NOTES AND MEMORANDA

VALUE JUDGMENTS AND ECONOMISTS’ ROLE IN POLICY RECOMMENDATION

It is generally held that economists, per se, should refrain from making “value judgments.” Economists’ (and other social scientists’) role in policy recommendations is therefore seriously limited. In many cases, economists do make these judgments out of necessity, but usually with an uneasy conscience. This paper argues that many so-called “value judgments” are not value judgments at all, but subjective judgments of fact. Since economists are more qualified than many others for making subjective judgments of fact closely related to their fields of study, they can have a quieter conscience in making them. If this argument is accepted, economists’ role in making policy recommendations can be considerably enhanced.

I

While this is not the place to go into the controversy of the philosophical problems of meta-normative theory, a definition of value judgment, the usage of which is so confused and confusing, is not out of place.

Value judgments, as the term implies, are meant to be contrasted with factual judgments. Factual statements are descriptive, value judgments are evaluative and/or prescriptive. A factual statement describes a fact as it is, and hence must be either true or false. In principle, it can be verified or falsified under ideal conditions. On the other hand, value judgments assert the moral worthiness of certain things, e.g., whether an object is good, a behaviour is right or something ought to be done. They cannot, by their very nature, be true or false, in the same sense as a factual statement. Thus, we cannot prove or disprove a value judgment as we verify a factual statement. However, a value judgment can be persuasive, i.e., it may appeal to us because it agrees with our ethical codes. The statement that “you ought to help the poor” is a value judgment. The statement that “the depth of this well is over ten feet” is a factual judgment.2

Value judgments have been widely confused with untestable factual judgments.

It should be obvious that, while value judgments are untestable, not all

1 This paper is a revised version of a paper presented to the Second Conference of Australasian Economists, Sydney, August 1971. I have benefited from the conference discussion, especially the comments by Dr. K. D. Rivett and Mr. M. Weisser.

2 Some statements seem to fall on the borderline. For example, there is some controversy whether the following statement is a value judgment: “This painting is beautiful.” However, as far as the recommendatory role of economists is concerned, such difficulty is usually irrelevant. 1014
untestable judgments are value judgments. Thus the factual statement that "there is a winged pig (somewhere in the universe)" is untestable. However, it is untestable only because it is physically impossible to search every corner in the universe and not because the statement cannot be true or false.

Some factual judgments are regarded as value judgments because they either cannot be proved or are difficult to prove in practice, and hence they usually reflect personal values. The difficulty of proving may be due to practical difficulty of measurement (as may be the case in certain interpersonal comparisons), the complexity of inter-relationships (including ends-means relationship) typical of social phenomena, or some other factors. These difficulties render universal agreement impossible and hence factual judgments in these areas usually reflect personal values and personal or sectional interests as well. For example, it is pointed out (Klappholz, 1964, p. 103) that, gazing at the same statistics, left-wing economists tend to "infer" from them that progressive taxation does not have a disincentive effect, while right-wing economists tend to "infer" that it does.

It seems, therefore, that if "value judgment" is defined widely to include every judgment which reflects the values of the person making it, many judgments of fact which are difficult to prove could be value judgments. This may be a matter of definition. But to be useful, a definition must reflect the main characteristics of the set it defines. Value judgments proper and judgments of fact which reflect personal values are logically distinct; the one cannot, the other can be true or false; hence, even if we insist on the wide definition, we must sub-define them into value judgments proper and secondary value judgments. I propose to call the latter "subjective judgments of fact" and reserve the word "value" to those judgments which in themselves are statements of values.

Now there is some agreement among economists (and other scientists) that, as economists, they are not entitled to make any value judgment, and as citizens, they are no more qualified than any other citizen in making value judgments. I have no quarrel with this standpoint if "value judgments" refer to value judgments proper. However, most economists tend to subsume under "value judgments" what I call "subjective judgments of fact." It is my contention that economists are often more qualified than non-economists in making subjective judgments of fact closely related to their fields of study. This should be acceptable to anyone who has any faith in the supposed usefulness of learning economics. I limit myself here to those subjective judgments of fact that are closely related to economics; economists need not be better qualified in making other subjective judgments. But many subjective judgments of fact are subjective only because the relationships or inter-relationships are too complicated to be determined precisely. For example, an economist may be hard put to it to judge the effects on economic growth of two alternative balance-of-payments policies. But a layman is likely to know nothing about the effects at all. For another
example, given a set of statistics, economists are more qualified to infer whether progressive taxation has a disincentive effect. Though their personal ideology or interest may influence their inference, they are still better qualified than non-economists, *ceteris paribus*. That is to say, left-wing economists are better qualified than left-wing non-economists, neutral economists are better qualified than neutral non-economists and so on.

Economists are commonly asked by government agencies to make subjective judgments of fact. They usually do out of necessity make them, but only with an uneasy conscience that they are making "value judgments" which they are not supposed to make. If my argument above is accepted, economists can have quieter consciences in doing so.

It is quite true that economists and sociologists must as scientists be as objective as possible in making subjective judgments of fact. Both left and right wings must struggle to free themselves from ideological biases. They are, however, free as citizens to advocate their particular brand of ideology.

It is also quite true that subjective judgments of fact may not be correct and hence must be taken with a grain of salt. Economists will help to clarify this by stating explicitly in their recommendations or reports which parts are scientifically established facts, which are judgments of fact partly based on scientific analysis and partly on subjective opinion, and which are pure value judgments. While subjective judgments of fact do not have the same status as well-established scientific propositions, they are needed in making many important policy decisions. Thus, unless these decisions are to be left unmade, or to be made on even more arbitrary judgments, economists and other scientists must stand up and make them.

II

Recognising the distinction between subjective judgments of fact and value judgments proper not only enhances economists' (and other scientists') role in policy recommendation, it also calls for a revaluation of the logical status of such disciplines as welfare economics.

It is widely held that welfare economics is necessarily normative. For example, Nath (1969, chs. I, VI, X) argues that welfare economics is necessarily based on value judgments. It seems to me that some of the main propositions of welfare economics can be quite free of value judgments. Apart from the purely technological propositions on which Nath places exception, such a proposition as "under classical environments, a perfectly competitive equilibrium is also a Paretian optimum" is purely positive; it is *not* based on the Paretian value judgments. Only where it is reformulated for example into "a perfectly competitive equilibrium is optimal," is it based on the Paretian value judgment. As a matter of fact, the proposition

1 Cf. Archibald (1959, p. 325).
in its first formulation has been proved by mathematical economists (Arrow, 1951).

To descend to a more practical plane, such a statement as “this particular policy will result in a Pareto improvement” is also not based on any value judgment, but rather on positive economic analysis and perhaps on some subjective judgments of fact. On the other hand, the statement that “this policy should be adopted as it will result in a Pareto improvement” is certainly based on some Pareto value judgment. In general, it may be said that any policy recommendation must be based on some value judgment but economic analysis itself need not be value-loaded; and economic analysis (including welfare economics) and economic policy are two different things. It is by confusing these two logically distinct concepts that Nath (1969, p. 131) is led to deny the existence of theoretical welfare economics.

A similar approach to that of Nath is also adopted by Machlup (1969) when he asserts that welfare economics is necessarily normative. “Where the objectives are fully and unambiguously specified, the analysis of the best ways to attain the objectives is instrumental, not normative. But where there is any deficiency or ambiguity in the specification, the analyst cannot provide the answer without (consciously or unconsciously) filling the gaps ad hoc according to value judgments he himself entertains at the moment . . . this kind of economic analysis—welfare economics—is normative” (Machlup, 1969, p. 119, p. 116).

The deficiency in the specification of objectives means that no definite conclusion can be drawn without additional value judgments. Where a conclusion (e.g., a policy or policy suggestion) must be drawn, it is true that value judgment is involved. This is usually true for economists as advisers, though many of the “value” judgments are actually subjective factual judgments. But for theoretical welfare economics, the analysis can go short of making personal value judgments. It is true that for the analysis to go a step further, value judgments are involved, but these judgments may be put in conditional clauses so that the analysis itself is value-free.

Take the example of external effects. The general proposition that, where externality exists, the utility maximising behaviours of atomistic actors will result in a non-Paretian situation, is entirely value-free. However, to derive policy conclusions, a certain value judgment is needed which may be put in a conditional clause: “If the sole objective is the achievement of a Paretian optimum, then a tax should be imposed on X.” On the other hand, in deciding whether to impose a tax on a particular firm A, without definite specification of objectives from outside, the decision is necessarily normative.

From the above discussion, it may be concluded that positive welfare economics exists, but in applying welfare economics to make definite recommendation or policy decisions, value judgments must be involved (either given from outside or being made by the applied economist). However, if
the argument of Section I is valid, economists need not be inhibited from or have an uneasy conscience in making those "value judgments" which are actually subjective judgments of fact.

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References