounds of the choice to be made, that is, the goal to be aimed at, and the available means from which such choice can be made. Ethics points out the goal, the end, the grounds of choice; economics points out the range of the possibilities within which that choice must be made.

Ethics without economics is powerless—and futile; economics without ethics is blind—and dangerous. The moral philosopher (or the business man) who disregards economic principles condemns himself to mere wishful thinking; he sits at the wheel but won't bother to learn how to drive. The economist (or the business man) who disregards ethical principles condemns himself to blind and pointless activity; he starts the car and then takes his hands off the wheel and shuts his eyes.

If the moral philosopher tries to turn ethical knowledge of what ought to be into economic knowledge of what is—for example, if he insists that the economist, in discussing wages, deal only with an adequate family wage—he is closing his eyes to reality and going beyond the limits of his science. Likewise, if the economist tries to turn economic knowledge of what is, into ethical knowledge of what ought to be—for example, if he insists that his observation that under certain conditions wages tend to reach a bare subsistence level discloses a law of nature with which men must not attempt to interfere—he is also closing his eyes to reality and going beyond the limits of his science.

Economics teaches us what will probably happen if we do certain things; ethics teaches us what we ought to do and why (although only the possession of virtue enables us to do it). Ethics must take account of economics, for there are limits to what can be done; economics must take account of ethics, for all properly human action is purposeful. This is not to say that either the economist or the moral philosopher must become expert in the other's field, although such a situation is highly desirable; but it is to say that each must know the relation and not merely the distinction of the two fields. And because wealth is a means and not an end, economics is by its very nature subordinate to ethics.

*University of Notre Dame*

---

### *Tax on Barren Land in Israel*

IT IS CURIOUS the way some myopic minds work. Here is a piece of Jordan pro-Arab anti-Israeli propaganda: "The Israeli authorities have imposed a 35 per cent tax on barren lands under their control. This is part of a plan, it is understood, by which the Jews aim to force Arab landlords whose financial condition is now weak to sell their property to the Jews." One's only regret is that Israelis have to pay a farthing to these Arab "owners" of barren land. The sooner such parasites are put to work to earn an honest living, the better off the world will be.

W.L.