



IF YOU ARE CONCERNED ABOUT MORALITY, YOU NEED SOME BASIC ECONOMICS

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Septiembre de 2012

It has long been my hobby-horse that religious believers and others concerned with moral questions involving society simply must have some rudimentary understanding of economics.

I'm not talking about math-heavy econometrics. I'm not even talking about much of the stuff one learns and forgets in a basic Macro- or Microeconomics course. I'm not talking about the ideological and political assumptions that various economists make. I'm talking about that collection of basic analyses, clarifications, arguments, ways of reasoning, and discoveries we've made about the economic realm in the last few hundred years. We might call them the core descriptive truths of economics. These would include those things that many economists across the political spectrum would agree on, such as:

- Incentives matter.
- The intended purpose of a policy or an action, and the consequence of the action, are two different things.
- There is a well-understood relationship between the price of a good or service, and its supply and demand.
- Free trade doesn't create utopia, but it is a win-win exchange.
- It's possible for someone to get wealthy, not by extracting wealth from others, but by creating new value and wealth.
- Well-developed property and titling laws promote economic growth.
- Specialization allows for much greater economic growth than the alternative.
- There is a high correlation between a society's economic freedom and its economic growth over time (<http://www.economicfreedom.org/>)
- Strong central economic planning tends to cause severe economic distortions such as shortages and over-production.

There are surely dozens of these truths. Notice that none require any hard math. Some of these can be understood, even known, simply by reflecting carefully on the matter. Many can be and have been confirmed empirically.

Anyone who reads say, Thomas Sowell's *Basic Economics*, as well as books such as *Common Sense Economics*, *Economics in One Lesson*, *Wealth and Poverty*, *Money, Greed, and God*, and *Indivisible*, can learn most of them, even if he never takes a course in economics.

Alongside the well-established truths are hypotheses that, while not certain, are reasonably well established or at least worth considering. The Environmental Kuznets Curve is controversial, for instance, but it seems to me to capture an important truth. And the subjective theory of economic value is a profound improvement over the earlier labor theory of value.

Now economics truths, whatever they are, are descriptive truths. They tell us what a certain segment of reality is like, namely, that part of reality involving human beings and the way they organize themselves and exchange various scarce goods and services.



Of course, different areas of study deal with different truths. Physics, chemistry, geology, and arithmetic, for instance, involve truth claims of a certain sort. Economic truths are not the same as the truths of chemistry, but they are, nonetheless, truths.

What makes economics peculiar is that most people feel perfectly capable of making judgments on economic matters without knowing anything about it. Mature adults normally hesitate to issue pronouncements on most subjects of which they are ignorant. Few adults who have completely forgotten the periodic table of the elements, for instance, would venture to say with any confidence what would happen if they were to mix mercury and beryllium.

Not so with economics. People offer opinions on economics with little awareness that there is anything they might need to learn beforehand. I'm convinced that part of the reason for this is that many people think economics is intuitively obvious and is more or less the same as ethics. These assumptions are both wrong. While one can learn to "think economically," most of us first have to learn certain counterintuitive truths of economics. We also have to overcome certain "myths" that we tend to pick up from the ambient culture.

The confusion of economics with ethics is subtle. Some people might argue that we shouldn't make moral judgments about the "science" of economics. I'm not one of those people. On the contrary, we have an obligation to apply ethical truths to our individual and collective actions in the economic realm, and to the economic policies we support. To do that, however, we must understand some rudimentary economics. Otherwise, our moral convictions are very likely to lead us to support policies that either backfire or actually harm those we hope to help.

To see the difference between a normative truth of ethics and a descriptive truth of economics, notice that economic truths often have predictive value, as in other areas of study including the natural sciences. If you understand the relationship of price, supply and demand, for instance, you can predict with confidence what will happen if a government puts stringent price controls on a product that is in high demand. Economics, however, as economics, won't tell you whether a government ought to do that. That's the job of ethics.

In short, to think clearly and act prudentially in the economic realm, we must learn to integrate the descriptive truths of economics with the normative truths of ethics. That's easier said than done, of course; but Discovery Institute's Center on Wealth, Poverty, and Morality is committed to precisely this endeavor.

Fuentes:

<http://blog.tifwe.org/why-should-christians-care-about-economics/>

<http://www.indivisiblereview.com/2012/02/if-youre-concerned-about-morality-you-need-some-basic-economics.php>