

# A CASE FOR INCORPORATING MORAL PHILOSOPHY IN AN ECONOMICS CURRICULUM

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## INTRODUCTION

Unlike the place of ethics in business programs, the role of moral philosophy in economic education is contested terrain, if discussed at all. After all, neoclassical economics, the dominant school in the discipline, views itself as a purely positive exercise, a scientific enterprise in discovering and describing patterns and regularities that allow for prediction in economic life.

The inclusion of ethical theory in an economics curriculum gives our majors a critical appreciation of the limits to which economic tools and analysis ought to be employed in shaping policy. It would also be a retrieval of a lost heritage, a reestablishment of the discipline's links to philosophy from which it emerged in the eighteenth century. As commonly known, Adam Smith, the father of modern economics, was a moral philosopher who wrote not only about the mechanics and dynamics of economic life (*Wealth of Nations*), but who also addressed the personal qualities and virtues so essential to living together as a community (*Theory of Moral Sentiments*). Other classical economists were also keenly aware of the need to consider extra-economic factors in their analyses and policy formulations (O'Brien 1975).

Students of the history of economic thought are familiar with how the Marginalist Revolution turned political economy into economics as more scholars embraced the "Ricardian vice" of assuming away critical factors in an effort to construct simple, abstract models of economic phenomena. The analytical focus centered on the individual economic agent; the methodological individualism of marginal analysis overshadowed the much broader approach of the German historical school.

These changes flow from the era's distinctive features, namely: the pre-eminence accorded to reason by the Enlightenment and the high regard for science as a reliable venue for discerning the laws of a Newtonian order whose regularity is both intelligible and predictable. J. N. Keynes (1891) and Robbins (1932) completed the shift in their proposition of a purely positive economics. This transformation away from the political economy of early classical economists is evident today in the neoclassical economics that is standard fare in schools and in the highly technical articles favored by editorial boards of top economics journals.<sup>1</sup>

Much has been written on whether there is a value-free economics, or a value-free social science for that matter.<sup>2</sup> This paper does not add to that literature. I am only interested in the question of whether economics majors ought to be knowledgeable about the interface of economics and moral philosophy. I propose that there are ample arguments to support such a claim. In addition, note the increasing interest and concern over this question as evidenced in recent books,<sup>3</sup> in new interdisciplinary courses on economics and ethics,<sup>4</sup> and in innovative academic initiatives such as the Yale Program on Law, Economics and Ethics. These efforts should not come as a surprise since much of economic analysis is undertaken with some policy or normative issue in mind.

In what follows, I limit myself to an examination of why moral philosophy has a legitimate, indeed necessary, niche in an economics curriculum. In presenting my arguments, I follow Hamlin's (1995) three-fold categorization of issues where a critical cross-fertilization between economics and moral philosophy is most likely to occur: market outcomes, market scope and the moral basis of markets. I conclude the paper with suggestions on how this proposal might be implemented.

## MARKET OUTCOMES

Evaluative criteria for market outcomes and processes are not philosophically neutral. Scarcity lies at the heart of the economic problem where the object of the exercise is the allocation of limited resources to their most valued uses. Economic analysis accepts these ends as a given. Their determination is outside the concern of economics. The discipline is interested only in providing the *engineering*, that is, in the determination of the optimal vector of means to reach these given goals. Hence, economics is believed to be value neutral (Robbins 1932). Hausman and McPherson (1996) dispute this because the self-interested behavior that is ascribed to the economic agent (for mathematical simplicity) is in itself

already a value judgement: that such behavior is acceptable. Thus, the strongest claim that can be made on behalf of neoclassical economics is not that it is completely value neutral, but that it has minimal philosophical commitments relative to other standards. After all, unlike alternative criteria, different visions of the good can be accommodated by the discipline given its open-ended specification of the individual utility to be maximized.

A course(s) in ethical theory would provide students with an overview of competing criteria for assessing economic outcomes and processes with an emphasis on their ethical methodologies, their content and claims, their underlying premises, their strengths and their limitations. Thus, for example, economics majors should have a better appreciation for both the strong and weak points of the typical IMF approach to debt adjustment with its heavy, if not exclusive, emphasis on rapidly restoring macroeconomic balances regardless of the social consequences.<sup>5</sup>

Neoclassical Pareto optimality is concerned chiefly with allocative efficiency and the latter's attendant maximization of individual utility that is open to a wide variety of ends. Incorporating moral philosophy in an economics curriculum rounds off the economics majors' technical skills by situating allocative efficiency within the full spectrum of alternative evaluative criteria for market outcomes. Moreover, students would have a better understanding for why the employment of Pareto optimality is a *de facto* choice of the allocative over the distributive dimension of market exchange. It is ironic that despite the centrality of the notion of opportunity cost in the discipline, economic analysis does not justify its choice of allocative efficiency relative to the foregone alternative ways of allocating resources. To be truly philosophically neutral, neoclassical economics needs to be impartial in the choice of standards with which to weigh means. In practice, mainstream economic analysis examines these means through the lenses of Pareto efficiency. A genuinely value-free approach should present decision makers with the "engineering" of not one, but of different vectors of means corresponding to alternative allocative criteria such as needs satisfaction, functionings and capabilities, potential contribution, talent, or strict equality (Rescher 1966; Sen 1984, 1985). In so doing, economic analysis could genuinely claim that it selects neither the end nor the criterion for appraising the means employed. As it is, neoclassical economics uses allocative efficiency as the basis for evaluating means without even examining the opportunity cost of such a selection, nor even justifying such a choice.

## MARKET DOMAIN

The analytical rigor of economics has increasingly turned the discipline into a paradigm for all the other social sciences. Thus, we see economic insights and models employed in fields of study that had been traditionally the exclusive realm of other disciplines. Note, for example, Posner's (1972, 1981) economic analysis of law and justice. The use of economic analysis beyond its usual scope is often resented by other social scientists as intrusive and is perceived as the "imperialism" of economics.<sup>6</sup>

Becker's (1976, 1981) work illustrates the appeal and elegance of economic tools within Robbins's means-end view of the discipline. In the household production model, the arguments in the maximand are not the consumed goods themselves but the commodities that are produced within the household using material goods, services and time as inputs. Thus, it is not the goods per se but the qualities afforded by the consumption of these goods that provide preference satisfaction. In effect, by shifting the focus from the direct consumption of goods to commodities or the characteristics derived from them, one goes beyond the narrow confines of traditional utility functions and expands them to just about any activity, even those that are non-economic in nature. Thus, the model has been used to analyze a full spectrum of issues from family formation (birth spacing, family size, and intra-household food distribution) to even altruism (Becker & Becker 1997, Stark, 1995).

Even as these models are mathematically elegant and powerful, one must understand that translating such analytical results into policy requires much additional critical thought. Unfortunately, the limits of analytical insights from economics have often been forgotten, perhaps even adumbrated by the historical triumph of markets and their much-touted allocative efficiency in the last quarter of the twentieth century (Yergin & Stanislaw 1998). Furthermore, neoclassical economic theory provides markets with theoretical grounding. The ascendancy of markets has significant ramifications for the issue of commodification. Since demand and supply are arguably the best mechanisms for allocating in the face of scarcity both in theory and in practice, should we not then expand the domain of markets from their traditional realms? Moreover, many would argue that a perfectly competitive market where output is distributed according to the marginal productivity of factors (Clark 1899) is an ethical method of allocating the product of collective effort. People benefit in direct proportion to their contribution. It is best to examine what is at stake here through an actual case.

It would be interesting to see how economics majors assess the question of whether there should be a market for kidneys, in contrast to students from other disciplines. Analyzed strictly and solely within a traditional economics curriculum, this is not a difficult issue at all. The economic arguments in favor of such a market are strong and straightforward. In the first place, the market has proven itself to be a useful, if not *the* most effective, avenue for coping with shortages by assigning a value that brings demand and supply in equilibrium. In the particular case of kidneys, while an increase in price will not bring down the demand<sup>7</sup> for such, it will generate an increase in supply. People who would have otherwise died as they waited for kidneys that were not forthcoming could now tap into a larger pool of kidneys provided by the market. Secondly, besides saving more lives, the increase in the supply of kidneys releases scarce societal medical resources for other needs since the stream of long-term expenditures for dialysis treatment is minimized. Moreover, there is also the lost opportunity wages for chronically ill patients who could not get a kidney under the current system that prohibits the sale of human organs for transplantation. There is a very strong case for a market for kidneys from a straight cost-benefit-analysis point of view. Third, the commodification of human kidneys is a Pareto improvement for all the parties directly involved: it saves the lives of those who would otherwise not have gotten a kidney (demand), it relieves the budget constraint and provides liquidity for those who sell one of their kidneys thereby allowing them to expand their opportunity set for consumption (supply), and it enhances the production possibilities frontier of the community by freeing up medical resources devoted to long-term dialysis care and by reducing the lost opportunity wages from chronic kidney disease.

Numerous objections can be made, such as the exploitation of the poor who may sell their kidneys out of economic compulsion, the competitive bidding for available organs that allows the wealthy to jump the queue, and the over-pricing of kidneys that would make transplants too prohibitive for everyone but the wealthy. These objections could still be handled within neoclassical economics as instances of market failures and are best addressed through regulatory mechanisms. Thus, for example, government or a non-profit organization could function as a clearing house or as *the* single buyer (the sole middleman) to forestall the afore-said abuses and price gouging.

From a purely pecuniary point of view, the economic arguments for opening up a market for kidneys are strong, indeed even compelling. But

can we simply stop at this? Or do we have the obligation of forewarning economics majors to some of the strong philosophical commitments that they will knowingly or unknowingly make if they were to limit themselves to a purely neoclassical economic analysis of the issue? In the first place, such a market approach to kidney allocation assumes strong, if not absolute, property rights that stem from the claims of self-ownership. The notion of self-ownership is intensely contested (see, for example, Cohen 1995). Secondly, the employment of money as a medium of exchange for kidneys, even in a regulated manner, in effect ascribes to purchasing power the role of a dominant good. Walzer (1983) argues his case for complex egalitarianism by noting that different spheres of life have their own unique rules of justice and allocation. However, there is a class of goods — dominant goods — that are distinctive in their power to shape the rules of justice and allocation not only in their own spheres, but also in other areas of social life. Thus, inequalities in one sphere can spillover and engender inequalities in other spheres akin to a domino effect. For example, material wealth determines not merely the outcomes of demand and supply in economic affairs, but in other spheres as well, such as who gets elected to public office (political sphere), who gets to acquire quality education and delight in the sciences and arts (cultural sphere) and who gets to procure the best legal representation to protect one's legal claims (juridic sphere). Thus, in arguing against money as a dominant good, Walzer (1983, 100-103) lists certain critical realms that should never be subjected to the workings of the market, such as political office and influence; criminal justice; freedom of speech, press, religion and assembly; marriage and procreation rights; emigration rights; exemptions from communal duties; and prizes and honors.

The arguments for or against the sale of kidneys are also applicable to many commodities or services that are currently outside the domain of markets. Coming up with criteria on when, where and to what extent market allocative rules ought to be part of other spheres, if at all, is beyond the scope of this paper. It is sufficient to note for our purposes, however, that our majors should be critical enough to know that the employment of economic tools to assess the merits of expanding market domain, including the question of blocked exchanges, is in and of itself already a value commitment as it imposes allocative efficiency as a de facto primary goal for other non-economic spheres. For example, they should be able to identify readily the limitations and the normative premises of the persuasive economic arguments of Larry Summers in his memo<sup>8</sup> of December 1991 regarding the “migration of dirty industries”

from the First World to the Third World. In essence, the memo could be viewed as advocating a market for health between the First and Third Worlds. In transferring dirty but lucrative industries overseas, wealthier countries in effect purchase better health for themselves. On the other hand, by providing a haven for these polluting industries, developing countries are trading off their future health for higher incomes.

A third concern: price is the key mechanism that gives the market its much-vaunted strength of allocative efficiency. However, economics majors must be made aware that the discipline has a distinctive and philosophically non-neutral notion of value. In her work *Value in Ethics and Economics*, Anderson (1996) notes that the economic analysis undergirding the case for a broader market domain suffers from the critical weakness of being founded on a purely consequentialist mode of valuation. The instrumental rationality of identifying the optimal vector of means for a given end has severe limitations because it is monistic in two senses: it assumes that only states of affairs have intrinsic value (that is, only consequences matter), and it measures such intrinsic value solely in pecuniary terms. Anderson disagrees with this monism and notes that peoples' choices and acts may have intrinsic value in addition to and separate from the value of their consequences. These choices and acts are expressive of their self-identities that are not measurable by monetary units.<sup>9</sup>

Both the historical triumph of markets and the dominance of economic models and analysis in the social sciences provide a strong impetus to expand the domain of markets well beyond their traditional boundaries. The incorporation of moral philosophy in an economics curriculum brings to the fore the value commitments of using the market as an allocative mechanism. In particular, to operate within the ambit of market rules is to accept the legitimacy of money as a dominant good governing the allocation of goods in non-economic spheres of social life, to embrace the monism of instrumental rationality over the broader alternative modes of valuation under expressive rationality, and to require the assignation of strong property rights to that which is alienated.<sup>10</sup> In this regard, the value of teaching moral philosophy in an economics curriculum is in understanding the premises and the strengths and limitations of the philosophical commitments of mainstream economic theory's promotion of the market as a preferred, indeed the premier, allocative mechanism.

## MORAL BASIS OF MARKETS

The third major point of intersection between economics and ethics pertains to the moral basis of markets (Hamlin 1995). There are two concerns within this third interface. The first examines the necessary personal qualities of economic agents if markets are to operate at their optimum. Some of these issues are already regular staples in traditional economics courses such as prisoners' dilemma cases, the tragedy of the commons, moral hazard problems and other instances of market failures where allocative efficiency can only be achieved with a suitable adjustment in the maximizing, self-interested behavior of economic agents. Included in these, of course, is the question of having to assume "laundered preferences" in order to avoid malformed maximands in consumer theory (Farina, *et. al.* 1996).<sup>11</sup>

The second set of concerns deals with how economic theorizing and market processes and outcomes affect individual behavior.<sup>12</sup> Radin (1996, chapter 6) wonders to what extent economic modeling shapes people's conduct. Arrow (1997, 762) responds to Radin by noting that the impact of economic discourse and analysis on actual economic behavior is ultimately an empirical question for which conclusive evidence is difficult to establish. However, Arrow is willing to acknowledge that:

It is hard to believe that standard modes of expression and discourse do not have *some* influence on thought and action. But the extent of the influence is certainly hard to determine (original emphasis).

Market outcomes and processes can also determine human behavior. Jon Elster (1983) proposes that market experience may in fact shape people's preferences in a process of dissonance reduction where ends are set according to what is attainable. In what is described as adaptive preference formation, economic agents actually have endogenous rather than exogenous preferences. If true, then economic analysis goes beyond the pure "engineering" task of Robbins's means-ends process. Ends themselves become a function of means. In opening the door to determining ends, economics as a discipline is brought into the realm of the normative, even if unintended or unwillingly. Dealing with endogenous ends as part of an expanded economic problem goes beyond answering the questions seen in introductory economic texts of *what* to produce, *how much* to

produce, and *in what manner* to produce. It will also have to confront the awkward question that has heretofore been avoided: the why's — *why* we choose the goals we seek to attain and *why* we select the means that we employ to achieve these ends. Marwell & Ames (1981) find that economics graduate students tend to free ride more than non-economics students. Carter & Irons (1991) find that economics majors tend to be more self-absorbed in their concerns relative to other majors, although they attribute this to a process of self-selection<sup>13</sup> rather than to the students' exposure to *homo oeconomicus*. On the other hand, Frank, Gilovich & Regan (1993) observe that there is an operative learning process (rather than mere self-selection) that accounts for why economics majors are more self-interested compared to those from other disciplines. Students may completely miss the usage of "rationality" in economics as consistency; instead, they may think that to be rational (commonly understood as to be reasoned) in economic behavior is to be utility- or profit-maximizing. Thus, what started out as a purely positive exercise of using simplifying assumptions in mathematically modeling *homo oeconomicus* ultimately ends up as a normative standard for actual economic behavior because of the connotation behind the terms "rationality" or "rational." Economists are sometimes viewed as rhetoricians (McCloskey 1985, 1994), although Lane (1991) observes that the impact of economists' pronouncements on agents' conduct is minimal. Lane concludes that beliefs are the more decisive determinants of economic behavior.

Even if we were to concede, for the sake of argument, that there is indeed a purely positive economics, what we now know about the sociology of scientific knowledge (Davis 1997, Wade Hands 1998) should cause us to examine whether teaching economics majors only the technical mechanics of the discipline is sufficient. Economists are not merely disinterested third-party observers of social phenomenon; they are participants themselves. If there is indeed a sociology to economics as a science, then it is essential to equip our majors with the necessary philosophical tools to assess critically the impact that their work has in shaping actual behavior in the larger community.

#### SUGGESTIONS FOR IMPLEMENTATION

Moral philosophy can be incorporated in an economics program in a variety of ways depending on the availability of open slots in the curriculum and the desired level of student proficiency in ethical theory. A full range of options are available:

1. An introductory course in ethical theory

In the most ideal scenario, it is best to start with a required one-semester course in philosophical ethics. The value of this is that our majors get to learn where mainstream economic analysis fits in within the full continuum of deontological and teleological methodologies. Thus, they should be able to recognize the salient differences, premises, strengths and limitations of the discipline's utilitarianism relative to heterodox approaches such as social, institutional and radical economics, to name a few. Not only is this an excellent preparation for a subsequent upper-level course in normative economics, but it also highlights for our majors the key contrasts between economics and the other social sciences.<sup>14</sup>

2. A free-standing course or seminar in *Economics and Ethics*

A required upper-level course or seminar in economics and ethics could examine in greater depth many of the issues discussed in this paper such as the philosophical commitments surrounding the evaluation of market outcomes, the delineation of market scope and the formulation of the moral basis of markets. At a minimum, topics should include the fact-value distinction; the debate on whether there exists a purely positive economics, or a completely value-free social science, for that matter; the sociology of scientific knowledge; laundered preferences; the homo oeconomicus model; commodification and blocked exchanges; bounded and expressive rationality; and the differences in the economic vision of libertarianism, egalitarianism, contractarianism and welfarism.

3. Incorporation of moral philosophy in upper-division courses

Certain sub-fields within the discipline, such as international trade and finance and development economics, are fraught with normative issues and philosophical commitments that are difficult to avoid by the nature of their subject matter. For example, in examining the poverty of developing nations, the development or trade economist makes choices regarding what problems to address, which measures and methods to use, what results to highlight and what non-economic considerations to include in policy design. Each of these decisions is permeated by value commitments, and they can be used as occasions to interject ethical theory and insights from the other social sciences in the course of the

semester. A. K. Sen's (1984, 1985) works on inequality, functionings and capabilities provide excellent examples of how ethical theory can be included in the study of development economics.

#### 4. Inclusion of ethical theory in the introductory courses

Topics in introductory and intermediate microeconomics and macroeconomics that carry significant ethical ramifications may also serve as occasions to address the philosophical commitments of neoclassical economics. Hausman and McPherson's (1996) exposition on evaluative criteria other than allocative efficiency come to mind. Jon Elster's (1983) "subversion" of rationality and Elizabeth Anderson's (1996) expressive rationality should provide insights not only on the limitations, but also on the value premises of instrumental rationality. Then, there are also the critiques coming from social economics and other heterodox approaches. Much more can be included, and it is precisely this superabundance of materials that should give us pause and seriously consider whether ethical theory ought to be included in these foundational courses. As it is, there is not enough time to cover in adequate depth many of the topics in introductory and intermediate microeconomics and macroeconomics. And even if there were spare time, it would seem that supplementary work on the application of these economic tools to analyzing real issues should have first claim relative to ethical theory. A possible exception to this might be the honors sections, which by virtue of their more intensive and more demanding nature, may be able to set aside time for philosophical issues.

Most students taking introductory economics will not major in the discipline; their course work in the other human sciences should provide them with an appreciation of the need to complement the analytical results from these models with non-economic considerations. Business-related majors who are required to take introductory microeconomics would most likely touch on ethical theory in their course on business ethics, a requirement in many programs. As for those who intend to be economics majors, the aforesaid free-standing course on *Economics and Ethics* relieves the urgency of examining the discipline's philosophical commitments in the foundational courses. Including ethical theory in the introductory courses would most likely lead to an inadequate coverage of key economic concepts and methods. Thus, this option should be weighed carefully before adopting it.

5. For colleges and universities with religious affiliation, a free-standing course on *Economics and Religious Thought*

There is a growing scholarly literature on economic thought and theological traditions.<sup>15</sup> This is particularly true for the Christian, Jewish and Islamic faiths. A course on *Economics and Religious Thought* has manifold benefits: it illustrates an interdisciplinary approach to economic education, it provides a venue for continuing and deepening further such scholarship and interest within these theological circles, and it preserves the unique contribution of these religious traditions to the pluralistic conversation in the public square. These colleges and universities may choose to require such a course or simply designate it as an elective depending on their mission statements and the nature of their student bodies.

These options are not mutually exclusive and can be combined together depending on the availability of slots in the curriculum. There is a problem of fitting in and sequencing these courses. In particular, course work in introductory ethical theory and, if possible, in the history of economic thought ought to be prerequisites to the course on *Economics and Ethics*. However, given the limited number of free slots available in an economics program, one can, as a compromise, simply fold these preparatory courses into the main normative economics course itself. The consequence, of course, is the cursory nature with which key points of the interface of economics and moral philosophy can be examined given the severe time constraint.

## SUMMARY AND CONCLUSIONS

The same arguments that have been employed to hold that there is a purely positive economics can be used to contest the incorporation of moral philosophy in an economics curriculum. In Robbins's means-end view of the discipline as a science of human choices, the economist merely supplies the "engineering" while politicians and moral philosophers provide the normative assessment. Because of this division of labor, there is no reason why economics majors ought to be burdened by having to take moral philosophy as part of an already tight curriculum.

A case can still be made for the inclusion of moral philosophy in the economics curriculum even if we were to grant the claim of a purely descriptive economics. Economists are on many occasions directly or

indirectly involved in policymaking or in implementing policies. In the American Economic Association's 1997 Survey of Members, 54% of economists in the non-academic sector worked for the Federal, state and local governments, non-profit organizations, international agencies and research institutions.<sup>16</sup> Note that this figure is an understatement because many economists in the academe serve as consultants to governments, multilateral agencies and policy-related think-tanks. Among the more distinctive and much-sought contributions of economists to policy formulation and implementation is the rigor and insights of neoclassical economics. It is thus essential for economists to understand the limitations of economic tools and models.

Economics majors must be skilled not merely in the specialized mechanics of scientific economics, but they must also develop a critical eye for extra-economic arguments that require a modification of results and insights provided by economic analysis. Besides, this is an indispensable training if our economics major are to work successfully with professionals from other disciplines that operate out of different premises. Moreover, from a strictly pedagogical point of view, students in a genuinely liberal arts education should be completely at ease in an interdisciplinary environment. Examining the cross-fertilization of moral philosophy and economics is a significant step in situating economic education within a strong liberal arts framework that is broad enough to illustrate how disciplines mutually reinforce each other.

Incorporating moral philosophy in an economics curriculum is not about influencing the kind of policies that flow from mainstream analysis, which after all is not the exclusive domain of the more market-oriented classical liberalism.<sup>17</sup> The point of this paper is twofold: 1) that economic education be transparent in the value choices of its key assumptions, and 2) that the discipline take responsibility for alerting its majors to the limitations of its analytical insights, and consequently, the need to complement these with extra-economic judgment.

Economics majors ought to have an intelligent understanding of the philosophical commitments embedded in the assumptions of economic analysis. Course work in moral philosophy should provide them with the conceptual tools to understand how and where neoclassical methods lose their value neutrality. Thus, they should have a better comprehension of the boundaries to which analytical results from instrumental rationality may be carried in policy formulation and implementation. The purpose of studying ethical theory in an economics curriculum is neither to diminish nor discredit the analytical power of neoclassical economics; it

is to situate the latter within a larger framework that puts theory in a much better position to serve policy. Technical proficiency is a must for our majors, and such rigor should not in any way be compromised when incorporating ethical theory in their economic education. However, they should also be deft in recognizing why, when and how to supplement neoclassical analytical results with non-economic insights. Moral philosophy has much to contribute in developing such acuity in our economics majors.

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## NOTES

<sup>1</sup> Despite the hurdles posed by Arrow's social-welfare-function dilemma and the inability to conduct interpersonal utility comparisons, and in spite of the philosophical underpinnings that come with the adoption of utility functions and cost-benefit analysis, the discipline maintains that it can still provide a scientific inquiry of economic life.

<sup>2</sup> See, for example, Weston (1994).

<sup>3</sup> Piderit (1993), Farina, *et al* (1996), Hausman & McPherson (1996), Vickers (1997), and Wiber (1998).

<sup>4</sup> See, for example, a description of these efforts at the University of Notre Dame, St. Louis University and St. Joseph's University in O'Boyle (2000).

<sup>5</sup> See, for example, Corina, *et al* (1987).

<sup>6</sup> See Reder (1999, chapter 14) for a concise discussion of this phenomenon. See also Radnitzky and Bernholz (1987).

<sup>7</sup> The demand curve is completely inelastic, that is, it is strictly vertical since the number of kidneys in the short-run is fixed by the number of ill people requiring such. There may be a downward sloping demand curve in the long-run where the high price of kidneys may lead to a change in lifestyles (less alcohol consumption) or preemptive medical measures (hepatitis C prevention). Nevertheless, the long-run demand curve would most likely have a steep slope, that is, it would be highly price inelastic.

<sup>8</sup> Published in *The Economist*, February 8, 1992, p. 66.

<sup>9</sup> This is not the place to go into the technical arguments for or against instrumental rationality. It is important to acknowledge, however, the neoclassical rebuttal that these "processes" can be incorporated in its framework either as transactions costs or by using the household production model of Becker (1965). Unfortunately, neither of these satisfactorily addresses Anderson's critique. Becker's perceptive transformation of the maximand as commodities is still ultimately dependent on monetary valuation; his notion of a time-aug-

mented full income still has to be expressed as the sum of real and potential earnings. Moreover, it does not address instrumental rationality's consequentialist methodology that ascribes an unbending maximization behavior to agents. Critics argue that economic actors do not always optimize in a utilitarian manner, but may in fact behave from a deontological sense of obligation. Such commitments do lead people to choose consumption bundles that reduce their welfare (Sen 1979, 95-97).

<sup>10</sup> Thus, opening a market for pollution rights as part of the Clean Air Act entails a controversial implicit assignment to polluting companies of property rights to the air.

<sup>11</sup> This, of course, is another troublesome issue in itself because in limiting consumer sovereignty in the mapping of one's preferences, value judgements will have to be made in arriving at what is permissible to include in a "laundered" preference mapping.

<sup>12</sup> The following discussion pertains to the ethical consequences of studying neoclassical economics. This is in contrast to sections I and II that address the presuppositions of neoclassical economic analysis.

<sup>13</sup> This is where the discipline attracts students who tend to be more self-interested to begin with.

<sup>14</sup> The use of premises that carry philosophical commitments is not unique to economics. Other social sciences have them and, thus, their majors could similarly benefit from such a required introductory course in ethical theory.

<sup>15</sup> See, for example, Brennan and Waterman (1994); Dean and Waterman (1998); Wilson (1997); and Finn (1996).

<sup>16</sup> In the 1993 Survey of Members, the figure is 54.7%. For these calculations, I arrived at the total for non-academic employment by excluding retired members, non-respondents and those working for academic institutions. The 1997 figures are taken from the *American Economic Review* 87:6 (1997), 674. The 1993 figures are from the *American Economic Review* 83:6 (1993), 635.

<sup>17</sup> Note, for example, Blinder's (1987) effective use of neoclassical analysis in advocating positions of social liberalism.

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