

The Relationship Between Normative and Positive Economics in Keynes, Friedman and Popper¹

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Abstract

This article's point of departure is John Neville Keynes's definition of normative and positive economics. It explores Keynes's view on economic epistemology, and especially its originality with regard to the epistemological views of other British economists in the nineteenth century. It also examines the relationship between positive and normative economics in the works of Friedman and Popper. Friedman held a disparaging view on normative economics, considering the progress of positive economics the only way to advance in the resolution of disagreements on normative questions. I challenge this position, asserting that his arguments do not fully support the view he espoused. I also show that Popper's contributions to economic epistemology have considerable similarities to Keynes's view. Popper considered the development of an adequate framework for normative economics to be the main stepping-stone to the resolution of normative discordances. I discuss some of Popper's contributions to the elaboration of such a framework.

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Positive and Normative Economics in Keynes

This article takes the distinction between positive economics and normative economics found in John Neville Keynes's seminal book, *The Scope and Method of Political Economy* (1891, pp. 34-35), as its point of departure. The historical origins of the positive/normative distinction in economics are older than Keynes, being found, among others, in Mill (1838), Senior (1852), Cairnes (1857), Walras (1874) and Sidgwick (1885). This article focuses on its Keynesian formulation, since, other than its highly systematic character (Mongin, 2018, p. 159), it offers a number of advantages that other formulations of the same distinction do not.

Keynes emphasizes the importance of distinguishing positive from normative

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economics, since “the attempt to fuse together the inquiries into what is, and what ought to be, is likely to stand in the way of our giving clear and unbiased answers to either question” (1891, p. 47). He maintains that among these branches of political economy, positive economics is not the only scientific one:

[A] department of knowledge does not necessarily belong to the category of art, as distinguished from science, simply because it is concerned with what ought to be. Logic and ethics are both [...] sciences, although they are concerned with right reasoning and right conduct respectively (1891, p. 35).

We must nonetheless remember that Keynes's differentiation within economics is "ternary rather than binary" (1891, p. 32), since positive economics and normative economics are not, in his view, the only branches of economics. He also emphasizes the need to distinguish a third branch, the art of political economy, which constitutes “a system of rules for the attainment of a given end” (1891, p. 35), which “seeks to formulate economic precepts” (1891, p. 36). Since, for Keynes, economics is primarily concerned with material wealth (1891, p. 2), it is merely a “department of sociological speculation” (1891, pp. 13-14). He makes a distinction between normative economics and the art of political economy because, for him, normative economics studies ideals from the limited perspective of economics, whereas the art of political economy should take into consideration not only the teachings of positive and normative economics, but also those of other social sciences (1891, pp. 72-80). However, since the marginalist or subjectivist turn, economic thought no longer focuses on the so-called material aspect of human life: it is interested in individual or social action in all its dimensions, as long as that action embodies a choice and insofar as it is consciously carried out.

Many works, particularly from sociology (Bourdieu, 1996, 2000), have criticized the so-called limited character of rationality in economic theories. According to these works, economics reduces the multidimensional character of human actions to the sole quest for material wealth. Keynes's definition of the vocation of economics seems to lend support to such criticisms. However, if this narrow Keynesian definition is rejected, economics can no longer be considered a narrow branch of sociological speculation, and it becomes difficult to define the precise role it should play within the social sciences. More specifically, it becomes difficult to explain why economics itself should not perform tasks that other social sciences do. For example, economists have a

long history of studying political institutions, including the state: constitutional political economists have been studying political and legal structures in positive and normative ways for decades (Buchanan, 1986; Desmarais-Tremblay, 2014). Even in modern macroeconomics, economists do not study social phenomena from the limited perspective of material wealth; think of the World Happiness Report and the Human Development Index, both developed by economists, and the considerable broadening, in recent decades, of the notion of GDP (“The Trouble with GDP,” 2016; “Kicking the GDP habit,” 2019).

In order to maintain the category of the art of political economy, we should adhere to the narrow definition of economics predominant in the nineteenth century, even though such narrow definitions are incompatible with how economics has evolved since Keynes. Distinguishing between normative economics and the art of political economy is therefore no longer necessary. Normative economics cannot be considered as simply proposing ideals or frameworks that allow us to evaluate the (un)desirability of various economic situations. It should, moreover, explain how what it considers desirable can be achieved. Researchers working on normative economics, such as Mongin (2006, p. 23) or Sen, see both evaluative and prescriptive approaches as part of normative economics. Evaluative and prescriptive dimensions are closely entangled in various theoretical frameworks within normative economics, such as in the reformulations of Sen's capability approach by Nussbaum and Putnam (Putnam, 2012, pp. 118-120), and in the theories of justice proposed by Rawls (1971), Roemer (1993, 1996) and Sen (1990, 2009).

Despite this shortcoming in Keynes's epistemological framework, it remains the starting point of this article. While his distinction between positive and normative economics is not original, separating the two *and* considering *both* as scientific is indeed very original.

Two Distinct Versions of the Separatist View

Regarding economic methodology, Su and Colander emphasize the similarities between Keynes and Mill, speaking of a Mill-Keynes methodological tradition (Colander & Su, 2014). From this perspective, they defend the analytical interest in demarcating positive economics from the art of political economy, thereby assimilating normative economics into what they call the art of political economy. This position is problematic for two reasons:

- (1) In her earlier work, Su (2012, p. 381) observed that what Colander calls the art of political economy is more frequently called normative economics by economists such as Stiglitz (1988, pp. 13-14). Since I agree with this observation, if one of these terms must be assimilated into the other, it is the art of political economy which should disappear, especially since its presence in Keynes relates to an outdated definition of the vocation of economics.

- (2) In describing normative economics as a scientific discipline, Keynes differs sharply from his British predecessors, who, in methodological reflections written before Keynes's book, considered normative studies to be non-scientific (Mongin, 2018, pp. 155-158). But for Keynes, the fact that normative economics maintains its autonomy as distinct from positive economics does not make it subjective. As Mongin observes (2018, pp. 159-160), Keynes breaks from his British predecessors in considering normative economics a science, turning instead to continental economic thinking, especially the German Historical School.

This important observation highlights that Keynes's position is also very different from that of Robbins (1932) or Dasgupta (2009), for whom the study of positive facts should be demarcated from that of norms and values, but they defend this separation in the pre-Keynesian spirit of classical British political economy, which denies the possibility of studying norms and values in a scientific manner. Su and Colander (2015, p. 158) are right in arguing – in opposition to Putnam (2003/2012) and Davis (2014) – that Robbins and Dasgupta's position is not influenced by logical positivism but by Mill and other classical economists. However, it would be a mistake to maintain complete compatibility between their position and Keynes's. Taking heed of the originality of Keynes's methodological position, it becomes possible to broaden the categories Scarantino proposes (2009), and Su and Colander (Su & Colander, 2013, p. 87) embrace. Scarantino, Su and Colander divide the relationship between science and values into three types: 'naïve positivist', 'separatist' and 'non-separatist' views. I propose further dividing the 'separatist' view into two categories: a Keynesian one that sets the two poles of separation on an equal footing in terms of their scientific standing, and one attributable to Mill and Robbins that does not.

This distinction is important, in that attempts to question the possibility of distinguishing between facts and norms (or values)³, or between the study of facts and the study of norms, have often been motivated by the desire to avoid the detrimental impacts of this distinction. In the past three decades, the distinction has been mainly discussed in terms of the difficulties involved in clearly demarcating the positive from the normative (Rosenberg, 1994/2004; Nelson, 2002; Putnam, 2002, 2003; Putnam & Walsh, 2012), and the fact that economists' normative predilections tend to influence their research on positive economics (Hausman, 1992, pp. 261–262; Hausman & McPherson, 1996, pp. 16–21). Since the separatist view dominating economic methodology has been the Mill-Robbins version, defending it has led to increasing marginalization of the study of norms and values in economics, and to the often-repeated characterization of such studies as merely subjective (Putnam, 2012, p. 111).

I agree with the criticisms of Hausman (1996/2016), Putnam (2003/2012), Hands (2012) and Davis (2014), but only when levelled at the 'naïve positivist' view and the Mill-Robbins version of the separatist view. As soon as the major difference between the two versions of the separatist view is taken into account, one can argue that the Keynesian version by no means leads to downplaying the importance of norms in economics, or to the idea that studying norms is unscientific. Su and Colander (2013, p. 99) are right in maintaining that there are fundamental metaphysical disagreements between the proponents of non-separatist and separatist views, and that these can lead proponents of the non-separatist view to be equally critical of the Keynesian-style separatist view. Still, regarding the consequences of such views on the work of economists, if by criticizing the separatist view, Davis, Putnam, Hausman and Hands aim at revalorizing the study of norms and values in economics, the view Keynes defends can also lead to the same conclusion. For example, Davis's defense of an objective normative economics (1990) is by no means incompatible with the Keynesian separatist view.

It can therefore be argued that it is not because of economists' espousal of the separatist view that normative considerations and studies have been marginalized in economics, but because of their espousal of the Mill-Robbins version of the separatist

³ While Hands (2012) distinguishes between values and norms, Putnam opposes such distinctions and criticizes those who make them, such as Habermas (Putnam, 2012, pp. 121-128). I agree with Hands that distinguishing between them is useful, especially if, by "values", we mean only ethical or epistemic values. However, if we embrace multidimensional definitions of values and norms, making a distinction between them is not necessarily fruitful.

view. Indeed, even if we distinguish between positive and normative economics, the nature of the two poles and their relationship would not be determined by the mere fact of making a distinction between them. The difficulties involved in explaining the exact nature of the relationship between the two poles of this distinction have often generated a temptation: that of dissolving the problem by reducing one pole to the other. More specifically, many economists from very different schools of thought, such as Marx, Mises, Friedman and Dasgupta, have sought to downplay the role of normative economics, asserting that it is mainly by making progress in positive economics that we can advance in resolving disagreements or difficulties that arise in normative economics. The Keynesian view allows us to maintain the distinction between normative and positive economics, without downplaying the importance of normative economics, or recusing its scientific character.

In what follows, I propose a critical appraisal of one of the most influential representatives of the non-Keynesian version of the separatist view, namely Friedman's seminal article from 1953. By critically examining Friedman's position, I show that it is problematic to minimize the role that normative economics must play in resolving normative discordances. I argue that establishing facts, which is the task of positive economics, is necessary but insufficient to deal with competing and antagonistic normative proposals regarding the measures taken to deal with these facts. This section illustrates, albeit negatively, the significance of various theoretical frameworks developed within normative economics, such as welfare economics (Baujard, 2016), the capability approach (Sen, 1993), social choice theory (Mongin & Fleurbaey, 1996)⁴, public economics (Atkinson & Stiglitz, 1980/2015), normative constitutional economics, and various theories of justice.

The final section concentrates on Popper's ideas regarding the relationship between positive and normative economics, and his contributions to normative economics. This is for three main reasons.

Firstly, Popper's contributions to the epistemology of economics have considerable similarities to the Keynesian version of the separatist view⁵, and allow me to further elucidate the Keynesian view. Secondly, although many have discussed

⁴ Mongin (2002, 2006) offers historical and critical analyses of various approaches within normative economics.

⁵ These similarities can be attested, for example, by the adherence of Mongin to the epistemological visions of both Popper and Keynes (Mongin, 2012, 2018).

Popperian epistemology within the context of positive economics (Hutchison, 1938/2003; Blaug, 1980/1992; Hausman, 1992; de Marchi, 1992; Hutchison, 1994/2003; Backhouse, 1994; Schmidt & Versailles, 2000; Gorton, 2006; Boylan & O’Gorman, 2008), other than Eidlin (2005), Sassower (2006), Agassi (2009) and especially Notturmo (2015), few have discussed his contributions to normative economics⁶. Thirdly, his most important contribution to normative economics – his criticism of the post-utilitarian economic tradition (analyzing normative dispositions through the prism of two concepts: happiness/unhappiness, and more/less utility) – can enrich all the aforementioned frameworks for normative economics.

The final section shows, following Popper, that dealing with normative disagreements regarding society-wide reforms requires adding a third concept to the standard set used in these frameworks: unnecessary unhappiness.

Normative and Positive Economics in Friedman

Unlike other economists, such as Marx and Mises, who dismiss normative economics as subjective and unscientific, Friedman’s subordination of normative economics to positive economics is more nuanced and more difficult to fault. His works on positive economics often focused on very specific topics – not on the functioning of this or that way of organizing society’s entire economic structure. He rarely makes claims, in his positive economic theories, concerning the desirable or undesirable character of specific economic structures. Friedman was a prolific essayist and intervened in various politico-economic issues in the context of the Cold War. However, where he openly defends the market economy – or competitive capitalism as he calls it (1962/2002, p. 4) – as a whole and criticizes alternative forms of economic organization, such as centrally planned economies, he often argues in favor of his positions on openly normative grounds, arguing that no normative ideal should be valorized more than

⁶ This is probably because few have paid enough attention to Popper’s most important contribution to social science, *The Open Society and its Enemies (OS)*, perhaps assuming that his positions are similar to those in *The Poverty of Historicism (POH)*. However, although they were published in quick succession (*OS* in 1945, and *POH* in 1944-5), more than two-thirds of *POH* was conceived in 1919-20 and written in 1935, long before *OS*, leading to significant differences. Assuming they say the same thing, most scholars focused on the much shorter *POH*, overlooking parts of *OS* with no equivalent in *POH*. In chapter 24 of his autobiography (Popper, 1976, pp. 130-137), Popper recounts the historical context of the writing of these two books and, somewhat bluntly, states that "The Poverty of Historicism is, I think, one of my stodgiest pieces of writing" (ibid., p. 130).

freedom. Unlike Marx in *Capital* or Mises in *Human Action*, he does not deploy purely positive lines of argumentation to render his normative positions plausible.

These nuances notwithstanding, Friedman does argue, most notably in his seminal article, *The Methodology of Positive Economics*, and elsewhere (1962/2002, pp. 23-24; 1967, pp. 86-87), that it is not so much the development of normative economics as the further development of positive economics that can resolve normative disagreements (1953, p. 6). This article has exerted a huge influence on twentieth-century economic thought (Mäki, 2009, p. 47; Hausman, 1992/2003, p. 162; Rodrik, 2015, p. 25). Many books and articles have discussed its theses⁷. However, with the exception of the final chapter of Hirsch and de Marchi (1991, pp. 270-297), articles by Serrano and Zamora Bonilla (2009), Mongin (2018) and Hands (2012), and few pages in Blaug (1992, pp. 131-134), almost no commentary has scrutinized Friedman's way of defining the relationship between normative and positive economics. Even Colander laments the lack of attention paid to the art of political economy in Friedman's article (1992, pp. 191-198), without saying anything on his proposals on normative economics. This suggests that Friedman's definition of the relationship between the two branches of economics, unlike his methodology of positive economics, is agreed upon by many contemporary economists⁸.

Friedman's point of departure is Keynes's distinction between positive and normative economics. He considers it both possible and desirable to study economic phenomena independently of normative dispositions (1953, p. 4). It is therefore necessary, he argues, to find a criterion that allows us to ascertain whether positive theories are free from normative prejudices. For Friedman, it is the capacity of theories "to predict the consequences of changes in circumstances" (1953, p. 39) that can enable us to distinguish genuine positive theories from those impregnated with normative prejudices (1953, p. 4)⁹.

⁷ Including Blaug (1980/1992), Caldwell (1982/2003), Hirsch & de Marchi (1991), Hausman (1992/2003), Hammond (1996/2005), Mäki & Friedman (2009), Ruger (2011) and Cord & Hammond (2016).

⁸ For example, Dasgupta's manner of defining the relationship between positive and normative economics (Dasgupta, 2009) is very similar to Friedman's, most notably when he maintains that "The real, all-things-considered normative advances that have been made in the subject are due to an improved understanding of social and ecological facts, not to continual reflections on the meaning of poverty or distributive justice, or even of development" (ibid., p. 584).

⁹ Explaining exactly what Friedman means by prediction is not easy. While, at the start of his article, his use of the term suggests he considers the predictions of economic theories to be rather straightforward, in the remainder he insists on the need to isolate "the features that are

Having established prediction as the criterion that demarcates positive from normative economics, Friedman argues that it is in fact normative economics that depends on positive economics:

Any policy conclusion necessarily rests on a prediction about the consequence of doing one thing rather than another, a prediction that must be based – implicitly or explicitly – on positive economics. [...] differences about economic policy among disinterested citizens derive predominantly from different predictions about the economic consequences of taking action – differences that in principle can be eliminated by the progress of positive economics – rather than from fundamental differences in basic values (Friedman, 1953, p. 5).

Behind Friedman's assertion is the idea that if we want to achieve a desired state of affairs, x , we often need to undertake a series of actions, say y and z . Knowing that it is by undertaking y and z that we can reach x depends not on normative but on positive economics. He therefore has in mind the relationship between means and ends. It is true that once we set ourselves a goal, we should then rely, in part, on the teachings of positive economics to facilitate its realization. However, this simply means that *achieving* our goals depends on positive economics, and not the choosing of goals themselves. Friedman is aware of this objection, and proposes an argument also found in Mises (1949/2008, p. 182): “superficially, divergent views ... seem to reflect differences in objectives” (Friedman, 1953, p. 6), but they are in fact caused by different judgments about positive facts. If, for Mises, this statement is particularly true of the Western world, Friedman considers it to be valid apropos of *disinterested citizens* in the Western world, and especially in the US (1953, p. 5). Friedman is conscious of the rhetorical character of this assertion: what does “disinterested citizen” really signify, especially in the context of post-utilitarian economic thought? He argues that the assertion's veracity should be judged by means of positive economics or, as he puts it, “on the basis of empirical evidence” (1953, p. 6).

crucial for a particular problem” (1953, p. 36), which would allow us to determine whether a theory's predictions “are good enough for the purpose in hand or ... are better than predictions from alternative theories” (41). In other words, what a good prediction is “depends on the problem” (36) being discussed. This rather pragmatic interpretation of prediction in economic theories is the strongest evidence from the article supporting the pragmatic interpretation of Friedman's methodology of positive economics as maintained, among others, by Hirsch and de Marchi (1990, p. 3).

Mises defends this thesis based on the contestable idea that all major political parties in the Western world promise the same end to citizens: that of making them more affluent (Mises, 1949/2008, p. 183). Friedman does not even mention the ultimate goal that supposedly lurks beneath all others. He does provide one example: the goal of achieving a “living wage for all” (1953, p. 5). Yet, as he says himself, this statement is ambiguous: what does “living” exactly mean? Given its ambiguous character, it is impossible to verify his statement empirically. Moreover, at the time Friedman was writing this article, there were numerous Marxist political parties around the Western world whose ultimate aim was not achieving a living wage, but the “abolition of the wage system” (Marx, 1965, p. 78; Harvey, 1982/2006, pp. 52-54). As such, saying that normative economics depends on positive economics can only be true when dealing with identical norms and goals. As soon as the issue is disagreements over the choice of norms or goals, the choice of appropriate means is no longer the key to finding a resolution.

Friedman seems to concur with this verdict, declaring that in fundamental normative disagreements, “men can ultimately only fight” (1953, p. 5)¹⁰. This shows that when push comes to shove, he agrees that people have major normative disagreements, and that he considers only disagreements over the choice of means, i.e., identical normative aspirations, to be potentially resolvable. This position shows how Friedman, contrary to Keynes, to whom he refers, considers doing normative economics utterly futile. When disagreements arise over the choice of ends, fighting is the only outcome precisely if we do not try to advance a framework that enables us to attend to such disagreements. Proposing such a framework is the main task of normative economics. It is therefore Friedman’s attitude toward normative economics that leads him to consider fighting as the only outcome of normative discordances.

As mentioned above, Friedman worked mostly on sharply delineated topics within positive economics. Still, he wrote extensively on topics related to the Cold War, and when comparing American economic structure and, for example, the USSR’s economic organization, his works on positive economics could not allow him to pass judgment on these issues. Given his attitude toward normative economics and normative disagreements, one might wonder why he even intervened in such debates.

¹⁰ He reiterates the same position in (1967, p. 88) and (1962/2002, p. 24).

In Friedman's principal book on political philosophy, *Capitalism and Freedom*, he puts forward normative positions on a wide range of topics that go well beyond his works on positive economics. He clearly states where his normative predilections lie, insisting on "freedom as the ultimate goal and the individual as the ultimate entity in the society" (1962/2002, p. 5). However, in line with his pessimism toward normative economics, he proposes few arguments to justify his choice of freedom, especially economic, as the most cherished normative ideal. He depicts, instead, how a society that has chosen freedom as its guiding normative principle functions. He does argue, in a couple of key passages, that "the difference between result and intention is one of the primary justifications of a free society; it is desirable to let men follow the bent of their own interests because there is no way of predicting where they will come out" (1962/2002, p. 118; reiterated in pp. 160-161). This argument is very close to Mises's defense of the market economy. Yet for Mises, this argument means that the epistemological criteria used to evaluate the scientific character of economic theories should not be their predictive capacities (Mises, 1949/2008, p. 31). For Mises, most predictions rely on the possibility of conducting laboratory experiments (*ibid.*, p. 863). Given the difficulty of conducting such experiments in economics, he argues economics should adopt a closer epistemological outlook to logic and mathematics than to natural sciences (*ibid.*, p. 32). There is therefore an inconsistency in Friedman's position: in his normative writings, he argues that it is the lack of prediction that renders freedom an appealing and defensible ideal, whereas when it comes to positive economics, he elevates prediction as the principal method of gauging the scientific character of economic theories.

Popper's Critical Dualism

In elaborating his methodology of positive economics, Friedman relied on Popper's epistemological insights. Popper's influence, frequently mentioned by Friedman himself (Hammond, 1988; Hirsch & de Marchi, 1990, p. 6; Friedman, 1992), can be pinpointed at several key places in the 1953 article:

- When Friedman insists that the realistic or unrealistic character of the assumptions of a theory is less important¹¹ (1953, p. 23), and that the main

¹¹ As Mäki emphasizes, it is not clear whether by unrealistic Friedman means "entirely untrue" or "incompletely true or realistic" (Mäki, 2009, pp. 97-101).

scientific criterion is the theory's capacity to predict the future, he partly relies on Popper and the role that the predictive capacity of theories, which exposes them to possible falsification, plays in Popper's epistemology (Popper, 1957/1986, pp. 130-131).

- When Friedman insists that factual evidence can never be used to verify a theory, and that it can at best not falsify it (1953, pp. 9 & 41), he relies on Popper's proposal that all verification is always temporary and negative (Popper, 1959/2002, p. 248).
- To defend the idea that "positive economics is, or can be, an objective science in precisely the same sense as any of the physical sciences" (1953, p. 4) – to defend, in other words, the epistemological unity of all sciences – Friedman relies on Popper's *doctrine of the unity of scientific method* (Popper, 1957/1986, p. 130).
- Friedman follows Popper in insisting that scientific theories and hypotheses are not found by passively observing the empirical world: "the construction of hypothesis is a creative act of inspiration, intuition, invention" (1953, p. 43). Contrary to the merely inductive vision of empiricists, Popper, too, insists on the important role that imagination plays in constructing scientific theories (Popper, 1945/2013, p. 438).

These similarities aside, Popper's most significant contribution to debates on the epistemology of the social sciences and the positive/normative distinction¹², *The Open Society and its Enemies*, advocates not the subordination of normative social sciences to positive social sciences, but the importance of demarcating the two, and developing each of them separately. Popper establishes a demarcation between natural laws and normative laws, that is, between natural and social regularities (1945/2013, p. 55)¹³. Natural regularities are, for him, unvarying or typically varying regularities,

¹² Popper often uses economics as a model for all social sciences (1994, p. 181; 1976, p. 103), and agrees with Hayek's characterization of economics as a "logic of choice" (1994, p. 181).

¹³ He initially maintained that there are two types of social regularity: natural and normative (1945/2013, pp. 64-65), but later changes his position, arguing that all properly social regularities are imposed through institutional mechanisms and are therefore normative. This can be seen most clearly in *Models, Instruments, and Truth* (1994, pp. 154-184).

while normative, or social, regularities¹⁴ are neither: they are imposed through institutional mechanisms and have changed, throughout history, in atypical manners. This can be seen, Popper suggests, in the changing character of social institutions and the laws that they reinforce. Popper defends this position not in an aprioristic fashion (as is the case, for example, with Mises), but based on historical reasons: “it is only after this magical ‘closed society’ has actually broken down that a theoretical understanding between ‘nature’ and ‘society’ can develop” (1945/2013, p. 55). The distinction between natural and normative regularities leads him to defend what he calls critical dualism, a position that insists on the “impossibility of reducing decisions or norms to facts” (ibid., p. 60). As such, “neither nature nor history can tell us what we ought to do. Facts, whether those of nature or those of history, cannot make the decision for us, they cannot determine the ends we are going to choose” (ibid., p. 482). For him, “it is we who introduce purpose and meaning into nature and into history. [...] Facts as such have no meaning; they can gain it only through our decisions” (ibid., p. 483). This means that:

It is necessary to recognize as one of the principles of any unprejudiced view of politics that everything is possible in human affairs; and more particularly that no conceivable development can be excluded on the grounds that it may violate the so-called tendency of human progress, or any other of the alleged laws of ‘human nature’ (1945/2013, p. 401).

Popper, unlike Friedman, does not believe that developing positive social sciences, such as positive economics, will lead to significant progress in resolving normative disagreements. If decisions are not ultimately reducible to facts, and if “everything is possible in human affairs”, then advancements in the study of positive facts will not help resolve disagreements about what decisions to make. Popper's critical dualism draws a clear line between facts and decisions, and therefore between the study of facts

¹⁴ Popper does not exemplify what he means by normative regularities. However, in a 1963 lecture in the Economics Department at Harvard, while discussing the example of a pedestrian who “wants to catch a train and is in hurry to cross a road” (1994, p. 166), he speaks of social or institutional regularities such as “the rule of the road, police regulations, traffic signals” (ibid., pp. 166-167). For Popper, these social or normative regularities manifest themselves through physical bodies (such as traffic signals), human bodies (such as a signaling police officer), and more abstract forms (such as the rules of the road). Such normative regularities, imposed through social institutions, “set limits or create obstacles to our movements and actions” (ibid., p. 167).

and the study of decisions. Yet, if facts and decisions are separate, can we move forward in normative economics while completely ignoring positive facts?

It should be noted that any attempt at transforming a social situation must take into account two elements: the intended goal or end of the transformation, and the fact that any project aiming at transforming a social situation intervenes not in a vacuum, but in an already existing social situation. Being interested merely in the point of arrival, without being interested in the point of departure, is justifiable when the project focuses on a single person trying to transform his or her own life. But when it comes to social transformations, we cannot ignore the specificities of the social situation we want to transform, which encompasses the lives of many people. In this case, we are not the only ones who want transformation: other individuals within this society may have their own transformative plans. In any project aiming to transform a social situation, we must seek all possible information about the situation, ensuring we take into account these other projects; getting to know these projects is part of the positive study of the situation. Attempting transformation while ignoring these other projects and how they are articulated in the existing institutional context represents a potentially totalitarian project, in that it makes the desired goal of one person or a limited group of people the only goal that matters. Avoiding this by seeking to understand the current situation is ultimately a normative choice: studying the existing social situation and not ignoring social facts can be justified by the normative interest in avoiding social projects that aim to achieve the goal of one person, or a limited group of people.

All this presupposes that disagreements about how social institutions should be transformed are open to scientific discussions, and that struggle – individual or collective – is not their only possible outcome. This presupposition is ultimately the most fundamental basis of all work in normative economics. Popper's defense of what he calls critical rationalism emphasizes that normative discordances can be resolved through nonviolent means (1945/2013, p. 431). Moreover, he proposes the general contours of a framework for normative economics that can facilitate the resolution of normative disagreements. I focus on two of his most significant ideas.

The first, sometimes called piecemeal engineering, concerns the scale or reach of normative proposals, i.e., proposals regarding how social institutions ought to be, aimed at modifying existing institutions and the regularities (such as property laws and taxation) they administer. Since, for Popper, positive facts cannot settle most disagreements about norms and goals, and since there are no laws in the social realm

that could guarantee the working out of our proposals (1945/2013, p. 401), we should accept that any norms used to transform existing social institutions can potentially fail to bring about the intended result. Worse still, they can potentially give rise to catastrophic unintended consequences (ibid., pp. 147-151). This is why maintaining a critical attitude when espousing and executing normative proposals is vital. Furthermore, given the possibility of failure, these proposals and the institutional changes they could give rise to should be imagined and applied at smaller scales – bearing in mind that the small-scale Popper has in mind is not *spatially* small but refers to the number of issues addressed by any single proposal (ibid., pp. 148-149)¹⁵.

Popper's second significant idea concerns the concepts we should use in assessing proposals regarding how institutions ought to be. Popper concurs with post-marginalist economic thought in considering happiness and utility as subjective notions. Given the subjective nature of the notion of happiness, finding agreement on how institutions should make people happy is very difficult (1945/2013, p. 442). Although aiming at society-wide happiness is problematic, one can argue that there are forms of unhappiness that are common and not subjective, or at least: "it is easier to reach a reasonable agreement about existing evils and the means of combatting them than it is about an ideal good and the means of its realization" (1945/2013, p. 149). Therefore, in imagining proposals to modify existing institutions, the goal should not be to make people happy, but to ensure that forms of *unnecessary* unhappiness are successfully dealt with. As Popper puts it, "there are no institutional means of making a man happy, but a claim not to be made unhappy, where it can be avoided" (ibid., p. 148). Thus, the aims of any proposal should be shaped by not two but three concepts: unhappiness (suffering), unnecessary unhappiness (unnecessary suffering) and happiness.

Two distinct concepts of unhappiness are necessary because unhappiness is often correlated with happiness. We are often unhappy because we failed to achieve what is needed to be happy. If we speak only of unhappiness in the general sense, then we must accept that the fight against unhappiness requires making people happy. Still, some forms of unhappiness are not correlated with happiness. For example, when hungry, we do not eat to be happy but to survive. The concept of unnecessary

¹⁵ We should recall that Popper considered the creation of an international organization capable of upholding international peace one of the most important normative proposals of our time (1945/2013, pp. 606-610).

unhappiness highlights the specific forms of unhappiness that arise when certain needs are not satisfied. When unnecessary unhappiness disappears, we can embark on various quests for happiness, the failure of which could also make us unhappy. However, such unhappiness is related not to life's essentials but to the quest for happiness, and since happiness is a subjective notion, the ills caused by failed attempts to be happy are also subjective forms of unhappiness. We can therefore say that unhappiness and happiness are subjective notions, while unnecessary unhappiness highlights less subjective forms of unhappiness arising from threats to our survival, for example through lack of access to shelter, healthcare, nourishment, and clean water.

Various scholars have transformed Popper's idea of unnecessary unhappiness into a general ethical standpoint, calling it negative utilitarianism, in order to then criticize (Smart, 1958) or defend (Acton & Watkins, 1963) it. I cannot concur with such a radical transformation of Popper's idea of unnecessary unhappiness, since he defends it only when considering the transformation of social institutions. Such transformations concern many people with different values and definitions of happiness and/or unhappiness. Relying on unnecessary unhappiness is useful in this context, as it restricts the number and type of issues that can enter the purview of public debates regarding social institutions. With evaluations and prescriptions unrelated to social institutions, conflicting perspectives are less common, because fewer people are concerned by such cases, and the definitions of happiness and unhappiness tend to be closer. The dialectical couple of happiness/unhappiness is therefore perfectly adapted to thinking about such private undertakings.

Proposals for society-wide reforms should, on the contrary, focus not on bringing about happiness, but on fighting *unnecessary* forms of unhappiness. Popper argues that having only two concepts leads either to totalitarianism or laissez-faire forms of governance. Proponents of totalitarian forms of politics argue that since no one should be left unhappy, we should make everyone happy, and this "leads invariably to the attempt to impose our scale of 'higher' values upon others, in order to make them realize what seems to us of greatest importance for their happiness" (1945/2013, p. 442); while defenders of laissez-faire governance argue that since subjective criteria of individual happiness should not be infringed upon, we should do nothing about existing forms of unhappiness – even unnecessary forms of unhappiness that could be tackled without invoking highly subjective criteria of happiness/unhappiness. The third concept, unnecessary unhappiness, should be used to seek ends that diminish avoidable

and unnecessary causes of suffering in society, even if this involves imposing some limits on individual choices. It therefore “facilitates the picking out of infringements of liberty” (de Marchi, 1992, pp. 8-9).

Conclusion

I have attempted to show why the distinction between positive and normative economics and their separate scientific development, as emphasized by John Neville Keynes, is important. Friedman embodies a different tendency, wherein normative economics is subordinated to positive economics, and the latter’s development is considered the only method of advancing in the resolution of normative disagreements. My critical analysis of his position illustrates the failure of his attempt at downplaying the role of normative economics in settling normative disagreements. The Keynesian position was further developed by analyzing the relationship between normative and positive economics in Popper’s writings. Popper’s contributions to normative economics, combined with other theoretical frameworks within normative economics, could facilitate the resolution of diverging proposals, especially when it comes to reforming social institutions.

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