

# Economic theory and the normative aspects of reality<sup>1</sup>

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**Perspectief: Feestbundel van de jongeren bij het vijftienvig jarig bestaan van de Vereniging voor Calvinistisch Wijsbegeerte** Kampen: J H Kok, 1961, pp. 310-323.<sup>2</sup>

Just like every other science, economics had to mark out its own field of investigation. Now any effort of this kind presupposes a judgement about the characteristics of the field in question; it is only in these terms that a definition of the scope of any science makes sense. Consequently, this judgement is necessary to distinguish those components which will then be viewed to lie *within* the scope of the field so defined, and those which will subsequently be viewed as *lying outside* the field. This implies, however, that contemporary economic science has not been able to establish its own field of research without also adopting a specific attitude regarding both economic and non-economic aspects of reality. The study of economics thus implicitly involves a judgement with respect to the meaning-coherence of *all* aspects of reality, which judgement is naturally of an *a priori* character.

In this essay we shall attempt to examine both components in concrete terms. What then, can be said about the orientation taken in contemporary economic science with respect to the different aspects of reality, and about the *a priori* judgement which has obviously inspired her so to do? First then, we shall attempt to establish how it has made its own judgement with respect to the non-economic aspects. And we shall primarily confine ourselves to the normative aspects of reality. Having done that, we will then consider the question of the position taken with respect to the economic aspect itself.

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<sup>1</sup> Editor's note: The author indicated to the translator, Dr Chris Gousmett, that translation into contemporary academic English was always going to be difficult. The original essay was composed when formal Dutch (Germanic) was expected for such academic discussion: Every care has been taken to retain the original sense and intention even if the resulting syntax is, occasionally, awkward. The author with the translator, and editor/ compositor, begs the indulgence of the reader when the going gets tough. Amendments to the text are of two kinds: some footnotes read "2008 textual addition" indicating an insertion of a phrase into the text; other footnotes read "2008 footnote clarification" in which the author attempts to help latter-day readers by giving a brief explanation of the intended sense of the original. In this translated edition the footnotes appear below the text (see ftn 2 below) and original notes are indicated by bracketed numbers.

<sup>2</sup> The endnotes in the original appear on pp. 322- 323 and so translation does not refer to p. 323.

Our investigation of the relation of modern economic science with respect to the different aspects of reality is from the very beginning hindered by a very specific circumstance. Namely, there exists a divergence - which is not always apparent - between what economists *say they intend* to consider in economic science and what they *in fact find themselves investigating*.

In almost every modern textbook you can encounter the thesis that economics seeks to limit itself to an **aspect** of human activity, the “allocative aspect of choice and behaviour.”<sup>3</sup> But, then, in contrast with this, we indeed cannot escape the distinct impression that in fact economic theory does more than that, namely by attempting to provide an over-all explanation of a distinct type of human activity or a particular form of human behaviour.

Sometimes this even seems to be what is suggested in so many words by the theory itself. It is said that since economics needs to provide insight about the *concrete* results which flow from specific activities, then it must therefore commence its explanation from the “entire system of actually existing preferential options, within which all motives thus come to a complete expression.”<sup>4</sup> But does this not imply a contradiction? When economic theory claims to explain *concrete* human activities in terms of *all* the motives that are present, can we still maintain that economists study only the economic *aspect* of human behaviour? Hence, this seems to confirm the impression that economic science, whenever it is confronted with a concrete human activity in which the economic aspect is not absent, tends to take that activity in its entirety as an object of her study. Or do appearances here deceive us?

As far as we can see, the answer of most economists to this same question confirms this. They usually remind us that it should not be overlooked, that the economic explanation of human behaviour always starts by presupposing a specific constellation of data. Economic science takes specific factors, such as human targets in market behaviour (the so-called “subjective valuations”), the existence of technology, the institutional framework of society, the condition of

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<sup>3</sup> (1) F H Knight. **Economic science in recent discussion**, p. 228. Cited by the eminent Dutch economist P Hennipman, **Economisch Motief en Economisch Principe**. Amsterdam, 1945, p. 393. Hennipman expresses his agreement with this in his comment that “the economic... is an aspect of activity... and certainly an aspect that is present in all or almost all activities.” (this comment is directly translated from the Dutch text)

<sup>4</sup> (2) P Hennipman, *op, cit.*, p. 398.

the natural environment, and so on, as given. That is to say: they leave the study of these factors as such to other sciences. In particular, we note the fact that economic science sees the content of the “subjective valuations” of each economic actor as a given, which valuations can for instance be expressed as a set of utility – or preference - scales .But the study of these ‘givens’, (and the question of why people have these preferences)<sup>5</sup>, belongs to psychology and – in another sense – to ethics. So it seems at first sight, that it is indeed incorrect to suppose – as we did - that modern economics tends to come to a kind of “complete”- or "total" explanation of human economic activities. One could, for instance, point to the fact that the usual economic explanation is fully abstracted from the presumed presence of all ethical aspects of each human act. For economic science surely refuses to pronounce even a single ethical valuation about the content of the preference scales or about the ends of behaviour. The psychic aspect seems to be even more absent: it is the task of psychology and not of economics to explain “why people desire to deck themselves out with diamonds” (Meyers). This orientation can also be expressed in another way: economic theory does indeed not concern itself with human behaviour in its entirety, as such, but concerns itself with the (economic) form, with the *method* of behaviour of economic actors. Economic science, as Lionel Robbins stated, “abstracts in the sense that it leaves aside the specific goal, to which each concrete behaviour is directed, and... considers only that... which all behaviours generally have in common. It abstracts from the *content* and concentrates itself on the common *form* of the activity: the choice between alternatives, in certain relations which exist between purposes and means.”<sup>6</sup> Economic science is thus no more and no less than the “study of forms assumed by human behaviour in disposing of scarce means between alternative uses.”<sup>7</sup> Just because economic theory refuses to provide an explanation of the purposes of any human activity and also refrains from any explanation of non-economic data , it seems to have the right to pose – as most economists argue - that it indeed studies no more than one distinct *aspect* of human behaviour. “It is out of the interplay of the given system of ends on the one side and the material and technical potentialities on the other, that the aspects of behaviour which the

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<sup>5</sup> 2008 textual addition: i.e. "(and the question of why people have these preferences)"

<sup>6</sup> (3) P Hennipman, *op. cit.*, p. 399 ff.

<sup>7</sup> (4) L Robbins. **An essay on the nature and significance of economic science** London 1946 p. 15. Also cited by Barbara Wootton. **Lament for economics**. London, 1938, p. 46. [English cited in the original article.]

economist studies, are determined.”<sup>8</sup> We paraphrase this in these terms: the study of economics occupies itself only with the economic aspect of human behaviour, because it considers all non-economic aspects as caught by its so-called "data circle", the trysting-place of all that is not of an economic nature. The non-economic aspects are seen as covered by the existing data-constellation, so that only the method of choice between alternatives remains to be explained : the “purely economic”<sup>9</sup> aspect of all human conduct.

If this is a valid description of the opinion of the “average” economist – and we do not see how we can adequately address the present difficulties in the discipline without attempting to do so<sup>10</sup> – then there are some questions which must arise. What right has the economist to claim that the form, the method by which an economic choice is made, can be confined to the economic aspect? And by what right is the economist able to posit that the content of the objectives, as such and by definition, lack an economic aspect?

We encounter here an obviously neo-Kantian application of the schema of form and matter. This schema is, according to Herman Dooyeweerd, meant as a “methodical criterium”, by which a proper definition of the fields of research of the different “culture sciences” can be derived. Roughly said it boils down to this, that the specific viewpoint for any “science of culture” should be established by making a distinction between the “content” and the “form” of real phenomena, in so far as this is relevant to the science in question.<sup>11</sup>

So also in economic science, the psychically-interpreted matter of the content of the human activities – for example, utilities and dis-utilities<sup>12</sup> - was placed over against the

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<sup>8</sup> (5) L Robbins. *op cit.*, p. 46.

<sup>9</sup> [Original text includes German: rein-ökonomisch]

<sup>10</sup> (6) The possibility is clearly present that the two options will be reconciled with each other: the first, that economics studies no more than a certain aspect of all economic activities, and the second, that economic theory is an explanation of concrete forms of human conduct with all motives present. These two are only reconcilable through adopting the view that economics studies the concrete forms of behaviour which do not possess more aspects than just that one. This implies that the other aspects of human activity, particularly the purposes of behaviour and the impulses of human activity, must have already found their own place in relation to the data.

<sup>11</sup> (7) H Dooyeweerd. **De Wijsbegeerte der Wetsidee**. Vol. 2. Amsterdam, 1936, pp. 149 ff; **A New Critique of Theoretical Thought**, Vol. 2. Amsterdam-Philadelphia, 1955, pp. 208 - 213.

<sup>12</sup> 2008 textual addition: ie "for example, utilities and disutilities".

specifically logical (identical) form of economic (human) behaviour: the /313/ method of allocative choice with respect to scarce goods. It has been shown by Dooyeweerd that this manner of defining the particular field of research, across all the different sciences, always results in internal contradictions.<sup>13</sup>

These contradictions can be easily demonstrated, if in other cultural sciences (law, sociology) a similar logic is applied. In sociology – to briefly consider that science – a separation between content and form in human behaviour has also been attempted, in order to establish its specific scientific object. But in this case it carries this difference with it, namely, that the *content* of the human acts are assigned to the study of the economic aspect, whereas the actual *form* of human activities is retained for the study of the social aspect. Simmel put it in these terms: “the investigation of the feeling-drives which cause the different forms of social interaction is assigned to social psychology, that of the different aims and interests to which these social forms are serviceable is reserved to jurisprudence, economics, ethics, theology and so on.”<sup>14</sup> In principle, this approach could be followed by ethics as well: it seems quite conceivable, that this science refers to the fields of the social, the economic and of faith, in terms of the ends of human acts, in order that it occupy itself only with the consideration of the (ethical) forms of the given human impulses. Naturally, the work of such specific sciences, in such a division of labor, cannot all be carried out at the same time; we have here encountered what Dooyeweerd calls an “antinomial exclusivism”.<sup>15</sup> It is not without its humorous aspects: each science attempts to reserve for itself the study of the *form* by asserting that the other sciences have to concern themselves only with the matter (for example the content of human purposes). “The material (the content of experience)... was actually... declared epistemologically outlawed, in so far as the ‘pure Rechtslehre’ tosses this content to sociology, psychology and historical science, while ‘pure sociology’ on the other hand refers to the remaining ‘culture sciences,’ and ‘pure economics,’ ‘pure grammar,’ ‘pure aesthetics,’ or ‘ethics’ just as much could provide no sanctuary to the

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<sup>13</sup> (8) H Dooyeweerd, *op. cit.*, Vol. 2, Chapter 3 par 2. (WdW "De modale zin-kern der geschiedenis" pp. 139-159; **A New Critique** "The confusion caused by the application of the form-matter schema", p 208-213).

<sup>14</sup> (9) H Dooyeweerd, **A New Critique**, Vol. 2, p. 210.

<sup>15</sup> (10) H Dooyeweerd. **De Wijsbegeerte der Wetsidee**, Vol. 2, p. 150. [Cf. **New Critique of Theoretical Thought**, Vol. 2, p. 38.]

material of 'historical experience'."<sup>16</sup>

It follows from the above that it is impossible to define the general relationships that exist among the different "culture sciences" by means of the form-content schema. This schema leads, for example, to the situation that both the economist and the ethicist demand of each other, that the other should occupy himself only with studying the purposes or ends of human activity, while both insist that they will limit themselves to the study of the form of the activity in question. In particular we can thus conclude /314/ that obviously the content of the non-economic activities can not so easily be characterized as non-economic as economists generally think, while also the form of the activity, as such, cannot be so easily considered as "pure" economic (German: *rein-ökonomisch*). Otherwise, the other sciences would not so readily have dedicated the study of the content of the acts to economic science, and have attempted to reserve the form of human activity for their own special scientific approach.

According to this same line of reasoning, the relation between economics and ethics, as it is represented in current economic literature, comes down to a sharp division between the two, in which ethics should be content with making value-judgements concerning the (content of the) ends of each human activity. But it is noteworthy that this usual representation of the two realms has also become a subject of controversy within economic science itself. In particular we would mention Macfie's critique of this view.<sup>17</sup> Macfie opposes all those who desire to confer a merely "instrumental value" on the norm of efficiency, and therefore see the economic aspect only in relation to given purposes. He notes that we can desire efficiency as a purpose in itself. Efficiency, as he acutely observes, has in common with all other "values" that it is "at once inherently and instrumentally valuable."<sup>18</sup> Elsewhere, he considers that the question of "how much of each" is certainly characteristic for economics, but that this question is not only an economic one: "actually this question 'how much of each' is *also* a final question – it is one aspect of the ethical question." "In reality," so he argues, "the ends are never given: they merge

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<sup>16</sup> H Dooyeweerd, *op cit*, Vol II, page 209, follows a slightly different translation: "The material (the content of experience) assumed to be grasped in these forms of knowledge, was in fact outlawed..".

<sup>17</sup> (11) Alec Macfie. **An essay of economic value**. London, 1936. See also his **Economic efficiency and social welfare**, London, 1943.

<sup>18</sup> (12) Macfie, **Economic efficiency and social welfare**, p. 114.

inextricably with the process of using the means.” Added to this, he remarks: “Perhaps the dominant reason for the insulation of economic life from moral and social criticism was just the acceptance of economising as a merely instrumental service, a technique which was therefore outside moral consideration. When we decide that efficiency is essentially of full-grown moral stature, we realise that it ought to sustain the full blast of moral criticism.”<sup>19</sup>

We can also draw the conclusion from Macfie’s comments , that the distinction between the ethically-neutral forms of human activity and their economically-neutral content cannot possibly be considered. From the standpoint of the Philosophy of the Cosmomic Idea, such a distinction can indeed be named as nothing other than an impossible construction. An activity, also an activity of choice with respect to scarce goods, includes all aspects of reality: this pertains even moreso for the content of the ends , as well as for the form or the method of the chosen activity. Goal and manner /315/ of activity, content and form of human behaviour, all equally exhibit every aspect of reality, just as much as the behaviour itself. It is impossible to split an activity in two in this way, so that the economic aspect finds itself in the one half, while the other aspects are left to find a place in the other half. Such constructions necessarily lead to antinomies, as we have already indicated.

It is continually emphasized in contemporary economic theory that the form or method of each act of human choice in relation to scarce goods can be identified and studied as if it has an "ethically-neutral" character. This theoretical position can only be understood against the background of the neo-Kantian distinction between *fact* and *norm*, between an (objective) reality and (subjective) values. By removing any idea pertaining to the meaning which comes from the created normative meaning-sides of reality themselves, and by suggesting that these meaning-sides refer only to “subjective” feelings about what is or should be, it became indeed theoretically possible to separate the scientific fact from the whole normative structure of reality, and to dissolve this normative structure into a conglomerate of individual preferences which, as such, has to be placed *over against* the scientific fact. In this schema the ethical norm has been ripped

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<sup>19</sup> (13) Macfie, *op. cit.*, pp 103, 129f. We remark, en passant, , that Macfie is following immanence philosophy in his consideration of “the ethical question” and “moral criticism”, and has obviously something else in view than what the Philosophy of the Cosmomic Idea understands by the ethical aspect.

out of its place in the creational order, and is arbitrarily assigned to the “kingdom of values”. In the prevailing trend of economic analysis this approach has indeed been uncritically adopted . The actual activity of choice – that is, in so far as the activity is viewed according to its (economic) form – lacks the ethical moment, because the ethical and other norms are as (“subjective”) value-judgements only seen to be relevant with respect to the *purposes* of human activity. Their application is, as it were, limited to the field of human valuations. They have nothing to do with the act of human choice *as such*, for the method of choice stands, so to say, on its own, and is separate from them.<sup>20</sup> However, as soon as this humanistic *a priori* is dispensed with, the ethical norm will be liberated from the place arbitrarily chosen for it in the kingdom of values. Then its position as a meaning-defining norm is restored to distinguish scientific fact from the entire normative structure of reality and so it becomes readily apparent that the “logic of economic choice” possesses an ethical aspect from the outset. Moreover, the ethical will then no longer be limited to the purposes of any acts.

From the above discussion we can draw two conclusions. When, with respect to the form of economic acts, the existence of non-economic aspects also have to be acknowledged - as we cannot fail to do - it cannot be the task of economic science to concern itself with the forms of human activity in its totality. Economics *as such* can deal only with the *economic* aspect of the form or method of the activity. Besides that, it follows from what we have said /315/ above, that in its study of the economic aspect of human activities, economic science may not simply exclude these other aspects of these activities as if they were only, or merely, relevant for the purposes or objectives of the activity itself. For these other non-economic aspects may also be very relevant for understanding the *meaning* of the activity itself and of its distinct behavioural form.

We can further illustrate what we have outlined here by giving some attention to the

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<sup>20</sup> (14) When immanence philosophy – and economic science following in this line – speaks of “ethics” or about the “ethical aspect,” it means by that something entirely different from what the Philosophy of the Cosmomic Idea has in mind. The Philosophy of the Cosmomic Idea speaks of that in the sense of the modality of a temporal love-disposition, distinguished from the other law-spheres. Immanence philosophy reverts by speaking about the relation of the “ethical” always to its own philosophical tradition, by which “the ethical” refers to the entire field of “Practical Reason” [*Praktische Rede*]. Human “valuations”, in their entire scope, have usually been seen as ethical in their very nature. In immanence philosophy the ethical aspect is straying far outside its modal “banks” and is interpreted completely subjectivistically.

economic activity of the family. The family is, according to its nature, qualified by the ethical norm; all family activities therefore stand under the leading of the ethical aspect of reality i.e. the aspect of committed love.<sup>21</sup> The same holds of course, no less, for the family's methods of choice. Therefore the study of economic choices which are made by families will remain a closed book for every economist, as long as there is a refusal to take the ethical qualification of the family into account in any analysis of its economic aspect.

Therefore it would clearly be an incorrect methodological strategy to try to establish an impenetrable barrier between the ethical and economic aspects of human activities. We can put it this way: the ethical aspect makes itself known in the economic aspect and it announces itself explicitly in the evaluation of what is economically responsible or irresponsible from the viewpoint of the family<sup>22</sup> Otherwise, it would not be possible to make such a decision. For the meaning of any human activity can never be *enclosed* within the economic aspect; the economic is only one of many aspects of an activity all the aspects of which are, as such, involved in the dynamics of the opening-up process which characterises the activity in question.<sup>23</sup> The economic aspect is thus, as such, fully embedded in the continuous process by which the individuality structures are disclosed, a continuity which, because of its faith dimension,<sup>24</sup> even finds completion within the duration of our earthly existence. How then will we ever be *able* to correctly explain the economic aspect of a real activity, if we seek to completely exclude the question of the *meaning* of the activity from our discussion, and are unwilling to entertain the question of whether and how the "character" of the economic problem changes again and again in conjunction with the study of the economic behaviour of differently qualified societal institutions? To decidedly separate the economic from all other aspects of reality can only be to the detriment of economic science itself because, to put it simply, the activities that are studied

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<sup>21</sup> 2008 textual addition : i.e. "the aspect of committed love"

<sup>22</sup> 2008 footnote clarification: The original text uses Dooyeweerd's formulation of the meaning kernel of the economic aspect in terms of a weighing activity characterised by frugality. The formulation chosen here however is nearer to the original intent of the article

<sup>23</sup> 2008 footnote clarification: In the scheme of modalities of Dooyeweerd's 'General Theory of the Modal Law Spheres', the economic aspect does not stand on its own, but waits, as it were, for its deepening by the modal sphere of justice - does the economic act in question render to others their due?— and even, finally, by the modal spheres of love and of faith.

<sup>24</sup> 2008 textual addition: ie "because of its faith dimension"

are themselves only approachable as given in the meaning-coherence of all aspects of reality. It is not possible to study the economic aspect of an actual activity in isolation from the other aspects of reality, because the economic aspect discloses its proper sense only in connection with these other aspects of the individuality structure of the activity itself.

/317/ In this connection, I would also offer a further comment upon the function of the concept of a "circle of general data" in economic theory. In the course of the development of the science of economics all those factors which one could expect could cause an independent alteration in the final result of economic processes - measured in market prices or market quantities<sup>25</sup> - have been elevated to the status of "data". The "circle of data" thus includes all those factors which, by definition, could create an indeterminate outcome of the course of any economic process.<sup>26</sup> By appealing to the data of this economic process, economic theory can maintain her pretension that she is able to provide "generally valid statements about the *necessary* coherence of conditions [German: allgemeingültige Aussagen über *notwendige* Bedingungsbeziehungen],"<sup>27</sup> because the role of accounting for all the uncertain, non-necessary effects is ascribed to it. As a result, the economic "system" is, however, completely isolated from the "real external world"<sup>28</sup>. Thus we are confronted with an economic worldview that is **closed**. The possible disclosure of the science of economics in any deeper, normative understanding of economic realities would signify, at least for the prevailing "positive economics", only more uncertainty. Therefore, the economic "system"<sup>29</sup> which, according to its nature, lies completely open for disclosure in terms of the further normative aspects of reality, has been slammed shut, in order to come to a closed "*necessary* coherence of conditions [German: *notwendige* Bedingungsbeziehungen]". Any wish for disclosure, from the standpoint of economic theory, is merely the object of individual choice, and so is allocated to the domain of the given "subjective valuations." In other words, the disclosure of the economic aspect of reality

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<sup>25</sup> 2008 textual addition: ie "measured in market prices or market quantities".

<sup>26</sup> 2008 footnote clarification: as soon as a concrete change in one of the data takes place, the theory can predict with certainty, *ceteris paribus*, how it will finally effect the market process. The "data-circle" as it were surrounds the market by eliminating all possible insecurities in the outcome of those market processes.

<sup>27</sup> (15) W Eucken. **Die Grundlagen der National-Ökonomie** Godesberg, 1947, p. 53. Emphasis mine.

<sup>28</sup> 2008 footnote clarification: a kind of laboratory situation has been created

<sup>29</sup> 2008 footnote clarification: the economic reality as it has to be theoretically understood or "explained"

in the direction of other normative non-economic aspects is seen, and considered to be, a matter of the possible *content* of the human acts, which does not touch the (economic) *form* of any economic action. The economic “system” is the form of human economic activities: they are considered to maintain their relationship with the non-economic “spheres” of reality only via any possible changes in the constellation of<sup>30</sup> the economic *data*. Therefore they are, *as such*, also rendered independent and cut off from their proper meaning, which they first received by means of their *direct* disclosure towards the non-economic meaning sides of reality.

In the foregoing we have in principle already answered one of the questions we formulated in the introduction – i.e. concerning the relation of economic science to the non-economic normative aspects of reality. In summary we have seen that, after robbing these aspects of their character in terms of a normative meaning, they were classified as “data,” and in particular classified under the heading of “subjective valuations.” Here we can further add the observation that economists, especially those of a neo-classical background<sup>31</sup>, have not simply assumed these “valuations” as given, but initially introduced them in economic science by construing them in a particular way. In order to make them logically amenable to economic conclusions. /318/ In this way they were first of all brought together under a basic denominator that had been psychologised.<sup>32</sup> Economic theory – with notable exceptions – deals with all human considerations, whether these are directed to family-, state- or business-life in an almost uniform way, for instance by including them under the various categories of “marginal utility”; the law of the equalisation of marginal utilities is seen as equally valid for all kinds of economic choices, regardless of the economic subject. And so it looks as if the entire normative structure of reality is interpreted subjectivistically and hence “compressed together” in the psychic aspect; the content of the activity is interpreted as “psychological material”. Meanwhile, the non-economic normative aspects of reality initially re-appear in economic theory on the subject-side of the psychic aspect.

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<sup>30</sup> 2008 textual addition: i.e. "possible changes in the constellation of"

<sup>31</sup> 2008 textual addition: i.e. "especially those of a neo-classical background"

<sup>32</sup> 2008 footnote clarification: psychologised in the form of a framework of utilities and dis-utilities applied to all those "given" human preferences. .

The question of the relation of economic science to the economic aspect itself is not to be answered separately from the foregoing considerations. In the customary rendering of the economic aspect as the “allocative aspect of choice and behaviour”, we overhear the same attitude concerning the relation between purposes and the form of the activities which previously came up for discussion. The economic problem is here reduced to the study of the “aspect” that arises because of the fact that the choice of one possible allocation of scarce goods blocks the choice of other possible uses under the given subjective preferences. As a result, the economic aspect is thus viewed in purely “instrumental” terms. At most, economic science, can explain *how* something can be performed economically, but it can never explain *what* constitutes good ‘economic’ behaviour.

Just because economic science seeks to explain **how** something can be performed economically, should not lead us to conclude that it wants to define itself as a normative science, oriented to a normative aspect of the creation order. On the contrary, we are here inclined to emphasize that the definition of the economic aspect as the “aspect of allocation” has obviously been chosen in such a way, that it renders the normativity of the economic aspect in exclusively tautological terms. Thanks to the complete elimination of the so-called “technical principle”<sup>33</sup> from the definition of the economic principle, and the strict limitation of economic studies to the question of the use of scarce goods with respect to *various concurrent* purposes, only one situation can now be classified as “non-economic,” namely that in which the economic subject through his behaviour simply “blocks” the use of scarce goods for one of more other purposes for which he also could have made *another* choice. But it is just from those concrete choices of the economic subject, that economic theory derives its ‘data’ - what is given according to economic theory appears from the use of the goods themselves! With that choice of analytical position the overt un-economic, or wasteful, behaviour by economic subjects is simply shut out of the analysis **by definition**. This follows from the fact that choice is unavoidable in economic life, that one allocation has to be preferred above any other, and only the subjects in question are

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<sup>33</sup> (16) The so-called “technical principle” demands the efficient achievement of an already chosen goal; the use itself, as it were, lies already fixed. Hennipman, *op. cit.*, p. 239f. A sharp criticism of this elimination of the “technical principle” can be found in R W Souter "The significance of economic science in recent discussion" *Quarterly Journal of Economics*, May 1933.

allowed to make that judgement for themselves<sup>34</sup>, since they have given a higher value to this allocation than to others. The possibility of a non-economic allocation of goods is thereby abandoned. And any consideration of the normativity of the economic aspect is, in this way, brought down to a tautology<sup>35</sup>. And further, by making this theoretical choice, the problem of the economically-correct allocation has, as such, ceased to exist; after all economic science must limit itself to a purely “positive” explanation of how economic subjects direct their use of scarce goods in reality, without recourse to any value judgements.

Economic science, by adopting this approach, successfully eliminated the normativity of the economic aspect, but this was not achieved without significant losses. The creation order is not so easily attacked. And at this point we return to the question posed at the outset of our contribution. By adopting this narrow positive (or non-normative) explanation of economic facts, economics could not avoid developing into a kind of "totality science", in which every economic fact of human behaviour must be accounted for as subject to a general economic law. This general law requires that one or more facts (B) unavoidably follow from every preceding economic fact (A). This is the notorious “great antinomy” of Walter Eucken, as he had formulated it in 1947.<sup>36</sup> And it was Herman Dooyeweerd who demonstrated that this notorious "great antinomy" is a direct consequence of the claim that social science must be about the search for valid general laws and statements.<sup>37</sup> And on such a basis, it will not be possible for any so-called positive economic theory to overcome the contradiction “between the individuality of economic phenomena and the desire to discover general laws with regard to their connection,” as

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<sup>34</sup> 2008 textual addition: ie "and only the subjects in question are allowed to make that judgement for themselves".

<sup>35</sup> 2008 footnote clarification: That is, economic behaviour is what economists study!

<sup>36</sup> Walter Eucken **Grundlagen der Nationalökonomie** Jena 1947, 2008 footnote clarification: How on earth is it possible to derive general rational laws or universally valid statements about economic choices in a historical reality which is subject to so much change and irregularity? Walter Eucken posits the following approach: “the historical character of (economic) problems asks for observation, intuition, synthesis, understanding, and sensitivity for the individual life; but the general-theoretical character of the analysis asks for rational thinking, analysis, working with abstract models. If it is here with life and there with reason how should it be possible to bring them cooperatively together?” (Author's translation from German).

<sup>37</sup> (17) H Dooyeweerd “De sociologische verhouding tussen recht en economie en het probleem van het zgn. “economisch recht.” In: **Opstellen aangeboden aan de hoogleraren Anema en Diepenhorst** Amsterdam 1949 p. 257.

Hennipman has also observed.<sup>38</sup> For it is only with respect to the economic **norm** that it is possible to speak of a general validity. It is simply not possible to discover generally valid laws by seeking a kind of “lawfulness” within subjective economic behaviour.

Further, there must be serious doubt as to whether positive economic theory can ever be completely successful in its effort to disconnect the normative character of the economic aspect from its theoretical reflections.<sup>39</sup> In its attempt to explain the behaviour of economic subjects, the theory relies upon, and proceeds from, definite presuppositions with respect to the content or the manner by which activities are conducted. Naturally, these premises cannot completely cover the actual activities of economic subjects, due to the existence of the “great antinomy.” For, in so far as the premises do not cover the actual activities, they in fact function as a criterion or norm, by which the individual deviations can be measured.

/320/ We encounter an obvious example of such a rudimentary element of the economic norm in the concept of “rational choice” or “rational behaviour”. In this premise a “rational,” “intelligent,” or “consistent” behaviour among economic subjects is presupposed. Many economists see premises like these as indispensable for the unity of economic theory<sup>40</sup>. Indeed, it should be asked what still remains of the unity of positive economic science when the assertion

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<sup>38</sup> (18) P Hennipman, *op. cit.*, pp. 15, 445.

<sup>39</sup> The theory or doctrine of “welfare economics” is, to a certain extent, an exception to this, in that in this branch of economic science there indeed exists a conscious striving for a normative evaluation. But we should not automatically equate this with the economic norm. The norm used in “welfare economics” usually evaluates maximum economic welfare in terms of the “greatest happiness for all” principle. In the “greatest happiness” principle, we encounter, along with a strongly nominalistic element, the *idée fixe* that the prosperity of a nation at its deepest level is no more than the aggregated sum of the individual preferences of the citizens, which reasoning by the way also betrays an overall commitment to economic functionalism – and this displays the same subjectivistic-psychologistic features which can also be found in the general theory of positive economics. In that variant which goes by the name of the “New Welfare Economics” we even encounter the same analogical separation between the purposes and the method of economic activity which we found present in current Neo-Classical theory. In relation to the production- or allocation-side of the economy, the economist is then seen as being able to give value-free, ethically-neutral economic advice, but should leave the question of how incomes are to be divided to ethicists and politicians. Also here, the ruling opinion is that it is possible to disconnect oneself as economist from “ethical” judgements by preventing economic analysis from being mixed up with questions about the purposes to which economic goods are applied.

<sup>40</sup> (20) As Barbara Wootton correctly stated : “For if the people do not persist in their attempt to get the most out of their limited means, then there can be no such thing as economical action, and the phenomena which the economist sets out to study would lack that essential unity which alone makes them both intelligible and conformable for the generalisations that make up this theory.” *op. cit.*, p. 133.

that activities are rational is no longer accepted as some kind of premise for all human activities.<sup>41</sup> However this may be, the thesis of rational behaviour, or rational choice, still takes a very prominent place in economic science. In our opinion, we can see this presupposition of a rational or consistent behaviour of economic subjects as the economic norm in a logicistic guise. Here the logical aspect has, as it were, taken over the function of the basic “point of reference” in economic science (the “essential unity” of Barbara Wootton<sup>42</sup>) from the economic aspect itself, whereby the logical aspect presupposes its tacit synthesis with the general basic meaning of the economic modality. This position is, of course, clearly connected with the fact that positive economic science previously brought all human purposes under a psychic basic denominator (the so-called utility-calculus). The logical norm of rationality, which in the structural order of the creational aspects follows on from the psychic aspect, now takes, as it were, the true “honours” instead of the economic norm. It is this proposition which replaces the economic norm itself, so that all human purposes are placed in an order of causes so as to make them “intelligible” for economic research.

With respect to positive economic science, from what has been discussed thus far, we can conclude briefly as follows:

- a) Positive Economic Theory has to give up the illusion that it is only explaining the economic aspect of activities, when in fact it is occupying itself with the explanation

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<sup>41</sup> (21) Hennisman, *op. cit.*, in Chapter 10, examines the critical observation that the proposition that the economic activities are basically rational, or the turning of that proposition into a tautology - which practically comes down to the same thing, - and considers it to be hardly an objection. According to his view, economic theory needs to strive for a “differentiation of premises: human motivations must be read off from the real behaviours of economic subjects as accurately as possible and should in this way, as “premises of detail” be imported into economic theory. The description of activities as rational can, as such, and here and there, provide good service as such a guideline, at least when the actual activities of the economic subjects demonstrates a reasonable resemblance with this axiom. But how does Hennisman thereby find the scientific unity for his theory, and where does this “essential unity” lie, from which he can make economic phenomena “intelligible” for scientific research? Without such a unity it seems as if no science is possible. Actually, in our opinion, there remains at this point only *one* possibility: the use of statistics by an appeal to the law of large numbers. When the axiom of rational activities as a unifying factor falls away, it is only through a correlation and regression analysis that one can gain a hold of human behaviour. It is for us a question as to whether the grandiose name “economic science” should still be used for an economic theory which scarcely contains more than a set of statistically based equations which describe *average* human behaviour.

<sup>42</sup> See also footnote 40 (20) above.

of the entire form (or method of choice) of human behaviour. It has either to admit, that its explanation of the forms of human behaviour has the character of a total and full explanation ("a totality-science"), or else it should be willing to deal seriously with its real task, namely with the understanding and explanation of the economic aspect of human activity. This latter means that it needs to look at both the form and the content of activities in their economic aspect.

- b) Positive economic theory shall have to break through the specific methodological wall of separation which still exists between the ethical and the economic. Surely, this absolute distinction only exists thanks to a subjectivistic interpretation of the ethical and other norms as loose criteria for the individual subjective valuation of human purposes. If this humanistic *a priori* is abandoned, then there appears to be an unbreakable connection between the economic and the other normative aspects of reality, so that these other aspects announce themselves *in* the economic.
- c) Positive economic theory is finally in need of recognising the normative disposition of the economic aspect, which the positive Neo-Classical thought could only disconnect from its theory by means of a complete tautologising of the question of economically-correct allocation, and at the cost of introducing the "great antinomy."

From the foregoing it follows, that a normative economic science must above all claim the economic norm as its only permissible "point of reference" without losing sight of the fact that the economic norm can only unfold its proper meaning in the midst of, and as it is also opened up in accordance with, the other normative aspects of reality. For the economic aspect is only one aspect of actually existing individuality structures, which also have to be disclosed to the other (normative) aspects of reality. The economic activities of a family<sup>43</sup> can, for instance, never be separated from the ethical qualification of the family structure, as the positive theory, via the detour of psychologism, has tried to achieve. Likewise, in economic activities, where the

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<sup>43</sup> (22) The economy, as such, has nothing to do with *psychical* actions and needs, but only with *economic* ones. It is therefore meaningful in the economic aspect to refer not only to needs and actions of individuals, but also to and actions of social institutions or *communal associations*. We can compare this with the question of the "juridical personality" in law. H Dooyeweerd **Dictaat Encyclopaedie der**

authority of the government is involved, we must bring the public-juridical qualification of the state community directly into consideration, because the special meaning of the political measures and activities is always firstly "concerned" with the general interest according to the public-juridical aspect. The physical-chemical<sup>44</sup> reactions within a living plant always stand under the leading role of, and are disclosed by, the life aspect, by which the plant is qualified. We can say further that the "inner" life of a plant cannot be understood or explained without taking its qualifying function into account. In a similar way, we can say that the economic responses of the different social individuality structures (whether natural bonds or organized communities) need to be regarded as standing under the leadership of, and hence disclosed by, the aspect by which this social form or organisation is qualified. Alongside the scientific branch of business economics there is, for instance, surely an (analytical) space for a separate branch of family-economics and public economics (the economy of the state). These interstitial -sciences look even indispensable for every economic theory which would explain economic phenomena in normative-causal terms.

/322/ In a normative theory we shall also be able to again breathe new life into the concept of economic value. The psychologistic turn of the present-day concept of economic value brings insoluble problems into economic theory. Vleeschhouwer's treatise has demonstrated this in a brilliant way.<sup>45</sup> Economic value should be seen as the outcome of a normative assessment or equalisation of the various services of economic goods in a schema of saving frugality.<sup>46</sup> What is more, any concept of economic value concept must be connected with the normative structure of

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<sup>44</sup> . Goudzwaard has *psychical*-chemical, but only *physical*-chemical can take place within a living plant.

<sup>45</sup> (24) J E Vleeschhouwer. **Economische Rekenvormen**. 2 Vols. 's-Gravenhage 1949. Vleeschhouwer demonstrates that the chasm between psychic utilities and feelings, on the one side, and the objective-economic phenomena, on the other, is an unbridgeable one. We can compare this with the remark of Dooyeweerd, that "the different aspects of reality... cannot be subsumed under the same scientific denominator... it is scientifically meaningless to state that... economic valuations are 'caused' by feelings of pleasure or pain, for the aspect of feeling of society is fundamentally different from the jural or the economic aspect." "Grondproblemen der Sociologie". *Nieuw Nederland*, 8 April 1948. [Translation cited from H Dooyeweerd. **Roots of Western Culture**. Toronto: Wedge, 1979, pp. 212-213.] Also on the basis of the foregoing the opinion of Van Doorn in his **Axiologie en Economie**, p. 75, that characterising the meaning kernel of the economic as the weighing of values in a frugal way ( the Dutch text speaks here of "waardenafwegende besparing) is only another formulation of the second law of Gossen (the law of the levelling of marginal needs) and not a particularly fortunate designation. See A van Doorn. **Axiologie en Economie**. Franeker, 1960, p. 75.

<sup>46</sup> (25) H Dooyeweerd. **Dictaat Encyclopaedie Rechtswetenschap II**, p. 18.

any social community's evaluations. However, it would be already a significant move away from the prevailing tendency in economic theory if we were willing to begin to speak in economic theory of a specific family-value of economic goods, of a specific business value and a specific public (state) value. Without such differentiations, the concept of economic value seems to be doomed to perpetual unfruitfulness.