

A Natural Law Framework for Economists

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Abstract

This paper outlines a natural law framework for economists that is an alternative to the usual rational choice theory of action and utilitarian moral philosophy. It draws on the new natural law theory developed by philosophers John Finnis, Germain Grisez and others over the last thirty years. In this framework, action is oriented to seven fundamental goods, moderated by and moderating stocks of virtue. Moral judgements are made on the basis of impacts of action on fundamental goods, and the formal model is a tool for such judgements.

Any discussion of markets must engage economists if it is to have an impact on public attitudes and public policy. We need a theoretical framework, and any proposed framework needs to be articulated as a formal model if it is to have any chance of engaging economists, especially if the framework departs from the economists' rational choice theory of action combined with a preference satisfaction view of welfare.

The alternative natural law framework allows consideration of virtues and a richer notion of goods, as well as being tractable and connecting with the existing powerful analytical tools of contemporary economics.

Introduction

Contemporary mainstream economics is a well-developed and powerful set of analytical tools, built around a rational choice theory of action with given preferences and resources, and a preference satisfaction view of human welfare. It is an approach closely associated, historically and conceptually, with utilitarian moral philosophy. It dominates contemporary public policy discussion.

Among philosophers and theologians this approach has been heavily criticised (Hausman and McPherson 2006). It is seen as unhealthily individualistic, too narrow in its account of human motivation, leaving no place for character or the virtues, and neglecting questions of ultimate purpose, among other criticisms. If even some of this criticism is well founded then the economists approach is severely limited for considering the question of this consultation about the impact of the market on character formation, ethical education and the communication of values.

A common response among the subset of economists who are aware of and who care about such criticisms is to acknowledge that their models are imperfect, point out that analysis and policy advice requires formal models, and to challenge critics to produce better formal models. For better or for worse formal modelling is the language of the economics profession, and alternate approaches will only engage economists (and thus public policy) if they are mathematically formalised (Becker 1993, Krugman 1998).

An alternative to the economists current approach is Aristotelian/Thomist natural law theory (MacIntyre 1981 2016). This would bring virtue and purpose into play in a way that economists current approach cannot, notwithstanding some recent attempts to extend the approach to accommodate virtue (for instance Menzies and Hay 2012)

This paper outlines an Aristotelian /Thomist natural law approach to economics, including a brief history of economists interactions with natural law. The particular natural law approach chosen for formalisation is the so-called new natural law theory developed by John Finnis, Germain Grisez and others over the last thirty years. Its merits as a reading of Aristotle and Thomas Aquinas remain disputed, but it has the advantage of being amenable to mathematical formalisation.

The Natural Law Approach

In his survey of natural law theory Mark Murphy (2009) takes Thomas Aquinas to be the paradigmatic natural law theorist, for whom the natural law is an expression of divine providence, known to all and binding on all. It is distinguished by moral realism and its fundamental principles are that good is to be done and evil avoided, and that human action responds rationally to the good. Virtues in this framework are acquired dispositions which assist humans seeking the good.

Natural law theory and virtue ethics have experienced revival in recent years, after their eclipse in the 18th and 19th centuries by the utilitarianism of Jeremy Bentham and the Mills. Aristotle as much as Thomas Aquinas has been the reference point for this revival, represented by theorists such as Elizabeth Anscombe (1958), Philippa Foot, Rosalind Hursthouse, Martha Nussbaum (1986), Jean Porter (1990), Julia Annas (1995), and most of all Alistair McIntyre (1981, 1988, 1990, 2016). The revival is not just a Roman Catholic phenomenon and includes a renewal of interest in Protestant natural law thinkers such as John Calvin, Hugo Grotius and Samuel Pufendorf (for instance by Stephen Grabill 2006 and David Van Drunen 2010). Even Pentecostals such as Shane Clifton (2018) have shared in this revival.

Natural law approaches contrast sharply with the approach favoured by economists, where rational individuals maximise based on given preferences, and where human welfare is some aggregate of individual satisfaction. The natural law approach is not consequentialist, and its moral realism contrasts with subjectivism of the economic approach. A natural law approach also contrasts sharply with Kantian deontological approaches.

Natural Law and Economics

Given the ubiquity of reflection about economic matters, and the historical dominance of natural law approaches to ethics it would be surprising if the two had not interacted.

Aristotle for instance reflected at length on economic matters. There is a substantial literature on Aristotle's writings on price and value and exchange in the *Nicomachean Ethics* and *Politics* (for instance Schumpeter 1954, Spengler 1980, Lowry 1987, Meikle 1995, Leshem 2014) but historians of economics have been more interested in Aristotle's position on theoretical questions taken up by later economists than in the potential of a natural law approach to frame thinking

about economic matters. The situation is similar in the history of economics literature on Thomas Aquinas and other mediaeval scholastic authors (for instance Viner 1978, Grice-Hutchinson 1978, Langholm 1992 1998)

In recent years there has been a great deal of interest in the influence of Protestant natural law thinkers, especially Samuel Pufendorf, on Adam Smith (for instance Haakonssen 1981 1995, Gregg 2008) and in the Aristotelian elements in Smith (Vivenza 2001 2009, Hanley 2009). Though Haldane 2011 finds Smith deficient as a natural law thinker. He is definitely not a utilitarian though. Smith sometimes commented on the utility of various policies, but never offers utility as the justification of action, and it is difficult to find anything like a modern theory of rational choice in his writings (Young 1997). It was Smith's early 19th century British followers who adopted utilitarianism as the default moral philosophy of economists, and late 19th century British economists then 20th century American economists who developed the theory of rational choice based on preferences. Among contemporary mainstream economists it would be hard to find many who would dissent from Jeremy Bentham's assessment of natural law as nonsense on stilts, and this has been so since the late 19th century.

Not surprisingly it has been Roman Catholic economists who have maintained an interest in natural law thinking, with Thomas Aquinas as the usual point of reference. Heinrich Pesch's (1905) massive survey of the history of economic thinking is from a natural law perspective. Similarly the 19th and early 20th century Catholic economists discussed by Teixeira and Almodovar (2008). Bernard Lonergan's eccentric and only recently published attempts at macroeconomic modelling are conducted in the context of natural law (see Lonergan 1999 and the discussion in Ormerod et als 2012). More recent economics nourished by the revival of natural law ethics includes Yuengert 2002 2012, Barrera 2011, Hirschfeld 2012 2014, Gregg and James 2012. Natural law has been the framework for Papal commentary on economics matters since Leo's Encyclical *Rerum Novarum* in 1891 (see for instance Waterman 1991 2016, and Oslington 2013)

Outside Roman Catholic circles Deirdre McCloskey (2008) has been a strong advocate of virtue ethics among economists. Similarly Irene Van Staveren (2001) who describes Aristotle's theory of virtue ethics and argues it offers a superior account of economic rationality, picking up dimensions like commitment, emotion and deliberation that the standard economists account neglects. Arjo Klamer, who was Van Staveren's doctoral supervisor, makes many similar points

with less explicit reference to Aristotle (for instance in Klamer 2017). Christian Becker (2016) is another description and recommendation of an Aristotelian ethics for economists.

Geoffrey Brennan and his co-authors have gone further than any of these authors in incorporating virtue in a formal economic model (Brennan and Hamlin 1995, Bauerman and Brennan 2016) though his approach is some distance from an Aristotelian or Thomist approach.

Amartya Sen's work on economics and ethics does not position itself within the natural law tradition but many writers have noted the similarities to Aristotelian natural law thinking (for instance Alkire 2002)

The Rise of New Natural Law Theory

New natural law theory arose in the 1980s as an attempt, led by Germain Grisez, to renew Catholic moral theology. (Key texts include Grisez Boyle and Finnis 1987, Finnis 1980 1983, and Grisez 2001 2008. Surveys and evaluations include Black 2000, Black and Biggar 2000, George 1999, Finnis 2002, Murphy 2009 and Crowe 2011). It is sometimes portrayed as a new reading of Thomas Aquinas (Finnis 1998, Grisez 2001) though new natural law theorists explicitly depart from Thomas on many points. I will pass over interpretive issues i.e. whether it is an adequate reading of Thomas and its relationship to other varieties of Thomism. I will also pass over new natural law theorists positions on particular moral issues (Grisez 1983, 1993, 1997) and their arguments about modes of responsibility and moral absolutes (Finnis 1991). As Rufus Black (2000) points out, Grisez' vigorous defence of Papal teaching on sexuality has distracted commentators from the deeper issues of the coherence and value of the theory.

New natural law claims to be an integrated theory of action and wellbeing that is superior to available alternatives, in particular avoiding the common criticism of natural law theories that 'ought' cannot be derived from 'is'. Most of its proponents claim the theory operates independently of divine revelation.

The key question here will be whether it is a coherent and tractable theory of action and welfare that offers a viable alternative to economists rational choice theory and utilitarianism.

Brief Outline of New Natural Law Theory

Expositions of the theory (for instance Finnis 1980, Grisez, Boyle and Finnis 1987) typically begin with an account of human action, emphasising the centrality of free choice.

The next step is usually the identification of the goods towards which human action is directed. This is done by observing human action and asking the question “Why do we do that?” until a point is reached where no further answer is possible, and this reason instantiates a basic good. Different writers derive different lists of goods, and I will work with the list in Grisez, Boyle and Finnis (1987 p107-8). Their basic goods are:

- 1) Life
- 2) Knowledge and aesthetic experience
- 3) Excellence in work and play
- 4) Friendship and community.
- 5) Peace, including of conscience
- 6) Consistency
- 7) Relationship with God.

This last good is controversial, and some other natural law theorists exclude reference to religion, instead seeing sound actions as participating in God’s goodness regardless of whether God is acknowledged, or see worship of God apart from the basic goods, and religion as unifying life in a single purpose for particular individuals. Or include worship of God as part of the virtue of justice. Or perhaps connected to the ultimate end, as discussed below. Pleasure and the avoidance of pain are seldom included in lists of goods – because these are not reasons for action for the natural law theorist but by-products of the pursuit of the goods. Whatever the list, all writers agree that the goods are incommensurable – they cannot be reduced to a single overarching good or measured on a single scale.

This contrasts sharply with the economists approach to human action where the good is understood as merely as the satisfaction of individual preferences. Commodities are treated very differently by economists and new natural law theorists; for the economist they are ‘goods’ over which individual’s income and time are allocated to satisfy preferences. This implies commensurability of the ‘goods’ for the economist. Desires are reduced to preferences over commodities. For natural law theorists commodities are not goods, and do not straightforwardly generate goods.

Institutions such as the state and market are treated by natural law theorists as systems which facilitate (or sometimes hinder) the attainment of the goods. They are the “community co-operating in the service of a common good which is instrumental, not itself basic.” (Grisez, Boyle and Finnis 1987 p). Other writers refer to these as part of the system of needs.

Virtues in natural law theory are acquired dispositions which assist in the attainment of goods. They are not goods in themselves – something that distinguishes a natural law theorist from some varieties of ‘virtue ethics’¹. Purported virtues, and actions which promote virtue, need to be assessed according to the goods they promote (Grisez, Boyle and Finnis 1987 p129). There is more agreement about lists of virtues than lists of goods, and I will work with the most common list which is the classical virtues of courage, prudence, justice, and temperance plus the characteristically Christian additions of faith hope and love². A total of seven virtues.

The first principle of practical reasoning is that “good is to be done and pursued” (Grisez, Boyle and Finnis 1987 p119). It is important to recognise that establishing the goods does not generate moral principles directly. Moral truths are practical not theoretical, and discerning them involves practical reason sensitive both to the context and the basic goods.

This is how the new natural law theorist escapes the criticism of much natural law theory that it derives ‘ought’ from ‘is’. The goods are established empirically, but no moral principles are derived from the goods. Incidentally this is also why new natural law theorists are critical of scholastic natural law writers such as Suarez who reason from human nature to moral principles. For the new natural law theorist human nature comes into the analysis because the goods which are established are those which promote integral human fulfilment, and it is human who engage in practical reasoning. John Finnis is particularly sceptical of accounts of a fixed human nature, emphasising the openness of human nature guided by reason.

How then does practical reasoning work? The actor must pursue the goods in a balanced and stable manner³. Not all the goods can be attained, but all need to be respected as the actor deliberates and chooses.

¹ Some of the recent writing on virtue ethics has been criticised as misunderstanding the Aristotelian Thomistic natural law tradition, and at odds with it (Nussbaum 1999, Buckle 2002)

² MacIntyre (1981) discusses various virtue lists that have been offered within this tradition.

³ This connects with Aquinas view that the goods are a unity, but does not mean that practical reason can be reduced to some sort of maxi-min algorithm.

Some writers rule out actions that intentionality destroy a basic good – generating moral absolutes such as Grisez’ notorious defence of the Papal teaching against contraception as an act intended to rule out life.

Note another strong contrast with economics – intentions or states of mind more broadly are irrelevant to the preference satisfaction view of human welfare held by most economists – but the natural law theorist is interested in intentions about both goods instantiated and means of achieving them.

There has been much discussion of the ultimate end to which action is directed, as this is one area where the new natural law theorists depart from Thomas Aquinas. Both differ from most contemporary economists for whom the question of ultimate ends of action is meaningless. New natural law theorists have variously characterised the end to which human action is directed “integral human fulfilment” (Grisez, Boyle and Finnis 1987 p 131), “integral communal fulfilment” (Grisez 2008 p60), or simply “the kingdom” (Grisez 2001 p20-23, Grisez 2008 p61). Thomas Aquinas’ position was that the beatific vision is the ultimate end, a position rejected by Grisez because attaining the beatific vision is not a human act but a gift of God and so it “cannot be a reason for making any choice” (Grisez 2001 p27). Grisez also rejects the idea that the beatific vision is attained through an intellectual grasp of the divine, instead emphasising the material nature of human fulfilment and the continuity between this present life and the future life⁴. Unlike Thomas he does not believe that the ultimate end is completely fulfilling, though it is the most that we can attain and towards which we should direct our actions.

⁴ This connects Grisez with the work of Tom Wright (2008) and others in a very different theological tradition.

Criticisms of New Natural Law Theory

A longstanding question about natural law theories is whether they are meaningful outside a theological framework which includes doctrines of creation and providence. New natural law writers claim that their system operates independent of revealed doctrines (for instance Grisez, Boyle and Finnis 1987 p99), though Ralph McInerny (1980), Matthew Levering (2008) Michael Pakulak (2013) have argued strongly to the contrary and that without revealed doctrines the theory is incoherent.

Another criticism is that human capacities have been so deformed by the Fall that new natural law theory is unrealistically optimistic both about our capacity to discern the goods, and our moral judgement (Oliver O'Donovan 1996).

New natural law theory has also been criticised for neglecting the narrative structure of life and thus ethics (Lamont 2004, Sharpe 2003)

Responses to all these criticisms are offered by Grisez and Finnis, and in Rufus Black's (2000) important appraisal of new natural law theory.

Mathematical Formalisation of New Natural Law Theory

No mathematical model can capture the richness and subtlety of natural law theory, but as discussed earlier no theory will have much impact on economists unless expressed mathematically and is able to be connected with the existing analytical tools of economics.

New natural law theory is a model of action, either individual or communal, and the virtues and goods connected with actions. It is both explanatory and normative.

The main components of my mathematical formalisation are summarised in the figure. The first component comprises the goods discerned by theoretical reason (expressed as a g element vector G). There is also the relationship between the virtues and the goods (expressed as a $v \times g$ matrix of contributions of the virtues to the goods, denoted V). This matrix is constant for actions and policy choices being considered, and corresponds to the theoretical part of new natural law theory.

The second component represents practical reasoning. Practical reasoning is assisted by estimating the direct effect of an action on the goods (expressed as a g element vector denoted D) and the effect of an action on the virtues (expressed as a v element vector denoted I). The total effect of an action on the goods can then be calculated by summing the direct effects of the action and indirect effects through virtue (which are the result of multiplying the vector I by the matrix V). This total effect is a mapping of the action into the vector of goods G .

I am assuming that more of a basic good is better. There are moral dangers associated with accumulation of instrumental goods like money or commodities, but this is not true of the basic goods.

Unlike the economists standard model of choice, this model does not yield a determinate outcome, because the vector of goods is not commensurable, in other words not able to be reduced to a scalar. Optimisation techniques are therefore inappropriate.

Nevertheless, the range of rational actions can be narrowed by the analysis, for instance by eliminating actions that are dominated by an alternative action in the sense that they generate less of every element of the vector of goods.

If the account offered of practical reasoning offered by natural law theorists is correct then the most we can expect of a formal model is to clarify the relationship between actions and the attainment of the various goods. Weighing these is a matter for judgement not calculation

Another important component of the model is the interactions between the action and resources, both individual and societal (which we might denote the system of needs). Actions can augment or diminish the resources available to the actor, moderated by prices, available technology and existing market institutions. This system of needs is the traditional domain of economics, and I see no reason why existing set of theoretical and empirical tools of the profession cannot be utilised. So nothing further will be said about the system of needs here. It is important to note that resources do not directly impact virtues and goods, but actions which impact virtues and goods are constrained by the available resources.

Market institutions affect the operation of the system of needs, and may also affect various relationships represented in the V matrix. For instance the degree of competition in the market will affect the degree to which actions generate virtues of justice and prudence, and perhaps the goods generated by these virtues.

The system of needs can be represented simply as a vector R of the r resources at the societal level, a component of which is the vector of resources R_k owned by an individual. A more complicated representation would be a production sector made up of profit maximising competitive firms, drawing on these resources R with given technology and vector of m commodity prices P . This production sector generates a maximum GDP $G(R,P)$ with commodity outputs obtained by differentiating $G_P(R,P) = Y$ and resource prices obtained by differentiating $G_R(R,P) = W$.

Shadow prices of resources in terms of the goods are represented by the S matrix, and multiplying by R gives the vector of the shadow value of resources.

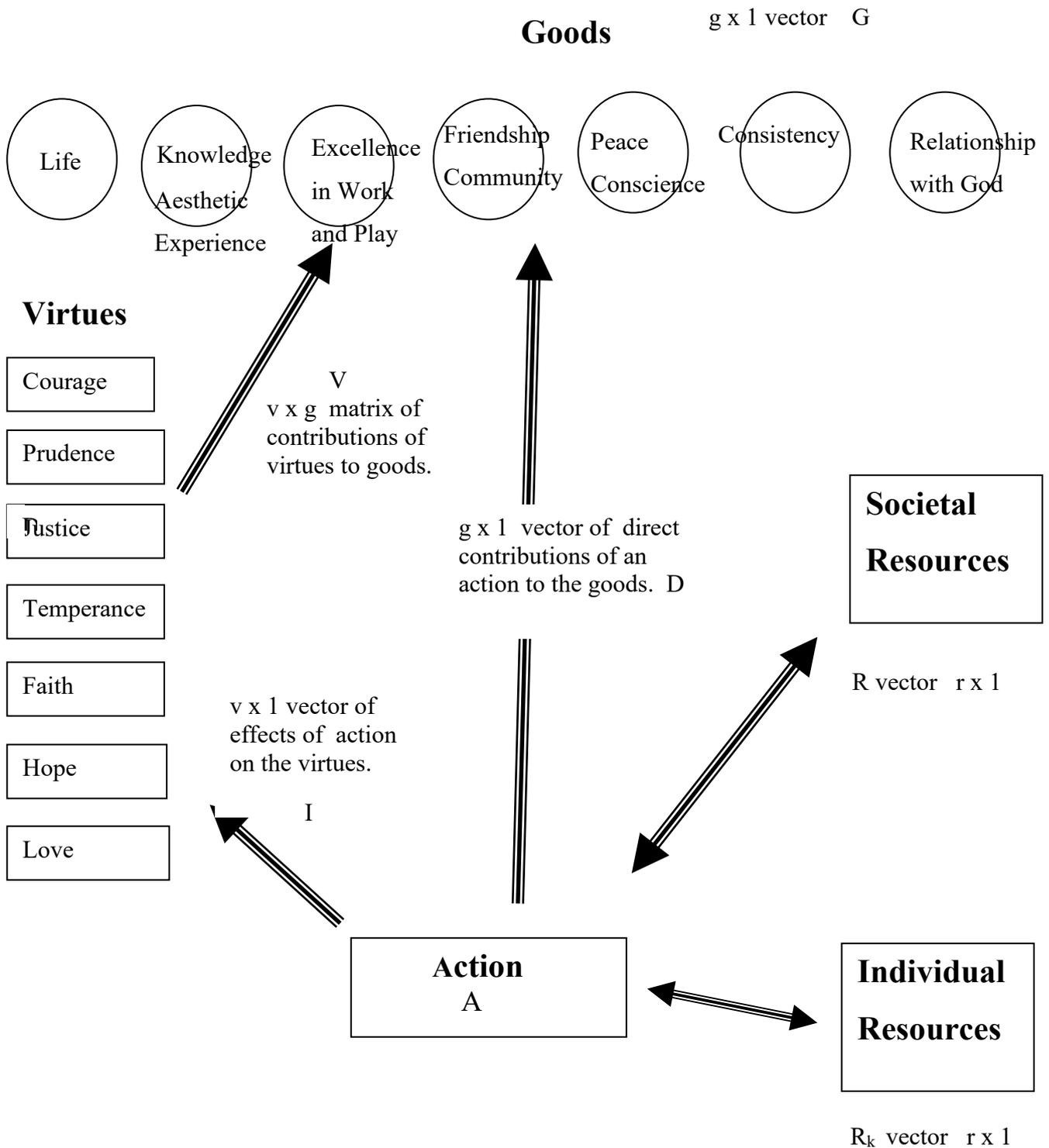
The effect on the shadow value of resources vector $S R$ can be considered alongside the effect on the vector of goods G to evaluate actions.

The model can be used to clarify either the impacts of individual agent's actions, or policy choices facing a society.

As well as considering alternative single actions it could be used to consider alternative series of actions, and even alternative life courses by integrating over time. Issues of time discounting would then have to be considered.

The measurability of the virtues and basic goods is a difficult issue. For the model to be a workable guide to action they must be discernible to the actor, and for it to be a tool of moral evaluation they must be discernible by an observer. Measurability is a more demanding requirement, implying demonstrability to a third party. If measurability is considered plausible then different basic goods will have their own incommensurable units of measurement.

The model is a reflective tool for actors, not a solution for our moral problems. This is all we get out of other theories actually.



Shadow prices of resources in terms of goods S so shadow value of resources $= S R$
 $(g \times r)$ $(g \times r)(r \times 1)$

Total effect of an action on the vector of goods $G = D A + V I A$
 $(g \times 1)$ $(g \times 1)(1)$ $(g \times v)(v \times 1)(1)$

Examples

Consider some actions:

- (a) Individual decision by a young university student about an overseas holiday which includes a pilgrimage.

We need to assess the effect of this action on directly on the goods through D and on the virtues through I which then affect the goods through V. The main effects are a small threat to the good of life, and large positive impacts on the goods of knowledge & aesthetic experience, friendship & community, peace, and relationship with God. Illustrative values are in the appendix,

As well as these effects on the goods the holiday also draws on resources. How do we relate this to the impact on the goods. One approach would be to consider the impact on the goods of alternative drawings on the system of needs, essentially a shadow price of the drawing from the system of needs.

We might consider one alternative drawing from resources, to purchase a car. This has a larger threat to life and generates less of all the other goods than the holiday and thus dominated. Suggested values for the car purchase are given in the appendix.

In the end the choice to draw from resources to generate the positive and negative impacts on the basic goods is a judgement of practical reason. The model merely clarifies and assists the choice.

- (b) Public policy decision over outsourcing

Another choice might be a government official confronted by a proposal to outsource cleaning in a particular department. Here the main positive effects would be on peace & conscience and consistency, and these mostly indirectly through effects on virtues. The main negative effect would be on friendship and community. Suggested values are in the appendix.

If these affects are weighed are positive overall, and the effect on resources is reasonable this would suggest that the outsourcing should proceed. Note that the effect on the system of needs is distinguished from the effect on the virtue of prudence. It must be emphasised that this conclusion is a matter of practical reason which the model assists with, rather than a logical implication.

- (c) Change in market institutions to extend their reach and increase competition

A scenario close to the topic of this consultation is a public policy change which extends competition. The effects are somewhat similar in my view to the outsourcing proposal and suggested values are given in the appendix.

Conclusions

The purpose of setting out this model has been to offer a better framework for explaining action and making moral judgements than the approach which currently dominates the economics profession. I suggest that this framework is also compatible with much of the existing theoretical and empirical apparatus of economics: I am not suggesting that contemporary mainstream economics needs to be discarded, instead that it can be enhanced by a natural law reframing as outlined here.

Much remains to be done in developing a mathematical version of the natural law framework, and in showing that it is useful in public policy settings. Reworking an existing benefit-cost analysis with a natural law version is an obvious next step in this.

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Appendix Units are 0= no effect. 1= small effect, 2 = large effect. Negative values are admissible in D and I but not V

V matrix							
	Life	Knowledge and aesthetic experience	Excellence in work and play	Friendship and community	Peace and conscience	Consistency	Relationship with God
Courage	0	2	1	0	2	1	1
Prudence	2	0	0	0	2	2	1
Justice	1	1	1	1	1	1	1
Temperance	1	0	1	2	1	1	1
Faith	0	1	0	1	2	1	2
Hope	0	1	0	1	2	1	2
Love	0	2	0	2	0	1	2

D vectors for actions							
	Life	Knowledge and aesthetic experience	Excellence in work and play	Friendship and community	Peace and conscience	Consistency	Relationship with God
Holiday	-1	2	2	1	1	1	1
Car	-2	1	1	0	0	0	0
Outsourcing	0	0	2	-1	-1	0	0
Markets	0	1	1	-1	0	1	0

I vectors for actions							
	Courage	Prudence	Justice	Temperance	Faith	Hope	Love
Holiday	1	0	0	0	1	1	1
Car	0	-1	0	0	0	0	0
Outsourcing	1	2	0	0	0	0	0
Markets	1	2	1	0	0	0	0

IV vectors for actions nb Matrix multiplications conducted in MS Excel with the MMULT function. This gives the sum of the products of the relevant row of I with column of V							
	Life	Knowledge and aesthetic experience	Excellence in work and play	Friendship and community	Peace and conscience	Consistency	Relationship with God
Holiday	0	6	1	4	6	4	7
Car	-2	0	0	0	-2	-2	-1
Outsourcing	4	2	1	0	6	5	3
Markets	5	3	2	1	7	6	4

G vectors for actions nb Matrix additions conducted in MS Excel							
	Life	Knowledge and aesthetic experience	Excellence in work and play	Friendship and community	Peace and conscience	Consistency	Relationship with God
Holiday	-1	8	3	5	7	5	8
Car	-4	1	1	0	-2	-2	-1
Outsourcing	4	2	3	-1	5	5	3
Markets	5	4	3	0	7	7	4