



The Moral Narratives of Economists

Anthony Randazzo¹ and Jonathan Haidt²

[LINK TO ABSTRACT](#)

Why is it that, as the Prologue to this symposium (Klein 2015) suggests, practically no U.S. economists favor the welfare state but oppose the regulatory state, or vice versa? Our answer is that it would be *morally incoherent* to do so.

There are two basic narratives about capitalism circulating in Western society today. One says that capitalism is exploitation (or at least is highly conducive to exploitation); the other says that capitalism is liberation. If you endorse the exploitation narrative, then you are more likely to see government as the main force that protects innocent victims. It protects them with a welfare state and with a regulatory state. But if you endorse the liberation narrative, then you'll want government to step back as much as possible and let capitalism work its magic. You'll want to shrink both the welfare state and the regulatory state.

We believe that economists, as human beings, also possess such narratives, and we expect that, on average (not in all cases), these moral narratives shape economists' substantive conclusions—positive and normative.

This hypothesis, we recognize, runs counter to the predominant view among economists, which is that economists can do technical and empirical work independent of bias. Of course, the normative views of economists may inform their personal policy preferences. But economists should also be able to step back and assess the welfare state and regulatory state free from their personal value judgments. Or so it is said.

In this essay we'll present the two narratives about capitalism, followed by a summary of some new data we have been collecting on the influence of value judgments in economics. We'll end by elaborating on our explanation as to why

1. Reason Foundation, Los Angeles, CA 90230.

2. New York University Stern School of Business, New York, NY 10012.

there seem to be no U.S. economists who take diverging views on the welfare state and the regulatory state.

Two stories about capitalism

Here are fairly extreme versions of the two stories about capitalism.³

Story 1: Capitalism is exploitation

Once upon a time, work was real and authentic. Farmers raised crops, and craftsmen made goods with their own hands. But then, capitalism was invented, and darkness spread across the land as the smokestacks of the Industrial Revolution covered everything in soot. The capitalists became ever more skilled at extracting productivity from workers and pocketing the gains from their labor.

The workers eventually fought back by unionizing. In the early 20th century, as the brutality and stupidity of capitalism were exposed, many governments granted workers some protection from the predators. Democratic welfare states were born.

But the capitalists and their right-wing cronies were unrelenting, and in many countries they have destroyed the unions, slashed regulations, and given the corporations free rein to exploit at will. So the rich get richer, the rest of us get poorer, our democracy gets weaker, and the planet gets hotter. It is now the duty of every decent person to join the fight against global capitalism and the super-predators it has unleashed upon us.

Story 2: Capitalism is liberation

Once upon a time, almost everyone was a peasant, a serf, or a slave. Kings and feudal lords took most of what people produced, so nobody had much reason to work hard. But then, in the 17th century, capitalism was invented, and the liberation began. In England, Holland, and America, they discovered that when you give people property rights, the rule of law, and free markets, you turn on a switch in their hearts. People *want* to work, when they can keep the fruits of their labor. They *want* to invent new products, provide for their children,

3. These two stories were written by Haidt for his forthcoming book on capitalism and moral psychology. You can see the two stories in animated form at EthicalSystems.org/capitalism.

and be useful to others. Free market capitalism enables them to do these things.

In the 20th Century, some countries embraced communism and centralized planning, always with the same result: shortages of everything, including food and freedom. But countries that embraced capitalism have grown prosperous in a single generation.

Yet despite the evidence of history, the left-wing egalitarians are unrelenting, and whenever *they* get control of a government, their first target is economic freedom. The egalitarians don't want to live in a world in which people who create more value for others get to enjoy more wealth for themselves. They'd rather that everyone be equal, and equally poor. It is now the duty of every decent person to join the fight to protect capitalism, and to extend its blessings to all of humankind.

Of course **these narratives are simplistic, one sided, and moralistic.** They are the sort of stories easily found on talk radio or cable news, rather than in an academic journal. Few economists would endorse either story in such a form. Left-leaning economists in particular would have difficulty with the exploitation story, because few of them take such a negative view of capitalism. **Yet we believe the underlying story elements are still at work for economists on both sides.** The two stories lead inexorably to pairs of conclusions: If you think of capitalism as exploitation, even partially, you'll find yourself more open to arguments for the welfare state and the regulatory state. If you think of capitalism as liberation, you'll find yourself more open to arguments for shrinking the welfare state and the regulatory state.

But this is just speculation on our part. We have not yet polled economists to ascertain their views on these two narratives. We have, however, polled economists to ascertain their views on many of the moral values expressed in those two narratives.

The moral foundations of economists

Milton Friedman famously argued that “positive economics is in principle independent of any particular ethical position or normative judgments” (1953, 4). This position continues to be the standard banner of mainstream economics: that economists can and should separate their work between empirical observations and measurement (positive) and personal opinion (normative).⁴ There has been plenty of debate in the social science community about whether economists can

4. See, for example, Mankiw (2014, 28).

be objective, but as Friedman further contended, “No value judgments can explain why I have been led to the conclusion that...inflation is primarily a monetary phenomenon” (1968, 9).

Our thesis stands in clear opposition to Friedman’s theory. We place ourselves firmly in the camp of those who have argued that economists’ value judgments *permeate* economics. This belief emphasizes the humanity of economists, which is at the center of their work. Gunnar Myrdal (1953, vii) noted “There is an inescapable *a priori* element in all scientific work. Questions must be asked before answers can be given.” James Buchanan (1959) concurred, pointing out that when economists analyze the world they inherently consider the behavior of agents through their own worldview and unconsciously imprint their own values on the research through the way they use assumptions.⁵ And Paul Heyne (1978, 18) reached the conclusion that “Statements, propositions, or judgments are made and held by subjects and are therefore always subjective. ... There is consequently no way to establish the validity of a proposition in economic science except by persuading other economists. ... Science is a social activity.”⁶

We see clear evidence for the position taken by Myrdal, Buchanan, and Heyne in the responses to a recent survey of economists that we conducted to consider whether methodological differences between economists were driven by their moral values.⁷ The results of the survey are pending publication elsewhere, but we can preview the findings here in a general way to illustrate our thesis.

Our questionnaire asked respondent economists to agree or disagree, using a seven-point Likert scale, with each of 22 positive economic statements and four normative economic statements.⁸ Then our questionnaire asked economists to rate on a six-point scale the moral relevance of a series of 22 propositions or factors, in order to gauge how they defined right and wrong (versions of these questions

5. “The observing economist is considered able to ‘read’ individual preference functions. ... [But] utility is measurable, ordinarily or cardinally, only to the individual decision-maker. It is a *subjectively* quantifiable magnitude” (Buchanan 1959, 126, emphasis in original).

6. For more economists arguing that value judgments permeate economics, see Chase (1977); Cole, Cameron, and Edwards (1983); McCloskey (1989); Coughlin (1989); Colander (1994); Hausman and McPherson (1996); Tiemstra (1998); and Wilber and Hoksbergen (1998/1986).

7. We sent our survey to every economics professor affiliated with a randomly selected 46 of the top 133 economics departments in the U.S. as identified by *U.S. News & World Report* rankings. There were 1266 requests, sent out by email, asking these economists to take a questionnaire hosted on the website SurveyMonkey.com. We received 166 responses (a 13.1% response rate), covering 40 of the economics departments in our sample (an 86.9% institutional response rate). We dropped 25 incomplete responses, leaving a total of 131 economist respondents.

8. Items for the economic theory portion of the questionnaire either were originally drafted by the authors or are modified versions of propositions posed in similar surveys of economists, including those by Alston, Kearl, and Vaughan (1992), Whaples (1995), and Fuller (2003).

can be found in the Moral Foundations Questionnaire available at YourMorals.org ([link](#))).

Using cluster analysis, we grouped economists based on similarity in response to just the economic theory propositions. Then we examined the average responses to moral propositions within each of those clustered groups.

We first found a close association between the moral values of economists and their normative economic views. Economists who believe governments should not interfere in markets to address income inequality also tended to define fairness in proportional terms (i.e., being rewarded in proportion to your contributions), rather than in terms of equality. Meanwhile, economists who did believe there should be a role for government in reducing income inequality tended to see equality as a moral imperative.

This is not a surprising finding; we would expect a relationship between moral worldviews and public policy opinions. What is surprising is that we found a relationship of roughly the same magnitude between economists' moral narratives and their empirical, technical, 'positive' economic theory views, too.

Economists responding to our survey who tended to take Neoclassical economic theory positions also tended to show a moral judgment profile similar to what you would find amongst political conservatives in America. For example, economists that tended to favor fiscal austerity during a recession defined fairness in proportional terms and gave equal weight to reducing physical harm and preserving individual rights. This is the pattern reliably found for political conservatives (see Haidt 2012, ch. 8).

We found the same sort of match for economists who took New Keynesian positions on our economic theory propositions, such as opposing austerity during a recession. These economists tended to have moral worldviews similar to political progressives, such as defining fairness in terms of equality and being less likely to consider today's federal budget deficit harmful to the economy (Haidt 2012, ch. 8).

Finally, our survey data shows that responses to moral propositions can be used to predict responses to empirical (positive) economic theory propositions. For example, how much importance an economist assigns to the moral foundation of "care" predicts views on whether austerity is good or bad for economic growth, whether a single-payer healthcare system would reduce national healthcare costs or not, whether minimum-wage laws benefit or harm workers, and whether or not national debt and deficits adversely affect economic growth.

Collectively, this data shows that economists' substantive conclusions about the workings of the economy are suspiciously correlated with their moral values. We cannot prove causation with our survey design, but given everything else we know about the power of motivated reasoning (Nickerson 1998; see review in Haidt 2012, ch. 4), causal effects are quite likely.

Conclusion

In a debate with Walter Heller on PBS, Milton Friedman clarified his long-held view that economists can be objective: “I doubt very much that there are any value-free economists. But that doesn’t mean that there cannot be value-free economics” (1979, 7:55). Given the humanity of economists, though, we believe that “value-free economics” is no more likely to exist than is the frictionless world of high school physics problems.

Consider the recent global debate about income inequality. An economist who takes up a research question in this area must start by choosing some methodological measurement of income inequality, including whether to measure wealth pre- or post-taxation, whether to count transfers like healthcare subsidies or social security, and whether to use data from tax returns or household surveys. Methodological choices are inevitable and there is no objective, empirical guide to what is the right approach. The research project, thus, already is dependent on the judgments of the economist before a single regression is run or a correlation is interpreted.

Starting from the research agenda to the construction of a particular model to the selection of a particular methodological approach, the work of economists, and subsequently their economics, is shaped by their moral values and narratives.

How an economist defines fairness (as equality or as proportionality) will strongly influence their views on income inequality, and those views will, in turn, guide their choice of what to measure, depending on whether they would prefer to produce an alarming picture or a calming picture of recent trends. Thomas Piketty and Emmanuel Saez (2003) prefer to use pre-tax, pre-transfer, tax data, and they emphasize a growing income and wealth gap. Unsurprisingly they have expressed a clear normative preference for an egalitarian society with extremely high taxes on the rich (Piketty 2014; Piketty and Saez 2013; Saez and Piketty 2013).

In contrast, Richard Burkhauser, Shuaizhang Feng, S. P. Jenkins, and Jeff Larrimore (2012) argue that the better measure of inequality is using post-tax, post-transfer, household data, and depending on what transfers are counted they have found little to no growth over the past few decades in the divide between Americans at the top end of the income scale and the rest of society. As might be expected, Burkhauser (2013) views fairness as proportionality, and he has little interest in an egalitarian society for the sake of equality in the abstract.

Just as economists are influenced by their own moral values and narratives when making methodological choices about technical questions, so too will they be influenced in their thinking about larger and more ambiguous questions, such as the proper size and behavior of the welfare state and the regulatory state. If

you embrace the exploitation story of capitalism and the moral values it supports (such as equality and resistance to oppression), you'll want a larger welfare state to carry out more redistribution, and you'll want a larger regulatory state to limit the predations of corporations and the super-rich. But if you embrace the liberation story of capitalism and the moral values it supports (such as proportionality and individual liberty), you'll want a smaller welfare state and a less intrusive regulatory state. It would take a great deal of creativity to mix and match those two kinds of states in a way that was not morally incoherent.

References

- Alston, Richard M., J. R. Kearl, and Michael B. Vaughan.** 1992. Is There a Consensus Among Economists in the 1990's? *American Economic Review* 82(2): 203-209.
- Buchanan, James M.** 1959. Positive Economics, Welfare Economics, and Political Economy. *Journal of Law and Economics* 2: 124-138.
- Burkhauser, Richard V.** 2013. The Rich, and Everyone Else, Get Richer. *Orange County Register*, August 21. [Link](#)
- Burkhauser, Richard V., Shuaizhang Feng, Stephen P. Jenkins, and Jeff Larrimore.** 2012. Recent Trends in Top Income Shares in the United States: Reconciling Estimates from March CPS and IRS Tax Return Data. *Review of Economics and Statistics* 94(2): 371-388. [Link](#)
- Chase, Richard X.** 1977. Why Economists Disagree. *American Journal of Economics and Sociology* 36(4): 429-432.
- Colander, David.** 1994. Vision, Judgment, and Disagreement Among Economists. *Journal of Economic Methodology* 1(1): 43-56.
- Cole, Ken, John Cameron, and Chris Edwards.** 1983. *Why Economists Disagree: The Political Economy of Economics*. London and New York: Longman.
- Coughlin, Peter J.** 1989. Economic Policy Advice and Political Preferences. *Public Choice* 61(3): 201-216.
- Friedman, Milton.** 1953. The Methodology of Positive Economics. In *Essays in Positive Economics*, 3-34. Chicago: University of Chicago Press.
- Friedman, Milton.** 1968. Why Economists Disagree. In *Dollars and Deficits: Inflation, Monetary Policy and the Balance of Payments*, 1-16. Upper Saddle River, N.J.: Prentice Hall.
- Friedman, Milton.** 1979. Why Economists Disagree [interview by Marina Whitman, with Walter Heller]. *Economically Speaking*. WQLN-TV (Erie, Pa.). [Link](#)
- Fuller, Dan, and Doris Geide-Stevenson.** 2003. Consensus Among Economists: Revisited. *Journal of Economic Education* 34(4): 369-387.

- Haidt, Jonathan.** 2012. *The Righteous Mind: Why Good People Are Divided by Politics and Religion*. New York: Knopf Doubleday.
- Hausman, Daniel M., and Michael S. McPherson.** 1996. *Economic Analysis, Moral Philosophy, and Public Policy*. Cambridge, UK: Cambridge University Press.
- Heyne, Paul T.** 1978. Economics and Ethics: The Problem of Dialogue. In *Belief and Ethics*, eds. W. Wiedick Schroeder and Gibson Winter, 183-198. Chicago: Center for the Scientific Study of Religion.
- Klein, Daniel B.** 2015. Economists on the Welfare State and the Regulatory State: Why Don't Any Argue in Favor of the One and Against the Other? A Symposium Prologue. *Econ Journal Watch* 12(1): 2-14. [Link](#)
- Mankiw, N. Gregory.** 2014. *Principles of Economics*, 7th ed. Stamford, Conn.: Cengage Learning.
- McCloskey, D. N.** 1989. Why I Am No Longer A Positivist. *Review of Social Economy* 47(3): 225-238.
- Myrdal, Gunnar.** 1953. *The Political Element in the Development of Economic Theory*, trans. Paul Streeten. London: Routledge & Kegan Paul.
- Nickerson, Raymond S.** 1998. Confirmation Bias: A Ubiquitous Phenomenon in Many Guises. *Review of General Psychology* 2(2): 175-220.
- Piketty, Thomas.** 2014. *Capital in the Twenty-First Century*, trans. Arthur Goldhammer. Cambridge, Mass.: Harvard University Press.
- Piketty, Thomas, and Emmanuel Saez.** 2003. Income Inequality in the United States, 1913–1998. *Quarterly Journal of Economics* 118(1): 1-39.
- Piketty, Thomas, and Emmanuel Saez.** 2013. Top Incomes and the Great Recession: Recent Evolutions and Policy Implications. *IMF Economic Review* 61(3): 456-478.
- Saez, Emmanuel, and Thomas Piketty.** 2013. Why the 1% Should Pay Tax at 80%. *The Guardian*, October 24. [Link](#)
- Tiemstra, John.** 1998. Why Economists Disagree. *Challenge* 41(3): 46-62.
- Whaples, Robert.** 1995. Where Is There Consensus Among American Economic Historians? The Results of a Survey on Forty Propositions. *Journal of Economic History* 55(1): 139-154.
- Wilber, Charles K., and Roland Hoksbergen.** 1998 [1986]. Ethical Values and Economic Theory: A Survey. In *Economics, Ethics, and Public Policy*, ed. Charles K. Wilber, 17-32. New York: Rowman & Littlefield.

About the Authors



Anthony Randazzo is director of economic research at Reason Foundation, a nonprofit think-tank. His research areas include the moral foundations of economics, public pension reform, housing finance, and federal economic policy. Randazzo's work has been featured in the *Wall Street Journal*, *Forbes*, *Barron's*, *Bloomberg View*, the *Washington Times*, the *Detroit News*, *Reason* magazine, and various other publications. He also is an adjunct lecturer at The King's College-NYC for Turkish-U.S. political and economic history. Randazzo has an M.A. in behavioral political economy from New York University's Gallatin School. His email address is anthony.randazzo@reason.org.



Jonathan Haidt is the Thomas Cooley Professor of Ethical Leadership at New York University's Stern School of Business. His research examines the intuitive foundations of morality and how morality varies across cultures—including the cultures of American liberals, conservatives, and libertarians. He is currently applying his research on moral psychology to business ethics. Haidt has a Ph.D. in social psychology from the University of Pennsylvania, and he spent most of his career (1995–2011) at the University of Virginia. He is the author of *The Happiness Hypothesis*, and of the *New York Times* bestseller *The Righteous Mind: Why Good People Are Divided by Politics and Religion*. His next book is tentatively titled *Three Stories About Capitalism: The Moral Psychology of Economic Life*. His email address is jhaidt@stern.nyu.edu.

[Go to archive of Character Issues section](#)
[Go to January 2015 issue](#)



Discuss this article at Journaltalk:
<http://journaltalk.net/articles/5865>