The Scope Of Economics And Related Questions: The Peschian View

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There is widespread confusion among economists about the scope and nature of economics, and its relation to ethics. Some economists go so far as to agree with "the famous remark attributed to professor Jacob Viner that economics is what economists do" (Boulding, 1958, p.1), thus implying that discussion on the nature and scope of economics is not necessary.

In most undergraduate classes, Robbins's definition of economic science as "the science which studies human behavior as a relationship between ends and means which have alternative uses" (Robbins, 1935, p.16) is presented as the only possible definition. Furthermore, economics is presented as a science only in reference to its positive statements. Normative economic statements "reflect an opinion, and an opinion is merely that—it cannot be shown to be true or false by reference to the facts" (McEachern, 1994, p.12). In summary, "what is" is properly a subject of economic science, but "what should be" is a completely subjective affair.

After some reflection on Robbins's definition, one could conclude that economics is not a social science, but the social science; after all, most human actions relate means (susceptible of alternative uses) to a given end. As a result, many economists following the lead of Gary Becker have begun to export "the economic approach" to other social disciplines. This exportation has become known as "the universalization" of economics.

Examination of all these claims reveals that many are false, some are inconsistent and the remaining are simply confused by ill-defined concepts. I have two goals in this paper. First, I wish to reintroduce the Peschian view on the nature and scope of economics, clarifying its normative character and its relation to ethics. I will address the normative-positive dichotomy, examine the contradictions of Robbins's definition, outline a clear way to identify the disciplinary character of a study, and update the Peschian view to include the non-profit sector as a legitimate area of study under private economics. At the same time, I hope to provide some encouraging evidence that modern economics is slowly implementing the Peschian view. This implementation is not happening because most economists are familiar with Peschian ideas, but because practical and common sense ideas like the ones Pesch espoused tend to be rediscovered.

Secondly, I wish to discuss briefly the implications of Pesch's ideas on the universalization of economic methods to other social disciplines. Pesch's framework is excellent for distinguishing between what is accurate and what is wishful thinking in the universalization claim.

The Scientific Character of Economics

For Pesch, following the Aristotelian-Thomistic tradition, a science is the "knowledge of things traced to their causes certified by proofs" (Pesch, 1925, I, 461).[1] Causes must be understood as either efficient or final Aristotelian causes. "Proofs" refers to logical reasoning from self-evident principles, or from previously demonstrated propositions. Sometimes, reasoning from commonly accepted propositions is also permitted on a tentative basis. Economists typically attempt to meet both conditions. Most studies are interested in establishing cause and effect relationships (not mere statistical association), and logical thinking (often expressed in mathematical terms) is used to establish conclusions. Both in theory and in common practice, economics is a science.

Two useful concepts of the Aristotelian-Thomistic philosophical system are the ideas of material object and formal object. These concepts, correctly understood, allow for practical limitations on the scope of the social sciences which ensure both the autonomy and inter-dependency of the different sciences.

Material objects are those objects of thought or outside reality studied by the science. The word material must not be understood in the sense of physically existing in time and space, rather it is used in the original Aristotelian sense of 'a thing on which something else acts'. The collection of material objects constitute what the science studies. Examples include unemployment, wages, prices, labor participation, and inflation.

Formal object is the perspective used to study the material objects. By perspective I mean "the ability to see all of the relevant data in a meaningful relationship" (Steinmetz, 1993, p. 493).

As an illustration, consider divorce. In studying divorce, psychologists probe the inner workings of the minds of the spouses. The sociologist's perspective relates divorce to wider external forces like the media and religion. Educational theorists study the effect of divorce on children's educational progress. Theologians and philosophers examine the morality of divorce using natural reason or principles derived from revelation. Economists consider the consequences of divorce for individuals and the national economy. Clearly, it is not what is studied which identifies the discipline, rather the discipline is characterized by the perspective it uses (that which gives the phenomena meaning). In summary, *formal objects give sciences their distinctive character*.

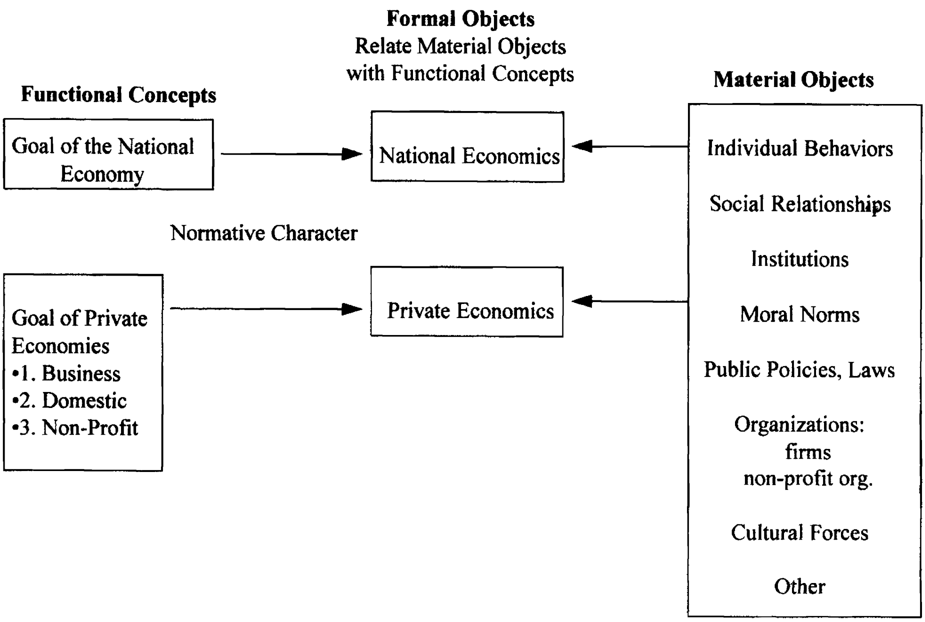
The Structure of Economic Disciplines According to Pesch

Pesch's classification of the economic sciences is diagrammed in Figure 1. For Pesch, it is possible to have various economic perspectives, each one characterizing a separate but related economic discipline. The perspective of each economic science is obtained by relating a functional concept with the material objects–the phenomena under study. The functional concepts chosen must be directly related to the economy.

Pesch views the economy as something like an organic network of human relations formed to provide for material needs. For him, an economy must always be considered within a politically unified community (Pesch, I, 462).[2] Consequently, the highest form of an economy (as a complex set of social and legal relations within a political unit) is the economy of a nation.

Private economies are those portions of the national economy that relate to the provision of material needs for specific socio-economic groups, such as firms, non-profit agencies or families.

Figure 1: Economic Disciplines According to Pesch



As it is well known in modern philosophy of language (see Davis for an application to economics, 1989, p. 3), a functional concept permits its user to derive "should" statements from "is" statements. For example, consider a cellular membrane. To ask the function of such a membrane is meaningful. If the membrane exists to protect the cytoplasm (a functional statement), then we can derive non-ethical normative statements, such as "the membrane should not allow toxic substances to pass to the interior." These normative statements form the scientific basis for policy-making (e.g. "strengthen defensive capabilities of membrane by doing X").

In economics, as in biology, it is meaningful to ask functional questions. What is the function of corporate downsizing? What is the function of the "natural rate of unemployment"? What is the function of the national economy? As shown in Figure 1, the formal object of an economic discipline is obtained by relating the material objects under study with the central functional concept of the discipline.

Since one can use different functional concepts (essentially the goals of the various levels of the economy) to make sense of the material objects studied, there are several possible formal objects. On the one hand, one can relate phenomena to the overall goal of the national economy. This perspective characterizes what Pesch called the discipline of national economics. On the other hand, one can relate the same phenomena to the goal of a private economy (such as the profitability of firms). This perspective, which is narrower by construction, characterizes what Pesch called the discipline of private economics.[3]

Private and national economics are autonomous disciplines, but they are related because the goal of the national economy takes account of the goals of the business, non-profit and domestic economies of a nation. Based on this relation, Pesch argued that national economics is the central discipline because its functional concept is hierarchically superior to the goals of private economies.

Given its preeminence in the discipline, it is important to be precise about what the goals of the various levels of the economy are. For Pesch the goal of the national economy is to establish "a stable condition wherein adequate provision can be made for the people [in a nation] in accordance with circumstances directed by what is objectively possible" (Pesch, I, 458).[4] As Gustav Gundlach (1951) summarized it:

> the entire economy is objectively informed by a spiritual intention, a purpose. Pesch defines this purpose as the enduring production and distribution of means for satisfying material wants which is the indispensable foundation for the preservation and perfection of the entire personality of human beings (Gundlach, 1951, p. 183).

The goal of the business economy is typically identified with the attainment of a good level of profitability. The goal of non-profit organizations, according to Jeavons (1992), is the expression of some deeply held value. Consequently the goal of the nonprofit private economy is to secure the provision of material needs so that nonprofit agencies can effectively express their core values. Similarly, the goal of the domestic economy is to secure the provision of material needs so that families can reach their higher goals.

As a group, the goals of the private economies are simply to make sure that the material needs of the respective socio-economic units are met, so that these units (families, non-profit agencies or firms) can achieve their higher non-economic goals (development of the members of the family, expression of some value). If one accepts that the reason for the existence of business firms is merely to make a profit, then the highest level goals of the firm coincide with the goals of its private economy.

In summary, disciplines emerge from adopting a perspective which relates the studied phenomena (material objects) with the goals of socio-economic activity as a whole. National economics is characterized as a discipline by relating studied phenomena to the provision of material welfare for a nation. Private economics is characterized as a discipline by relating the studied phenomena to the private material welfare of specific socio-economic units.

Functional Concepts Provide Basis for Scientific Normative Character

Because functional concepts can transform "is" statements to "should" statements, they can be used to produce normative scientific statements which are non-ethical in nature. Since the formal object of an economic discipline is characterized by the relationship of studied phenomena with a functional concept, that same functional concept makes the economic discipline normative in character as a whole.

As we have seen, the functional concept which sets the overall normative character of national economics is the goal of the national economy. From the goal of the national economy, as defined by Pesch, one can immediately derive normative statements like "unemployment is undesirable"[5] or "massive inflation is an economic evil." While, in practice, researchers may disagree on whether or not a given condition is an economic good or an economic evil, it is also true that wide areas of consensus are possible; ranging from unemployment, dire poverty, lack of primary education, and mass production of toxic waste, on the negative side, to good consumer confidence, sustainable growth, good quality durable goods, technological innovation and information ability, on the positive side. As Pesch put it:

> One can arrive at a significant consensus of what are the positive and negative characteristics which contribute to the material welfare of people. This consensus is far from arbitrary (based on subjective perceptions) rather it is based on objective reality, although subjective evaluations form part of it. (Pesch, I, 479)

Therefore, one can scientifically identify economic goods and evils both in theory and in practice.

It is important to recognize that economic goods and evils, as determined by the disciplines of economics, are not moral goods and evils. The determination of moral goodness is made by the discipline of ethics. The fact that one can independently ascertain economic goodness from moral goodness does not necessarily imply that both categories of goods are unrelated. I will discuss this point at length on the section which explores the relationship between economics and ethics.

The normative statements derived from studied phenomena in relation to the goal of the economy can and should be used for setting the goals of national economic policies, and, in fact, such normative statements form the scientific basis of economic policy-making. To have a scientific basis for policy-making is important because "economics is not complete without coming to grips with practical economic policy" (Brown, 1995, p.13).

It is possible that some practices (say downsizing) could be economic goods according to private economics, but be considered economic evils using the perspective of national economics. This case occurs if the practice has a positive effect on the goals of a private economy (for example, if it increases profit), but actually harms the provision of the material welfare of the nation as a whole (for example, if it creates shortages and unemployment). In this case, it is important to make sure that national policies are made on the basis of the national perspective.

Perhaps, it would not be too adventurous to claim that one consistent failing in modern public policy-making has been to consider the goals of private economies as equally important, if not more important, than the goals of the national economy. Consequently, policies have been implemented which help a particular constituency, but harm the whole American economy.

In summary, 1) economics is a normative scientific discipline, 2) one can determine the economic goodness of both policies and actual conditions by relating them to the goal of one of the levels of the economy, 3) normative statements thus obtained form the scientific basis for economic policy-making, and 4) where conflict in the determination of economic goodness exists, the national perspective should be the one used because it is hierarchically superior.

Characteristics of the National Economic Perspective

The perspective of national economics has some properties derived from its formal object. It has two fundamental dimensions: it is cultural, and it is primarily concerned with the public welfare (Pesch, I, 459).

First, it is a cultural perspective. Why? Because the definition of material welfare depends on cultural factors (a sixteenth-century average living standard is not a valid twentieth-century standard), so that any perspective which relates economic practices and policies to the material welfare of a nation must necessarily include cultural elements.[6] Among other elements, a keen awareness that human action can be regulated by "institutions, structures and actions of political and social forces" (Pesch, I, 459) is needed to conceptualize correctly economic activity. Too often, neoclassical economics has forgotten that people act within the legal, moral, and cultural norms of a society. Ignoring this fact results in an incomplete understanding of both the preferences and constraints faced by economic agents, and thus it often leads to erroneous conclusions.

The modern work of O'Boyle on the absolute and relative dimensions of poverty and its associated measures incorporates a cultural perspective well (O'Boyle, 1994). It also demonstrates that non-cultural standards for poverty reduce poverty measures to a subsistence basis which is not particularly useful for U.S. domestic policy.

The work of Boxx and Quinlivan (1994) also demonstrates the growing interest economists have in understanding the cultural context of economic activity. In addition, interesting work is being done to understand how social and moral norms affect particular economic behaviors such as receiving welfare (see for example, Bird, 1994).

Second, the perspective of national economics is concerned with the public welfare (*salus publica*), and not the private welfare.[7] That is, national economics studies the causes and consequences of phenomena as they relate to the general conditions of a nation, not to individual outcomes. It is essentially concerned with ascertaining if the conditions for economic opportunity exist. As it is widely recognized, the individual's private outcomes result from the interaction of general opportunity conditions and personal choices. As we have seen before, the relation between observed phenomena and the private material welfare of social or individual agents in the national economy is properly the perspective of private economics.

Are There Things Economists Should Never Study?

Material objects outside of the science of national economics would be those which cannot be related in any way to the material provision of needs for the residents of a country. At any given point, some objects may not be part of economics—uranium resources in the eighteenth century, for example, and then later, they may become part of economics inasmuch as they enter the sphere of providing for material needs.

For Pesch, the individual and aggregate behaviors of economic agents as they exist in "actual life" constitute the main object to be studied, as opposed to dealing with imaginary worlds of abstract *homines economici* (Pesch, I, 458). Abstractions can be useful provided that they do not abstract from essential characteristics; otherwise, they lead to erroneous conclusions.

In particular, realistic objects of study not only include good and services, but also human transactions and relations (Pesch, I, 458), because of their tremendous impact on the performance of the national economy. While contracts and social norms are becoming accepted as suitable objects of study, interpersonal respect, trust, and the formation of habits of justice, solidarity or social charity are still considered to be outside of economics. Many think that a paper on justice must be a paper on ethics. This view is not necessarily correct, because it defines the discipline based on a limitation of its material object and not based on its formal object.

We all know that trust and respect are vital preconditions of market activity, and also that they influence the performance of any system in which co-operation exists (like firms, nonprofit agencies, and the different levels of government). To remove these vital components of human activity from the sphere of economics seriously harms the science's ability to understand economic activity as it exists in real life. Professional management practice such as Theory R (Alderson and McDonnell, 1982) seems to have fewer qualms about emphasizing the importance of trust and respect to obtain a productive and harmonious work environment.

In addition to human relations, all prerequisites of the economic process should be generally considered a suitable object for scientific study (see also, Danner, 1994). An interesting contribution in this area was advanced by Gassler and Grace in 1980, and Gassler in 1986. In addition to the well-known allocation, distribution, and stabilization functions of the national economy, originally identified by Musgrave (1976), Gassler and Grace identified two additional functions:[8] the *preconditional function* which includes economic socialization (learning to use markets and institutions), property-rights assessment, provision for contract enforcement and identification of commodities which may be traded (social and legal environment and norms); and the *parametric function*, which would include preference shifts, technological improvements, and agents' endowments. (Gassler & Grace, 1980 p. 20-21). The authors claim that it is impossible to conceptualize nonprofit activity in the economy without understanding nonprofit effects on the preconditional and parametric functions of the national economy. Thus, not only is it important to understand the prerequisites of economic activity to correctly comprehend economic behavior, it is also important to understand the effects of economic behavior on those same prerequisite characteristics.

Modern transaction cost economics and principal-agent theory show the advances economics can make when one accepts both the relationships among economic agents, and their social and legal context as valid objects for scientific study [see for example, Barzel (1991) and Milgrom and Roberts (1992)].

In summary, "society should be studied as a moral-organic community" (Pesch, I, 458). This perspective means that most human phenomena are legitimate objects of scientific study for economics. It would be an error, nevertheless, to state that economics studies such objects in their totality. Rather, economics studies those objects from a limited perspective, leaving to other sciences the study of the same objects under different aspects.

Is Robbins's Definition Wrong?

Since most economics students follow Robbins's definition of economic science as the science of all allocation behavior, it is important to analyze Robbins's definition carefully to see if it makes sense. A little context may be informative. Robbins, following Max Weber, attempted to make economics a value-free science. His attempt focused on the allocation question alone. He argued that economists should deal only with means (what is), and not with ends (what should be).[9] Policy-makers and others would determine the goals of economic activity on a purely subjective basis.

Robbins's assertion makes little sense on three counts. First, if one takes Robbins's statement to its logical implications, one discovers unacceptable corollaries. Second, the philosophical positivist system Robbins used lacks internal consistency (that is, it is founded on contradictory propositions), and last, the prescription to concentrate exclusively on means rather than ends is utopian, since no human can implement it.

First, note that Robbins proposition has the following corollaries: 1) allocation is the only function of the economy which should be studied by economics (a normative claim!), and 2) economic policy-making has no scientific basis.

Corollary number one is arbitrary. Are we to believe that macroeconomic stabilization, theory of economic institutions, and organizational theory, all of which do not deal with allocation problems, are not suitable objects for study? What we have here is a determination of the scientific character of economics based on material object alone. As we have shown, it is the formal object which characterizes the discipline, not the collection of objects under study.

The second corollary makes economic policy-making completely subjective. It argues that one cannot establish on scientific grounds that policies purposefully designed to create misery and hunger are inferior to policies designed to promote employment. This corollary asserts that there is nothing in the U.S. economic system which would give economists a scientific basis to advocate certain economic goals (like growth) as sound for the nation to pursue, while discarding other possible goals (like massive inflation) as damaging to the national economy.

No one contests that goal-setting in policy-making includes subjective elements, but it is not a wholly subjective matter. There are objective reasons (like the natural properties of nonrenewable energy sources, the effects of unemployment, and the nature of international relationships) which would exclude at least some possible goals from the realm of reasonable policy-making on a scientific basis. In practice, it may be difficult to reach consensus on goals, yet lack of consensus does not make such goals wholly subjective.

Looking at the logical implications of Robbins's assertion should be sufficient to pronounce his claim as false. However, let's briefly explore the error of the philosophical system itself.

Essentially, positivists hold two propositions: 1) only empirically tested knowledge is valid scientific knowledge and 2) value-judgments cannot be empirically tested and consequently are not scientific.

The first proposition, that only empirical knowledge is scientific knowledge, is self-contradictory because as Gundlach (1951) and others have pointed out the establishment of 'pure facts' already involves the recognition of real categories (e.g., the concepts of necessary, contingent, general, particular, etc.) which constitute non-empirical knowledge. If non-empirical knowledge is unscientific, then the empirical knowledge obtained by using non-empirical categories must also be unscientific. This conclusion violates the original premise.

Moderate realists, on the other hand, have always held that scientific knowledge always incorporates some non-empirical knowledge. As Aristotle put it, "scientific knowledge cannot be acquired by sense-perception" (Aristotle, 1989, *Posterior Analytics* I, XXXI, p. 157). In particular, non-empirical knowledge is essential to make sense of reality by way of cause and effect.

Finally, regardless of its logical flaws, Robbins's prescription for economics is simply not feasible. In practice, when a researcher picks a question for study, he or she is making a value judgment. As it is well-known, a fundamental task of all social scientists is to select a few variables to explain relatively wide phenomena. The selection of such variables may precede empirical and theoretical investigations (as when one researches a new topic) and consequently may not be determined by scientific investigation in any way. How are the variables selected? The variables are selected based on the philosophical assumptions of the model. A Marxist looks for social forces, a neoclassical economist looks for the constraints on the individual, feminist economists look for structures of power. Consequently, not only is Robbins's claim false, it is also impossible to put into practice.

As Pesch points out (I, 476), the nature of human knowledge is such that in matters of human actions we think by constructing an appropriate norm, measuring the reality of human activity against such norm, and considering actions to adapt current activity to fit the norm. Applying this general rule to the practice of economics, we conclude, once again, that economics as a whole must have a normative character.

The Relation of Economics and Ethics

Economists who grasp the necessity of a normative dimension for the scientific study of economics usually fear the discovery that economics is a branch of ethics. That fear is unfounded. As previously shown, the norm for human activity in the science of economics is not an ethical norm. As Pesch put it:

> Sombart is entirely correct in asserting that ethical evaluation is outside the scope of economics. Yet, it would be a dangerous misconception to go from that to a position which holds that all ethical considerations are to be avoided in considering what is good for the national economy. Whereas economics is not "applied ethics," it also cannot disregard any relationship to ethics whatsoever and a proper consideration of ethics and its relevance for the economic process and the economic purpose (Pesch, I, 466).

For the purposes of this essay I am defining ethics as the discipline which relates phenomena under its study to the total welfare of the human person in all dimensions simultaneously. To put it simply, ethics identifies whether or not an action given its nature, and its situational and intentional context, is a good thing to do, without particular qualifications (such as "for me alone," "for society," "for the economy," "for profitability,") This definition of ethics will be unacceptable only to those who believe ethics to be a wholly subjective affair.[10]

I have diagrammed in Figure 2 the relations among private economics, national economics, and ethics. As mentioned before, private economics informs national economics of the effects of possible policies and actual conditions on the three types of private economies (business, domestic, and nonprofit). National economic normative judgments dominate over those made by private economics because the perspective of national economics is broader.

The discipline of private economics must respect the normative statements from both national economics and ethics. In simple terms, private economics should only recommend actions which meet three conditions: 1) advance the goals of the private economies, 2) do not seriously damage the national economy and 3) are ethically permitted.

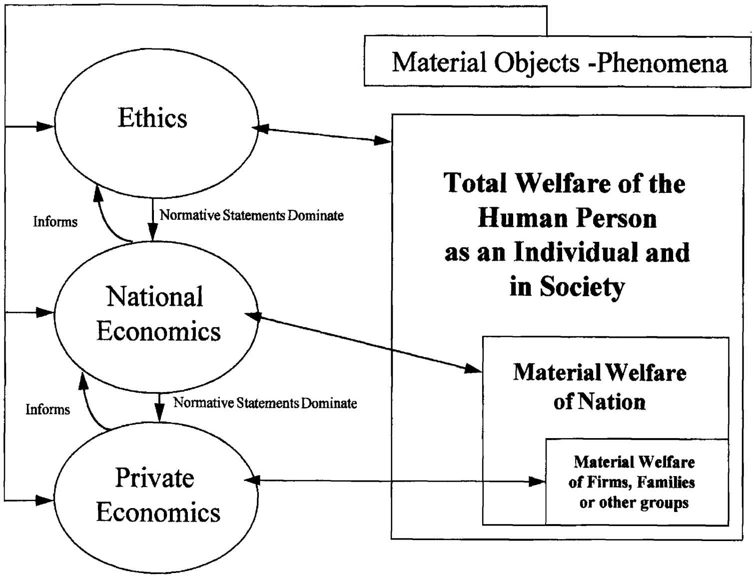


Figure 2. Relationship Between Ethics and Economic Disciplines

The Peschian position on the relation between national economics and philosophy (including ethics) has been summarized by Gundlach (1951):

> Philosophy—even ethics—can never supply economic knowledge or judgments to the science. But philosophy alone can substantiate the basic concepts of theory and ascertain and prove their epistemological rightness. On the other hand, economic science, like any other empirical science, through its cognition of reality supplies a necessary contribution for philosophical knowledge of the essences of things (Gundlach, 1951, p.184).

On the one hand, economics provides philosophy with a knowledge of the economic dimensions of phenomena, which is necessary for ethical evaluation. Since ethics relates phenomena to the total welfare of the human person, it is informed by economics on the effects of human action on material welfare. On the other hand, philosophy in general provides the foundation on which to construct economic theory, guides the choice of methodology and sets the limits of the discipline. Ethical normative statements dominate over economic normative statements because ethical statements consider the whole welfare of the human person, not the smaller portion of the material welfare.[11] Consequently, economists should not advocate unethical policies for two, rather obvious, reasons:

First, an economist is a person. People are to follow their consciences in guiding their actions, both those of their private lives, and those inherent in their professional activities. Otherwise, the economist would be two people: an ethical creature in private life, and a creature beyond the realm of ethics at work. Or, alternatively, there would be two codes of ethics: one for home and the other for work. Both options are unacceptable. The first one damages the unity of personality. The second one qualifies moral statements in an arbitrary manner, and so limits ethics to a restricted version of human welfare. This practice violates the definition of ethics.

The second reason is that it would be irresponsible to exalt economics beyond its formal object. National economics deals with public material welfare, private economic disciplines deal with the private material welfare of intermediate bodies such as firms. Both formal objects use a rather limited concept of welfare. It stands to reason that a policy which is beneficial to material welfare, may damage overall welfare of the persons and communities involved. Consequently, the economist who advocates economic policy as an end in itself is not considering the limits of economic science. Ethical normative statements dominate because they are hierarchically superior in terms of welfare (see Figure 2).

The economist who violates the ethical norm in the conduct or outcome of his or her research, not only is not acting ethically as a person but is also not respecting the limits which make economics scientific. This is the reason why economic policy statements which contradict objective ethical standards are not scientifically based. In order to produce them, the economist has either had to ignore the limits of material welfare, or has exalted material welfare as the only dimension of personal and societal welfare. In either case, the economist treats economics as the science of human behavior in its totality. He or she has made out of economics an ethical system. This is an invasion, under the guise of science, into the fields of natural ethics and religion, and should not be tolerated by economists who wish to retain the scientific character of their discipline.

The Question of Universalization

As I mentioned early in this article, economics seems to be responding to a call for expansion. Many economists following the lead of Nobel prize-winners like Gary Becker, Ronald Coase, and George Stigler are using economics to address political science, psychological, natural resource, educational and even philosophical problems. Whole books on the subject (see for example Frey, 1992) are being published reporting the advantages of several economic perspectives.

The problem underlying the expansion of economics has been recently studied by Khalil in 1995. He correctly identifies the debate as one on the definition of economics as a science. The question has not so much to do with whether or not there are insights in the neoclassical economic perspective, which are useful for other disciplines, but whether or not an economist analyzing social or individual behavior in a way which is unrelated to the economy is still practicing economics. After all, it could be argued that economists are working as undercover psychologists or sociologists, providing alternative psychological and sociological theories to explain individual and social behaviors.

It is undeniable that some of the principles commonly used in economics are useful when studying human behavior from other non-economic perspectives. The efficiency principle (select minimum but appropriate means for a given end) or the principle which explains an observed choice as a combination of existing preferences and binding constraints are applicable outside of economics. However, as Pesch (I, 467) pointed out for the efficiency principle, the fact that these principles are commonly used in economics does not give them an exclusive economic nature. These principles are universal principles of practical reason which are operative for most or all human actions. Consequently, they should be used by all sciences studying human behavior. The empirical fact that economists make more frequent use of some of them does not entitle economics to claim ownership of the principles.

Having admitted the usefulness of some perspectives and methods that are common among economists, it should be recognized that the universalization question hinges on the formal object of the study. As we have seen, the perspective used when studying phenomena provides the disciplinary character to the study. To be an economic study, it must relate the phenomena to the goal of the economy at some level.

As an illustration, consider Becker's theory of divorce (Becker, 1991, chapter 10). Becker attempts to explain divorce as the rational result when each spouse ascertains that the foreseeable gains of divorce (in terms of marital "wealth"—which includes sexual compatibility, fecundity, material wealth, and health) exceed the anticipated benefits from staying married. Using the concepts of imperfect information, bargaining, "marriage markets," and labor market search theory, he explains divorce as an optimal choice under a variety of legal, social, and psychological conditions.

Is divorce an optimal choice with respect to total personal well-being according to Becker? It would appear so, although Becker never specifies the answer to this question. Certainly his theory relates mostly to non-material welfare. Providing for material needs is only a small consideration in his overall theory. In particular, he uses personal wealth to explain bargaining asymmetries in divorce settlements (p. 322).

Becker's theory is interested mostly in explaining divorce in relation to: 1) a variety of legal and moral norms, "no fault" divorce and divorce stigma, and 2) as a rational response for self-interested individual spouses (p. 331-332). Clearly, these perspectives have little to do with the domestic economy and there is not a single reference to the national economy as a whole.

To the extent that Becker's theory explains divorce as a response to social norms he is presenting a sociological theory. To the extent that he claims divorce occurs because of self-interested rational choice he presents a psychological theory. To the extent that he claims divorce to be an optimal rational response, presumably to achieve maximum personal welfare, he is presenting it as an ethical theory, disguised as science. His theory may look and sound like economics because of the concepts and techniques used, but there is little economic substance to it. In conclusion, Becker's theory of divorce is a covert sociological, psychological and ethical theory under the disguised mathematical trappings of economics.

As we have seen, there is really no contradiction to having a set of social sciences studying the same phenomena from different perspectives. The information thus collected and the conclusions reached will be mostly complementary. Nor can one object to the borrowing of useful ways to look at problems across disciplines. What destroys harmony among the social sciences (and to some extent across social scientists) is to extend economics beyond the limits of the economy and onto the realm of human life in its totality. No, each science which studies human behavior has its own particular perspective, and ethics is the only one which studies human behavior with respect to the total well-being of the human person.

One can affirm that the Peschian view on the nature and scope of economics is respectful of other social sciences, defends the autonomy of economics from ethics, is flexible with respect to method, and is practical for researchers to use. Moreover, the Peschian view presents a formidable alternative to modern approaches in the methodology of economics, both in its capacity to integrate economics among other human sciences, and in its ability to provide a scientific normative character useful for guiding policy.

Notes

1. The only Peschian work cited is the *Textbook of National Economics* translated by Dr. Rupert Ederer. Pages references are those of the original German work.

2. In spite of the growing importance of international relationships, "a juridical world-wide regulation of international economic transactions does not exist. Everywhere one has to rely on international treaties. These treaties are subordinated to the regulation of the individual states" (Pesch, I, 464). This is the reason why the world economy is not a well-defined concept, since human transactions and relationships to foster material well-being are being done under a diversity of political authorities, none of which is hierarchically superior to the others. Of course, to the extent that new countries are being formed by the union of previously independent countries it makes sense to talk of new national economies. If one day, there exists a unified world-wide state, the world economy will become the only national economy.

3. See Pesch, I, chapter 5, section 1, footnote 25 for Rau's classification of private economics as the science which studies profit-making and domestic economies.

4. Many traditional economists, notably Marshall (see Marshall, 1938, p.1), agree with Pesch on the goal of the national economy. Other economists have proposed other possible goals for the national economy such as the profitability of business (see Mulcahy, 1952, chapter 2 for a discussion). In general, provided one is not an extreme individualist, one is hard pressed to think of a goal for a whole economy which is not the general provision of material wants.

5. In spite of being expressed as an 'is' statement: "unemployment is undesirable"

is a 'should' statement, as it is readily seen by converting it to "economic policy should not foster unemployment."

6. Since private material welfare is also a cultural concept, the perspective of private economics is also cultural in nature.

7. For a brief explanation of the different concepts of welfare in Pesch, see Mulcahy 1952, p. 28-29

8. Gassler later renamed the *preconditional function*, the *systemic function*. He identified three key areas: *ownership, trust, and market information*. He also renamed the *parametric function*, the *environmental function*, keeping the three areas of tastes, technology, and resource endowments (see Gassler, 1980, p.15-16).

9. This implies that economic policy is not a science at all. Essentially, Max Weber, Sombart, Robbins and others "saw in every 'ought' an illicit transgression of the 'philosophical' and 'ethical' into economics" (Pesch, I, 574). These authors and those who follow them simply fail to distinguish that economic 'oughts' are different from moral 'oughts.' For them, a normative statement is always a statement derived from ethics.

10. The word, "wholly," is important. Commonly used subjective ethical systems, like relativism, impose some objective boundaries (like "it must not hurt another person") to deal with the social dimension of the human person. In other words, once one incorporates the notion that objective reality (notably the existence of other human beings) has a binding effect on the moral goodness of our actions, one already accepts the definition of ethics provided.

11. There is a direct relation between ethics and private economics that is not shown in Figure 2.

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