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Francisco Araneta

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FRANCISCO ARANETA

SHORTLY after the publication of an article on the Minimum Wage Law,[1] the writer was asked by a fellow priest, "You wrote on the economic aspects of the question, but what about the moral?" The implication in the question was that *economic* reasons may dictate a policy which on *moral* grounds should be rejected. It implied a conflict between economics and morals. This article is meant to explore such a possibility.

When a priest decides to refrain from giving a deserved admonition to a parishoner because he judges that at the moment the admonition may be resented and in the long run be productive of less good, he is, in forming that practical judgment, playing two distinct roles, that of psychologist and that of moralist. When he decides that the admonition is inopportune, he is passing a judgment of a question of fact, the psychological condition of the parishioner. For this the priest must rely on a certain sixth sense, acquired from long experience. All of the moral books in the world would not even begin to give an answer on a question of psychological fact. Therefore, insofar as the priest passes this judgment of *fact*, he is acting as psychologist, amateur if you wish, but psychologist nevertheless. When he next decides that the situation requires a temporary suspension of the duty to admonish a subject, the priest is passing a *value* judgment, and to that extent playing the role of a moralist.

Would it be correct to say that the priest in deciding to postpone an admonition did so because the psychological reasons *prevailed* over the moral? Quite obviously not. The practical conclusion to postpone the admonition was born of two premises, a premise of fact (psychological) and a premise of law (moral). In the case, the moral and the psychological considerations, far from being mutually exclusive or contradictory, were rather equally necessary and complementary.

The man who has to make a decision on economic policy is quite often in a situation similar to that of the priest. He cannot arrive at a rational solution to a problem by merely consulting moral books or by merely turning to economic authors; he has to play the double role of moralist and economist. And it is the thesis of this paper that a) the two roles never come into conflict, i.e. morality is never in conflict with economics, and b) where the problem is specifically economic, the economic solution is *the* moral solution, i.e., the solution which is *economically* right is also *morally* right.

The thesis, of course, holds only if economics is taken in its proper sense, not in any other popular or unscientific sense. The first task therefore is to define "economics" and the derivative concept of "economic problem."

Definition of Economics

It will definitely not do to identify economics as "that which economists are engaged in" or "that which economists study or write about." Economists are human beings, and as such like to engage in multiple roles. Moreover, like the priest in the example, the economist is quite often forced to play these varied roles simply because the concrete problems of life are always complex and call for solutions which must be contributed by several distinct disciplines. The subject matter therefore which the professional economist discusses will quite frequently straddle many disciplines, so that an analysis of the whole range of subjects that economists touch on, even in their professional capacity, would yield us a definition not of economics proper, but of sociology or social philosophy in its *broadest* sense. Neither will it do to identify the subject matter of economics as "that which economists define as economics." Since the run-of-the-mill economist is a very poor philosopher, his definition of economics can be very misleading at least to the non-economist.

However the matter is not insoluble. There is substantial agreement among economists about the general economic problem. We may therefore give this extensive definition of economics: "The discipline which is concerned with what economists understand *as the economic problem.*"

The Economic Problem

What do economists understand as *the* economic problem? For an answer, we should turn to the introductory texts on the subject, where the problem is presented to the beginning student and where the matter is treated at a level closer to the basic problem. Meyers, after giving the kind of definition we referred to as misleading: ("Economics is the science which deals with human wants and their satisfaction") buckles down to explaining the precise problem of economics:

> If each of us possessed an Aladdin's lamp which we had merely to rub in order to have any of our desires gratified immediately, there would be no economic problems and no need for a science of economics . . . .
>
> For most of us the goods that we possess and the means of acquiring more are strictly limited. Consequently, any good or service that we acquire means that we must be content with less of something else which might have been obtained by the same effort or expenditure. We are confronted with the *problem of determining what combination of goods and services will yield us the greatest amount of net satisfaction. This is an economic problem for us as individuals and for society as a whole.*[3]

The modest library of the Ateneo de Cagayan yields at least ten introductory texts,[4] which explain the point of *scarcity* as the central problem and concern of economics.

The standard definition of the term "economic goods" as opposed to "free goods" gives another clue to what economists consider the central interest of their discipline. Economic goods are those which because they are relatively *scarce* can be the object of economic activity, i.e., production, exchange, etc. Free goods are those which, like air, are so plentiful that they pose no economic problem.

The old definition of economics, so seemingly broad, in fact points to scarcity as the central economic problem, as witnesses Taussig, whose works belong to the classics of the science. He says:

> It was common in the older books on our subject to define political economy (a phrase replaced in modern times by the simpler "economics") as the "science of wealth." In this usage "wealth" meant all the economic goods, including the public goods. Either term—wealth or economic goods—serves to describe the subject matter with which economics has to deal; those things which men want, which are not free, and which present the problems of effort, of satisfaction through effort, of the organization of industry.[5]

The decisive consideration, however, has to be what *de facto* economists treat of. There are three core areas in economic analysis. Each area is a variation of the same central theme of scarcity.

Equilibrium economics (also known as value economics, price economics, the economics of the firm) tries to demonstrate at what point the economy should reach stability because it is maximizing returns and, therefore, getting the utmost from existing resources. This whole area, therefore, tries to indicate the quantitative relations that must exist for the optimum use of resources, thus showing a basic preoccupation with the problem of scarcity.

In recent years the problem of employment and unemployment has come to the fore in economic analysis. A whole host of social and moral problems arise from unemployment. The economist is not interested in these derivative problems as such. *Qua* economist he is alarmed by unemployment because it indicates a sad misuse of resources. The fight against scarcity is being lost. Samuelson puts it thus: "From this point of view unemployment is seen to be such an important evil precisely because it does represent one very unwise use of resources".[6]

Adam Smith looked on economics as a study of the *growth* of the wealth of nations. Malthus was very much concerned by the uneven growth of population and productive resources. In recent times the problem of unemployment has reawakened the interest in problems of growth, since it is recognized that much of the problem of unemployment rests on the uneven rates at which population, the labor force, capital and productive techniques grow. The uneven rates of growth are constantly changing the relative scarcity of one factor of production to another, and of all the factors of production to the demands of the economy. For example, if the labor force grows too fast in relationship to capital, workers are thrown out of productive activity. On the other hand if technology moves too fast, workers have to be displaced from their positions and new industries developed to make use of their capacities. The problem in each case is that there is a shortage of some form of capital goods that has to be met if the unemployment problem is to be solved.

We may conclude therefore, from the explicit affirmation of economists who say that the central interest of their discipline is scarcity, from the definitions of the terms "economic goods" and "wealth," finally from the fact that the core areas of economic analysis are concerned with scarcity, that indeed the economic problem is that of scarcity.

Scarcity Factors

To understand more fully the precise limitations of economics it will be necessary at this point to look into the factors that create the scarcity which the economist must face.

The fundamental scarcity of productive resources is set by nature. There is a definite and absolute limit to the quantity of minerals and energy latent in the universe. Secondly, at any given period, there is a maximum quantity of finished goods that can be transformed from existing resources. This quantity is determined by the amount of human and non-human energy that can be activated and harnessed in that period, and by the capacity of the actual level of technology to make use of that energy. Besides the limits set by technology, there are those that arise from man's culture. The amount of work that different technical groups are willing to do varies considerably. The level of education affects the efficiency of the work. Scarcity may be aggravated by the poor health of the people. A war may be in the offing, and the political situation may call for large numbers of men to be kept idle in barracks life. Religion is a factor. Canon Law forbids work on Sundays. The Hindus aggravate their problem by refusing to eat or kill certain sacred animals which in fact divert a lot of food products away from human consumption.

Clearly then, though scarcity is an economic problem, it is not exclusively so. It is a technological problem, a cultural problem, a health problem, even a religious problem. Therefore it can admit of many solutions, or rather it *calls for* many solutions. The economist has to be aware of this. The economist for example might weep over the fact that education is so poor in a country that production is impeded. It is good that he has noted the existence of an educational problem, and the need of an educational solution, but he must never make the mistake of thinking that the educational aspect of the general problem of scarcity is *the* economic problem, or worse, that he has discharged his duty as economist by suggesting improved educational methods. He may wish that statesmen were more successful at reducing the threats of global war, but he does not have to be trained as an economist to do that, and if he suggests means of reducing such threats, he is to that extent a political scientist rather than an economist. He cannot *qua economist* criticize Catholics for the Sunday precept, or Hindus for refusing to butcher the sacred cow. If he chooses to cross swords with either Catholic or Hindu it is a theological sword he must use. One cannot criticize religion on economic grounds. And to suggest that scarcity be lessened by working on Sundays is certainly not offering an *economic* solution.

If then the total problem of scarcity is not co-extensive with the economic problem, what precisely is the economic problem? Part of the problem of scarcity of the goods needed to satisfy wants is due to a misallocation of productive means. The factors of production enter into the economic process in wrong combinations, improper proportions. It is the proper function of economics to ferret out such defects in allocation and to suggest ways of achieving the proper factor-combinations. The economic problem, then, is how to achieve the proper allocation of productive resources. The economic problem is not "how shall we meet the wants of the people?" but more precisely "in what manner shall we under the given circumstances of nature and culture bring the productive resources at hand into such a combination as to maximize the satisfaction of wants?"

The economist therefore accepts as given the conditions of scarcity as determined by nature, technology, culture, religion, psychology, health, political conditions and so forth. To this we must add that the economist also has to accept as given the *ends* to be achieved. The nature of the goods and services to be maximized, their quality, and so forth is beyond his purview. All that is within his competence is the maximal attainment of these ends through proper allocation. We may therefore conclude by accepting as ours the definition of economics given by a standard text, "...the study of the principles governing the allocation of scarce means among competing ends when the objective of the allocation is to maximize the attainment of ends."[7]

No Conflict with Morals

Taking economics in this precise sense, it becomes evident that it cannot conflict with morals. A conflict between morals and economics would arise either by reason of the ends pursued, the means used, or the attendant circumstances. There can be no conflict by reason of the ends, since these are determined exclusively by morals. There can be no conflict by reason of means or attendant circumstances, because it is of the essence of economics to accept conditions of scarcity as they are, and to use the means of production to the degree and under the circumstances allowable by all non-economic determinants, whether cultural, natural, technological, religious or moral. Since the only thing that is within the purview of economics is the matter of allocation, a conflict between morals and economics would have to mean that the most efficient and therefore the most rational way of combining resources is simultaneously irrational and therefore immoral. But this is metaphysically impossible.

A second point that the paper undertook to prove was that where an economic problem exists, the economic solution is *the* moral solution, in other words, that the solution which is economically correct is the solution which is morally correct. Let us recall that the economic problem is not the total problem of scarcity, but merely one aspect of it, the aspect of allocation. If a relative shortage of goods exists because the productive factors are misallocated, an economic problem exists, and there is *one single rational solution to the problem*, the economic: the factors must be reallocated correctly. Since this is the one reasonable solution it has to be the morally correct solution.

We have proved both parts of the thesis from reason, by an analysis of the concept of economics and the economic problem. Does Catholic literature support the thesis in any way?

What Authorities Say

Heinrich Pesch, one of the most honored Catholic economists, enshrines the principle of economy as a cosmic principle, to use his own phrase. He says: "The 'principle of economy' (the optimum proportionality between means and ends, the greatest gain with the least effort) is a general principle of practical reason; a principle of *prudent, rational management* of affairs, proper not merely to economic life, but extending even to being a cosmic principle."[8] If therefore the economist applies this "cosmic principle," this principle of *rational* management of affairs to an economic problem, can he be acting immorally?

Messmer, seeing that the function of economics is of its very nature the exercise of practical reason in the solution of the problem of scarcity, brings the note of rationality formally into his definition of economics.

> The fundamental fact governing the process of the satisfaction of human needs is that means are scarce in relation to needs. In this lies a *summons to reason:* to achieve with the means available the optimum fulfillment of man's life as ordained in his existential ends. *The connection between economy and the fundamental principle of moral action, right reason, is accordingly obvious.* Social Ethics is concerned with economic reason as political ethics is concerned with political reason. Hence we may now define economy as the application of scarce means to the satisfaction of needs on the principle of reason....[9] [Italics ours]

Having pointed out the essential link between ethics and economics, namely reason, he draws the necessary conclusion that in economic questions what is morally right is that which is found to be economically right. In his own words: "Morality is accordingly what is demanded by the essential nature of the social economy: in other words, what is economically right."[10] Elsewhere writing in the same trend he says: "The just price is the economically correct price (i.e. in regard to the end of the economy)."[11] In other words, the just price is that which best conduces to proper allocation and the maximization of satisfaction, the end of the economy.

We are all familiar with the Popes' concern for living wages. Yet Pius XI himself points out that the proper wage cannot be determined apart from economic considerations. He sees that an excessively high or an excessively low wage may lead to unemployment, and he warns against wage rates that may lead to such a situation.

> Another point, however, of no less importance must not be overlooked, in these days especially, namely, that opportunities for work be provided for those who are willing and able to work. This depends in large measure upon the scale of wages, which multiplies opportunities for work as long as it remains within proper limits,

> and reduces them if allowed to pass these limits. All are aware that a scale of wages too low, no less than a scale excessively high, causes unemployment....[12]

Cronin, commenting on this passage of the Pope, sees the question of wages as unsolvable on pure moral principles. He says: "The payment of a living wage is more than a moral problem, it also involves intricate questions of economics."[13]

The same idea finds its way into a simple high school textbook. Sister Mary Consilia O'Brien writes: "The principle therefore demands that lowering or raising of wages be done not with a view to private good but to the public good. Economists should study the question carefully...."[14]

In the mind, therefore, of the writers cited (Pius XI, Messmer, Cronin, O'Brien) there is an area where moral doctrine cannot be applied without economic analysis. In this area the moral decision will always depend on what economic science points out to be the reasonable solution. In other words, in these questions where moral judgment must wait on economic judgment, that is morally right which is first demonstrated to be economically right.

We may now pass to forestalling certain objections against the thesis. Whence the popular conception that a real conflict can exist between economics and morals? Basically it comes down to a misunderstanding of the concept and limits of economics.

Sources of Confusion

In the first place we must always recall that economics is not to be identified with "business." Economics is concerned with the maximization of *social* well-being. The business executive is primarily interested in *one* firm, *his firm*. Though, at times, these business considerations may be legitimate, there is no certainty that they may not come in conflict with the moral law.

It helps to distinguish between "economics" and "the economy." The economy is the living, breathing, reality of men in the process of making a living. In the economy many things may be morally awry, because in the economy many things may be economically awry. Hence canonizing economics is not canonizing the economy. If everything were right in the economy, there would be no need of the discipline of economics.

Part of the strong impression of a conflict between morals and economics is due to the fact that economists at times show a propensity for straying from the field proper to their discipline. Adam Smith postulating the "invisible hand" that ruled the economy was actually toying with a theory of Divine Providence, a theory moreover which finds no sober basis in economic reality. Malthus advocated moral restraints to slow down the growth of population. He had found that population growth tended to outstrip production. There was nothing immoral, at least patently, in his suggestion, but neither was there anything strictly economic in it. He wanted to sidestep the economic problem by reducing wants, rather than solve it economically by increasing the efficiency of resource allocation. When the Neo-Malthusian of 1955 advocates contraception for India and Japan he is of course advocating immorality, but there is not the slightest reason for raising his suggestion to the grade of "economic."

Surprisingly enough, the humble economist who doggedly sticks to the limits of his discipline causes as bad an impression, it seems, as the man who strays from it. Certain critics interpret this adherence to strict economic solutions as implying a belief that economics can solve it all. As was pointed out above, the problem of scarcity is complex and calls for a multi-pronged attack. However, there is nothing in a doctorate in economics that qualifies its holder to be field marshal for such an attack. Hence if the economist propounds the economic solution, it should not be interpreted to mean that he holds it is the only solution. The economist here simply wants to make the contribution for which he feels qualified, but is certainly far from denying the need of other approaches.

Farthest from his mind would be to deny the need of virtue in the solution of economic problems. There is, perhaps, no group of men who see more clearly the havoc that pressure groups play on the economy. Trained to think in terms of the *whole* economy and of relationships to the whole economy, they are keenly aware of the constant possibility that what serves the particular good may be very detrimental to the common welfare. As a result, the economist has a thorough realization of the need of a social conscience (even if he does not call it by this name) in the community to establish economic order. When the Pope says "It [Justice] must build up a juridical and social order able to pervade all economic activity"[15] and "Social charity should as it were be the soul of this order,"[16] the economist is in essential accord. He understands that only the spirit of social justice and charity will establish in the concrete world the economic order he designs with his formulas.

Many passages may be culled from the writings of the Popes emphasizing the indispensable need for virtue above all things in the reconstruction of social order. For example: "What will it profit to teach them sound principles of economics, if they permit themselves to be swept by selfishness...."[17] Passages such as this are hardly indicative of a conflict between economics and morals. After all the Pope himself says elsewhere in the same encyclical: "However, all that We have taught about reconstructing and perfecting the social order will be of no avail without a reform of manners."[18] Should we say that this passage indicates a conflict between what the Pope teaches and morals? Obviously not. *A pari,* when the Pope says that economics is of no use without virtue, he merely means that economic doctrine will never be translated into living order, just as his plans and doctrines would never be translated into actuality, without virtue.

At this point the reader may object that economic science calls for an economy regulated not by virtue but by the impersonal play of competitive forces in an untrammeled market. No one accuses the science of astronomy of including within its *corpus* the proposition that the sun circles around the earth, merely because in the infancy of the science such an idea was seriously entertained. It is unfair therefore to economics to link it inextricably with a position that is today rejected by the typical introductory text in its opening pages.[19] The economist of today still believes in competition as productive of much good. All his mathematical formulas tend to show that the competitive market is the best market all around. But he also knows that competition is self-destructive if left without control. Hence he is for sensible regulation. The position of Pope Pius XI in Quadragesimo Anno is substantially the position of the modern economist.

It is to be noted that where Pius XI condemns *laissez faire* he condemns a *school*, one economic science, not economics as such. For example: "...the doctrines of Rationalism had already taken firm hold of large numbers, and *an* economic science alien to the true moral law had soon arisen...."[20] [Italics ours] Elsewhere:

> From this source have proceeded in the past all the errors of the "Individualistic" school. This school, ignorant or forgetful of the social and moral aspects of economic matters, teaches that the State should refrain in theory and practice from interfering therein, because these possess in free competition and open markets a principle of self direction better able to control them than any created intellect. Free competition, however, though within certain limits just and productive of good results, cannot be the ruling principle of the economic world.[21]

That we may end where we began, let us apply the present thesis to the article on the Minimum Wage. The article tried to prove that the legal wage *rate*, from the available statistics, was far from achieving the hoped for improvement of the worker's welfare. Real income had *dropped* following the imposition of the minimum rate. The article then tried to show that there was a probable *causal* nexus between the minimum rate and the drop in income; namely, that the minimum rate by putting a strain on the financial resources of the country, and by encouraging undue mechanization was bringing about unemployment. No claim can be made that the argument presented in that article might not be proved wrong and inconsequential. But for such an event, only *economic* counter-arguments would be of use. No amount of moral reasoning can invalidate their inherent value or even their *practical bearing on moral decisions*. No moralist accepting the article's economic position as valid, can logically say that nevertheless on moral grounds the

Minimum Wage Law should be kept as it stands. That would be tantamount to saying that it is morally correct to contravene the very objectives that morality prescribes for the economy: the maximum welfare of all.

* * *

[1] Francisco Araneta, "Revision of the Minimum Wage Law," PHILIPPINE STUDIES III (March, 1955), 59-69.

[2] The process of arriving at a scientific definition of a particular discipline is thoroughly discussed by Paul H. Furfey, *The Scope and Method of Sociology* (New York: Harper, 1953), ch. 1.

[3] Albert L. Meyers, *Modern Economics, Elements and Problems* (New York, Prentice Hall, 1946), pp. 1-2.

[4] Albert Meyers, *op. cit.;* Arthur E. Burns, Alfred C. Neal, D. S. Watson, *Modern Economics* (New York: Harcourt, Brace & Co., 1950); William J. Baumol, Lester V. Chandler, *Economic Processes and Policies* (New York: Harper, 1954); C. W. Hasek, *Principles of Economics* (New York: Prentice Hall, 1950) Myron H. Umbreit, Elgin F. Hunt, Chales V. Kinter, *Fundamentals of Economics* (New York: McGraw Hill, 1948); F. W. Taussig, *Principles of Economics* (Third edition; New York: MacMillan, 1929), Vol. I.; Henry W. Spiegel, *Introduction to Economics* (New York: Blakiston, 1951); John Ise, *Economics* (rev. edition; New York: Harper, 1950); Paul A. Samuelson, *Economics an Introductory Analysis* (New York: McGraw Hill, 1948); William H. Kiekhofer, *Economic Principles, Problems, Policies* (New York: Appleton, 1951).

[5] F. W. Taussig, *op. cit.*, p. 6.

[6] P. F. Samuelson, *op. cit.*, p. 15.

[7] George J. Stigler, *The Theory of Price* (New York: Macmillan, 1950), 12.

[8] Quoted in *The Economics of Heinrich Pesch* by Richard E. Mulcahy, S. J. (New York: Henry Holt, 1952), 18.

[9] J. Messmer, *Social Ethics*, trans. by J. J. Doherty (St. Louis: Herder, 1948), 698.

[10] *Ibid.*, p. 702.

[11] *Ibid.*, p. 753.

[12] "Quadragesimo Anno" paragraph 74, *Five Great Encylicals* ed. Gerald C. Treacy, S. J., p. 146.

[13] John F. Cronin, *Catholic Social Principles* (Milwaukee: Bruce, 1950), 367.

[14] Sister Mary Consilia O'Brien, *Christian Social Principles* (New York: P. J. Kennedy, 1941), 348.

[15] "Quadragesimo Anno" paragraph 88, *Five Great Encyclicals*, p. 150.

[16] *Loc. cit.*

[17] *Ibid.*, paragraph 131, p. 161.

[18] *Ibid.*, paragraph 97, p. 152.

[19] Samuelson., *op. cit.*, p. 36.

[20] "Quadragesimo Anno" paragraph 133, p. 163.

[21] *Ibid.*, paragraph 88, p. 149.