It’s Not Bad to Have Limits, as Long as You Know Them: What the Aristotelian Tradition Can Offer Economics

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Abstract: Economics can learn much about its limits from the Aristotelian tradition, which describes aspects of choice behavior which cannot be precisely modeled. This article argues through three propositions that economists cannot understand the limits of their modeling approach for normative work unless they engage with more comprehensive accounts of human decision making, like the account offered in the Aristotelian tradition. An awareness of the limits of economic modelling can have two desirable effects: it can bring some clarity to the confusion of terms which plagues discussion between economists and non-economists, and encourage economists to advocate more effectively for those insights of their models which are least dependent on unrealistic assumptions. JEL Codes: B40, A11, D63

Microeconomics roots its analysis of markets in an account of human decision making. Even while emphasizing the unintended nature and structure of markets, economists begin the story of that unintended order with the intentional actions of self-directed agents. In its desire to root its analysis in human choice, economists overlook an ally in the Aristotelian tradition. The first line of Aristotle’s Nicomachean Ethics begins with an observation which, although phrased in unfamiliar language, ought to alert any economist to the presence of a potential philosophical partner: “Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good” (Aristotle, 1941, 1.1). Aristotle, like economists, begins with human agency: people are trying to achieve something they think good when they act. But what sort of ally is the Aristotelian tradition? The alliance between Aristotle and economics faces some formidable barriers. Aristotelians and economists give an account of human choice in the pursuit of different goals. Aristotle’s descriptive and analytical exploration of human behavior is the foundation of a normative political theory: to discuss what sort of politics is best for human beings, we must understand what happiness is and how people pursue it (or fail in their pursuit). Economists, in contrast,
are methodologically committed to purely positive goals, predicting and explaining observed choice behavior; they loudly eschew the grander normative goals of discussing what happiness is and how societies ought to pursue it.

Because economists are purportedly interested in purely positive goals, they are less bothered by any descriptive gaps between their models of human choice and actual human choice. The Aristotelian account of human choice cannot afford the luxuries of simplification, however; its normative goals—to reflect on what is good for actual human beings—require that it describe human beings and their choices as they actually are. At least it must give the most accurate account it can, since its goal is to inform a politics for real people. What makes the Aristotelian account potentially valuable to economists is its ambition to explain human behavior in a comprehensive way, open to every relevant aspect of decision making, without simplifying.

Is it possible that there can be mutually beneficial exchanges between self-consciously positive economics and self-consciously normative Aristotelian moral philosophy? Possible fruitful exchanges fall into three categories:

1. **Economic concepts incorporated into Aristotelian moral philosophy.** Aristotelian accounts of decision making might be improved by economic insights, particularly insights into what Sen (1987, p. 8) calls “the nature of social interdependence.”

2. **Aristotle as a source of hypotheses for positive economics.** Economists are always on the lookout for new hypotheses, provided they can be tested against other hypotheses.

3. **Aristotelian insights into the limits of economic models.** What are the limits of the economic model of decision making? What can it not capture? In light of these limits, where does economics fit into the conversation about the organization of society?

I do not wish to denigrate the first two sorts of exchanges, but I believe that the third exchange is undervalued and underresearched. The Aristotelian tradition, because it offers a comprehensive account of human decision making and action, forces economists to confront those aspects of choice which cannot be precisely modelled, and warns us that crucial understanding can be lost in too precise a formulation: “our discussion will be adequate if it has as much clearness as the subject admits, for precision is not to be sought for alike in all things” (Aristotle, 1941, 1.1). The
challenge of Aristotle’s claim for economists is twofold. First, he claims that there are limits to what precision and rigor can accomplish in the analysis of human choice. Any well-trained economist will treat this as a modeling challenge: economists are not particularly interested in capturing every aspect of human decision making in a formal model, but they suspect that they could, given time and the incentive of some conceivable payoff in better prediction and explanation. Yuengert (2012) is a response to this implied Aristotelian challenge; the body of the book documents what an optimization model of behavior can and cannot capture.

Once the limits of the economic model are accepted, a second challenge presents itself: should economists think any differently about their models, knowing that those models cannot hope to be comprehensive descriptions of human behavior? The final chapter of Yuengert (2012) takes up this challenge in a preliminary way; this paper summarizes and expands on that chapter. The thesis of this paper is that economists ought to be wise about the applications of economics—aware that there are important human experiences and behaviors which fall outside of economic models, even as they push those models to their limits, and into new areas of human behavior. The current obliviousness of economists to the limits of economic modeling leads to predictable confusions between economists and non-economists; wisdom about the limits of economic modeling can set the stage for a more fruitful engagement between economics and other disciplines. Such an engagement can increase the impact of economic insights on policy, by placing those insights in proper normative perspective.

The Aristotelian tradition of moral philosophy ought to be of particular interest to Christian economists seeking a normative perspective on their work. Of course, those in the Roman Catholic tradition (and that part of Anglicanism which draws from the same intellectual tradition) will find the Aristotelian categories familiar, since they inform much of Catholic moral thought. Those from other Christian traditions may still find much that is of interest in the Aristotelian tradition: the concepts of virtue and vice, an analysis of the nature and purpose of reason, and systematic reflection on the purpose of community and state. Of course, this tradition cannot be adopted wholesale and without change for Christian moral reflection—indeed, it was not uncritically adopted by Aquinas—and it is conceivable that other philosophical systems can serve as useful jumping-off points for Christian moral reflection (John Paul II, 1998).
1. Three Propositions, Constituting a Kind of Wisdom for Economists

Part of wisdom, according to Socrates, is to know that there are things which you do not know (Plato, 1999, p. 519). Economists, if they want to be wise, should explore the territory beyond their technical models, acknowledging that the full adventure of human choice in society is sometimes invisible through an optimization lens. That full reality of human choice is the purview of philosophies of practical reason, like Aristotelian ethics. The implications of the limitations of economic modelling are traced out in the following propositions, from Yuengert (2012, pp. 161-162):

1. Normative work, with its evaluation of social outcomes involving choice and human wellbeing, requires a comprehensive, realistic account of the nature, purpose, and meaning of human decision making and wellbeing.

2. The economic model of choice cannot capture everything relevant to human decision making. Certain aspects of human choice will always be beyond the reach of the economic model.

3. Normative claims based on economic models of choice must exclude aspects of human choice which are crucial for normative work.

The next three sections will consider these propositions in turn.

A. The Inadequacies of Positive Economics as a Foundation for Normative Work

Economists are famous for claiming that realism is not important for positive work, but they do not fully explore the consequences of unrealism for normative work, in which realism matters crucially. Economists do not have to accept a need for realism in positive modeling to acknowledge that unrealism can be a shortcoming of a normative model. To make this point clearly, let us begin with the economic approach.

The standard economic model of choice is optimization subject to constraints. People have single value objective functions (or a set of preferences which can be represented by a single-value objective function), and choose from among their available options to maximize the objective function. The rational choice model can be applied quite broadly, to capture insights from the economics of identity (Akerlof & Kranton, 2005), time-inconsistency (Laibson, 1997), altruism (Stark, 1995), and reciprocity (Sobel, 2005).
If the goal of the optimization model of choice were to describe actual choice, then the descriptive shortcomings of this model would become immediately relevant. As any economist will tell you, however, descriptive accuracy is not the primary methodological goal of economic analysis. The primary goal is prediction and explanation of observed behavior, and the consequences of that behavior for prices, production and consumption, and institutions. Nevertheless, positive prediction/explanation is only one of the public uses to which economics is put, even by economists. The primary public use of economic analysis is the evaluation and shaping of public policy. It is in the public applications of economics that the question of descriptive accuracy becomes most relevant.

The positive economic account of decision making begins not with the assumptions of a model, but with the conviction that there is something to predict and explain. An economy endowed with resources, technology, and agents somehow transforms these endowments into observed patterns of production, consumption, prices, market structures, and institutions. These observed patterns \( O \) are the things to be explained. A crucial part of economic reality is the actions of individuals—of self-directed human agents who seek their own ends as individuals and as groups. This network of intentional interacting agency is not the primary thing to be explained in positive economics, but it is assumed to be part of the economic process.

To predict and explain the observed outcomes of economic activity, economists make assumptions about how the agents in the economy direct themselves and their resources toward their ends, and how their interaction brings about observed outcomes. We can represent any particular model \( i \) by the assumptions \( A_i \) it makes and its predicted outcomes \( \hat{O}_i \). Let the distance between \( O \) (the observed outcomes in the economy) and \( \hat{O}_i \) be \( D_i \). \( D_i \) may be the value of a loss function—the expected costs of mistaken prediction. It is a crucial measure of the value of a model, but a model \( i \) and its assumptions \( A_i \) may be evaluated in two additional ways: by how simple (parsimonious) it is (let \( P_i \) measure parsimony) and by how unrealistic it is—how great the distance between assumptions and reality (let \( U_i \) be a measure of unreality).

The positive goal of economics is to reduce the distance between its predictions and observed outcomes \( D_i \), while keeping the assumptions \( A_i \) simple (keeping \( P_i \) small). Models which have smaller \( D_i \)'s and \( P_i \)'s are preferred explanations for observed outcomes. According to this methodological account, the distance \( U_i \) between the assumptions of a model \( A_i \) and the reality of decision making—the nature of human agency,
values, and social interaction which generate the observed outcomes—is irrelevant. Friedman (1953) famously asserted that economists are methodologically instrumentalist: preferences over models are lexicographic over predictive accuracy $D_i$ and parsimony $P_i$. Unrealism $U_i$ does not enter into the evaluation of positive models. If more realistic assumptions lead to better predictions then realism is preferred—not for the value of realism per se, but for its payoff in prediction. Economists are quite willing (even compelled) to choose model $i$ over $j$ when $U_i > U_j$, so long as $D_i < D_j$. It is quite possible (even likely) that $U_i$ will have to be large in order to generate small values of $D_i$ and $P_i$.

It is not the purpose of this paper to critique this account of economic method. It has borne fruit in understanding of the economy, and those who adhere to it have created a ferment of creative analysis: behavioral economics, experimental economics, and innovative extensions of mainstream approaches. Nevertheless, the admission that economists ignore the realism of their models in most of what they do is an important premise in the argument that positive economic models are inadequate to non-positive tasks. One of the principal uses of economic analysis is to inform policy work, and the unreality $U_i$ of a policy model is crucial to its evaluation.

A model which is good for policy must of course be a good positive model. $D_i$ matters: a model which fails to predict prices, quantities, and institutions well will not serve policy makers well. Nevertheless, predictive accuracy is not enough for policy. Since the goal of policy is to benefit people as they actually are, a model which is based on a truncated account of human wellbeing and behavior provides an imperfect foundation for policy. $U_i$, the distance between the assumptions of a model and actual human agency and values, matters as well.

Both $D_i$ and $U_i$ matter for normative evaluation. Moreover, the two magnitudes are not monotonically related; $D_i$ is not a good proxy for $U_i$. Economists widely acknowledge the proposition that

$$U_i < U_j \not\Rightarrow D_i < D_j .$$

A model that is less unrealistic (whose assumptions are closer to reality) does not necessarily make more accurate predictions. A related proposition should likewise be uncontroversial:

$$D_i < D_j \not\Rightarrow U_i < U_j .$$
A model which makes more accurate predictions of observed outcomes is not necessarily a more realistic model. If both $D_i$ and $U_i$ matter for policy, and if $D_i$ and $U_i$ are not monotonically related, we will have to know something about $U_i$ to judge the value of a model as a basis for policy analysis. To make judgments about the magnitude of $U_i$, we need an account of the reality of decision making and human values.\(^3\) Because the economic model is intentionally reductionist, it cannot serve as an account of the reality of decision making.

**B. The Unbridgeable Distance between Optimization Models of Choice and Practical Wisdom**

The first of the propositions discussed above asserts that realism matters for normative work, even if realism is irrelevant for positive work. Economic models which embrace unrealistic assumptions thereby render themselves potentially less fit for normative analysis. One possible response to this is to make models more realistic when they are used for normative analysis. The second proposition asserts that there are limits to how realistic an optimization model of choice can be.

This is where the Aristotelian account of decision making becomes relevant to the economic project. We have measurements of the outcomes $O$ which matter for positive work: prices, quantities, hours worked, etc. From these we can make judgments about $D_i$. To make judgments about $U_i$, however, we need an account of what the assumptions of a model are approximating. To judge how much our assumptions veer from the reality of choice, we need a “background account” of human choice. We cannot know how approximately true our assumptions are unless we have some account of what we are approximating. A background account must be comprehensive by method. A positive theory of decision making can be self-consciously simplified and unrealistic, since its goal is not realism but prediction. A background account must embrace everything that is relevant to making a decision, since its objective is a description of decision making simply, not a description of decision making as a means of parsimonious prediction.

An account that attempts to be comprehensive will undoubtedly contain elements considered extraneous by economists, but they are considered extraneous only because they do not serve the goal of parsimonious prediction. We have established in the previous section, however, that models/accounts of decision making which serve parsimonious prediction do not *by that fact* qualify as the best normative models/accounts. The very things which are extraneous from the point of
view of prediction may be crucial to normative analysis. To claim that the best positive model automatically qualifies as the best normative model is to beg the question of what makes a model normatively useful.

Aristotle’s theory of practical wisdom (Aristotle, 1941), interpreted through Thomas Aquinas (1948) and the modern natural law tradition (Finnis, 1980; Bowlin, 1999; Flannery, 2001; Stump, 2003), offers a background account of choice in the concept of “practical wisdom.” “Practical wisdom” is the virtue of making good decisions—decisions which promote an agent’s happiness or flourishing. The Aristotelian account recommends itself as a background account for three reasons: First, because it begins with the claim that all human action “aims at some good,” it should be congenial to economists’ insistence that human agency play a role in social analysis. People in economic models pursue their goals in a reasonable way; practical wisdom is a reasoned deliberation about what is possible and what to do. Secondly, the Aristotelian account is comprehensive. Because it is a pre-modern account, it is not self-consciously simplistic or reductionist, and does not rely on the mathematics of optimization. Practical wisdom integrates the interplay of emotion, reason, and will, the uncertainties of context, and reflection on the good life in community. All of these considerations taken together would make any optimization account of choice intractable; this intractability is itself descriptive of the challenge of decision making, and thus should not be left out of a background account. Thirdly, the Aristotelian tradition makes an argument for its more narrative, comprehensive approach, against what it calls “more precise” accounts. Because there are aspects of human decision making and the decision making environment which cannot be described in precise mathematical terms, a theory that limits itself to quantitative measures promises too much. Understanding can be lost in too precise as well as in too vague a formulation: “For it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits” (Aristotle, 1941, 1.3).

With the Aristotelian model as a background account, it is possible to discern five aspects of human decision making which cannot be fully captured by the economic, optimization model of choice:

The Objectives of Action

Single valued objective functions are difficult if not impossible to construct before a decision is made. Practical wisdom requires reflection on what is good: on how instrumental goods affect the ultimate goods which are the motivation for reasoned action. All of this must be done...
without certainty about how decisions made today will affect happiness, or how competing goods can be compared reasonably. A quantitative model of decision making by definition cannot describe those modes of decision making made necessary by human goals which are difficult to quantify—goals which are not amenable to the sort of comparability which is necessary to evaluate tradeoffs. Someone who is unable to formulate his preferences over goods in a single-valued objective function may not be capable of “rationality,” defined as the optimization of single-valued objectives, but he must nonetheless choose, and exercises his reason in the service of that choice. Those aspects of reason which are made necessary by incomparability among ends, and the inability to quantify them, will not come into focus in an optimization model.

Probability and Risk vs. Contingency

Economists incorporate uncertainty into their models by adding new preference axioms to those necessary for choice under certainty, and assuming that individuals formulate probability distributions over event spaces, in order to preserve the single-valued objective function, expected utility. Most decisions, however, are made in an environment of radical uncertainty, in which the material and social particularities of context render the construction of plausible probability distributions nearly impossible. The Aristotelian account describes the virtues which are necessary for navigating an uncertain environment: docility, shrewdness, foresight, circumspection, courage, for example. These virtues find little place in optimization models, in which virtue lies entirely in calculative ability.

Virtue and Self-management

Practical wisdom is both an intellectual virtue and a moral virtue: it integrates habits of reason with an orientation of emotions toward right judgment about what to do. Economists have recently developed a modelling framework which captures certain aspects of virtue (its habitual nature in Becker & Murphy, 1988, and the internal conflict which makes it necessary in Laibson, 1997), and are exploring the role of virtue in the economy (Heckman, Stixrud, & Urzua, 2006). Nevertheless, virtue in these models is good only insofar as it helps persons to get what they want; these models do not support arguments for virtue as good in itself, as an important constituent of character.
The Synthetic Nature of Choice
Each of the above shortcomings of the economic model (the objective function, the inability to handle uncertainty, and the undeveloped account of virtue) are compounded when combined, and cannot be separated for the purposes of analysis. The economic analysis of choice is analytical—self-consciously simplistic in the pursuit of an understanding of certain aspects of human decision making. This analytical simplification results in powerful engines of analysis, generating valuable insights into decision making. The successes of the analytical approach should not, however, blind economists to the undeniable fact that an analytical model can never fully explain those aspects of decision making which are synthetic. The synthetic nature of decision making highlights its intensely personal nature: a person making a decision cannot attain the neutral ground that analysis affords, and must return from any abstracted reflection to the reality of the decision at hand.

The Social Location of Practical Wisdom
Aristotelian practical wisdom cannot be learned from a book; it is not a set of formulas for moving from a specified initial state to a preferred end state. It is learned through imitation, and through reflection on experience. It is inescapably social. If the exercise of decision making were identical to optimization subject to constraints, then all knowledge of decision making could be contained in manuals and formulas, and skill in decision making would be equivalent to knowledge of how to formulate and solve constrained optimization problems. The economic analysis of tacit knowledge and learning-by-doing is an acknowledgment that the nature of these things cannot be fully specified, although our analysis can take them into account through proxies.

C. Economics Cannot Ground a Complete Normative Theory
This section began with three propositions. The previous subsections discussed the first two: first, that realism about human wellbeing and decision making is crucial for normative work in a way that it is not crucial for positive work; second, that the economic (optimization) model will always fall short as a description of the reality of human decision making and wellbeing. The third proposition puts these two together: positive models based on optimization will always exclude important aspects of human decision making and wellbeing which are crucial for normative work.

Both the first and the second propositions can be easily misunderstood by economists. The first proposition opens up the possibility that
normative work involves something *different in kind* than the optimization of objective functions subject to constraints. Economists acknowledge that something must be added to the optimization framework to make it ready for normative analysis, but the framework itself is assumed to survive the transition from positive to normative largely intact. If normative work involves something different than single-valued objective functions and known constraints—if it is not *in its essence* an optimization problem or the coordination of a set of optimization problems—then the failures of realism have more radical implications. Normative decisions can be informed by, but cannot be founded on, the economic model.

The second proposition is that the economic model *cannot* capture important aspects of decision making and wellbeing. This is stronger than the proposition that the economic model *does not happen* to capture important aspects of decision making and wellbeing. Even as the economic model increases in the complexity of its objective functions and constraints, it fails to converge to practical wisdom as it is practiced by actual decision makers. The normative deficiencies of the economic model are built into its structure. The deficiencies of the economic model of choice lie not in the small number of arguments in its objective functions, or the simplicity of its constraints. The unrealism that makes the optimization model less fit for normative work is its axiomatic foundation, not the simplicity of the optimizing structures which are built on it. The methodological foundations of utility functions, probabilistic knowledge, and lack of internal conflict create the most important normative challenges to the economic model.

Samuelson (2004), a review of the economics of knowledge and learning, provides a useful metaphor for the limitations of economics, and the impossibility of its convergence to the reality of choice. He contrasts the “small worlds” assumption of economics—that agents can list all possible states of the world—with the “large worlds” reality that people cannot list all possible states of the world, and they know they cannot list all possible states. The “small worlds” model does not become a closer approximation of the “large worlds” reality as more states are added to it. A “small world” never becomes an “almost large world.” This failure of the economic model to converge to the reality of decision making and wellbeing is broader than the descriptive failures of information economics; the economic model in its entirety can never be more than a small worlds model of a large worlds reality.

Propositions 1, 2, and 3, if they are accepted, complicate the relationship between positive models and policy analysis. There are aspects of human action in society, potentially crucial for normative
analysis, that cannot be described in an economic framework. Policy is not an optimization problem. To know that there are normatively important limits to economic modelling which cannot be overcome through more complex optimization algorithms is an invitation to wisdom in the application of economics to policy. How should economists think about policy when their models are not sufficient for policymaking?

2. The Fruits of Wisdom about Models

An acceptance of the inherent limits of the economic model of choice as a framework for policy will have two positive consequences. First, an awareness of limits can clear up some of the persistent, vexing confusion over terms between economists and non-economists. Second, this awareness will spur economists to be more effective advocates for economics, because they can develop a more sophisticated awareness of the robustness of economic insights.

A. Confusion over Terms

The acknowledgment of an unbridgeable space between the reality of decision making and economic models of decision making sheds new light on some of the communication challenges economists experience with non-economists. Every economist has had the experience of talking to non-economists about economic behavior, markets, or policy, and being misunderstood. Often, our non-economist friends use terms and concepts which appear to be closely related to the terms and concepts we use: economists use the term “rational,” while others use the term “reasonable”; economists use the term “welfare,” while others use the terms “happiness” or “wellbeing”; economists use the term “normative,” while others use the term “policy.” The confusion is compounded when non-economists and economists use the same terms—“rational,” “welfare,” “normative”—to mean something broader. In the face of the confusion which results from the use of the same terms to mean different things to different people, we attempt to clarify our terms, to let the non-economist know what we mean by “rationality,” “welfare,” etc.

Economists are often justified when they blame these misunderstandings on a lack of precision on the part of non-economists—on an unwillingness to be exact about what they mean by “reasonable,” “wellbeing,” and “policy,” or failing that, at least to accept the economists’ definitions as something clear and rigorous. If the economists are right, then what is needed for more productive dialog between economists and non-economists is more rigor in the analysis of non-economists.
The Aristotelian tradition suggests an alternative explanation for difficulties in dialog between economists and others: it may be that the subject matter of the dialog—decision making, human wellbeing, and policy deliberation—is itself imprecise, and not amenable to the sorts of precision favored by economists. Perhaps Aristotle is serious when he claims that “precision is not to be sought for alike in all things”! Indeed, he is; he goes so far as to suggest that those who expect too much precision are themselves misguided, looking for a false exactitude where none is possible: “For it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits” (Aristotle, 1941, 1.3). Perhaps part of the difficulty in discussing concepts like “rationality” and “welfare” with those who are interested in “reason” and “wellbeing” is that “reason” and “wellbeing” are imprecise and fuzzy, and a clear picture of a fuzzy object is … a fuzzy object (Wittgenstein, 1991 [1953], 77-78).

If the process of decision making is imprecise and resistant to exact formulation, as claimed by Aristotle, then what are the consequences for the way economists go about their theoretical business? First, despite the very real, undeniable contributions of the reductionist economic model, its concepts do not translate cleanly into the inherently less precise terms of policy analysis. If people are “reasonable” without being “rational;” if “wellbeing” involves concepts which do not fit into formal accounts of “preferences” and “welfare;” if “policy” analysis must invoke something more than the First and Second Welfare theorems of “normative” analysis, then the deficiency lies in the economic model, not in the less precise concepts of “reason,” “wellbeing,” and “policy” desirability. When policy makers and non-economists use these terms, they are not necessarily failing to be rigorous; they may simply be grappling with concepts which are beyond the economic model. If economists wish to join their conversation, they should not insist on economic concepts that fail to capture the terms of the debate.

B. Becoming Better Advocates for Economics

To place the precisely formulated insights of economics at the service of policy, there must be some reflection on their limits as accounts of wellbeing and behavior, and some judgment made as to their applicability. Economists will be better placed to advise about the policy implications of their analysis, and to help in formulating policy, if they are conversant in the limitations of their models. If economists follow their inclination to drop their analysis on the doorstep and then expect others to judge whether
their analysis is applicable, they will have a smaller impact on policy deliberations, and their insights will not get the full hearing they deserve.

For example, if an economist presents a welfare analysis of a particular program (perhaps an analytical argument for the welfare-improving effects of remedies for a missing market), non-economists often question the robustness of the analysis to changes in the unrealistic assumptions on which it is based: on its narrow account of choice, of its identification of wellbeing with choice, its assumptions about market structure, its information assumptions. In the face of this economists might agree that the insights of the model apply only insofar as its assumptions are true. At this juncture, the important question becomes “who should undertake to evaluate the robustness of the model’s insights to its unrealism: economists or non-economists?”

Economists, to the extent that they accept the limitations of the economic approach, have a comparative advantage in these sorts of judgments. Where a non-economist is likely to discard the entire analysis as unhelpful because of its unreal account of decision making and wellbeing, an economist will be well placed to intuit which assumptions are most crucial to the insights of the model. For example, the dynamics of a market may be unchanged when the agents in the market are “reasonable” instead of “rational” maximizers. Even if economists cannot fully incorporate practical wisdom into their models, they are well-positioned to speculate intelligently about what in their models depends on narrow rationality. An economist who is prepared to engage in an informed robustness check of his models is likely to have a greater impact on policy, preserving those insights which are least dependent on the unrealism of his models.

This kind of informed policy engagement is already taking place. Sugden (2004; 2010) provides a robustness check for general equilibrium models, outlining an argument for market exchange which does not rely on rational behavior. The capabilities approach of Sen (1999) is not based on the optimizing model of choice, but nevertheless relies on and develops economic insights into markets. Kolm (2006) examines the importance of the normative economic framework in spite of its shortcomings. Hausman and McPherson (2009) discuss the limitations of willingness to pay as a measure of value. These limitations do not invalidate the concept, but limit its use to certain contexts, which the authors outline.

In each of these cases the economists in question might have refused to engage in discussions outside of the narrow range of economic analysis, pleading that these engagements were “not economics,” and were therefore outside of the sphere of responsibility of economics. If they had
refused to engage, something important would be lost: an intelligent engagement with policy which respects the insights of economics, and reflects on its limits with a view toward preserving certain insights and modifying others.

3. Conclusions

The first section of this paper argues that the economic model of the person (specifically, optimization subject to constraints) cannot capture important aspects of human choice behavior and wellbeing, and as a result will always be insufficient as a framework for policymaking. The insights of economics must be combined with insights from other fields, with judgments about what is left out of every disciplinary approach, and with the practical wisdom of the policy maker and advisors, to determine what course of action is desirable. The second section argues that an awareness among economists that their models will always be insufficient as frameworks for policy can have two desirable effects: it can bring some clarity to the confusion over terms which plagues discussions between economists and non-economists, and encourage economists to advocate more effectively for the insights of their models which are least dependent on unrealistic assumptions.

Samuelson (2004) details the axioms which are the foundation for economic models of knowledge and learning. Among these axioms is what he calls “the axiom of wisdom,” that agents know every possible state of the world. This definition (wisdom as comprehensive knowledge) is a wisdom for small worlds, in which preferences do not misbehave, in which uncertainty submits to probabilistic categorization, and in which all virtue is calculation. This paper argues for a different kind of wisdom for economists: for knowing what you do not know. When economists admit that their models, however useful, cannot serve as a comprehensive framework for policy (which is not in its essence an optimization problem), they are not admitting defeat. They do not have to go back to the drawing board for another round of innovative optimization models to close the gap between model and reality. The gap will stubbornly persist, and fortunately the contributions of economics do not depend on closing it. Instead, economists can engage in policy discussions with open eyes, aware that their models are not comprehensive, but aware that comprehensive scope is an unrealizable goal for any social analysis.

Christian thought on human life and its relation to economic theory benefits from an eternal perspective, in which the fullness of wisdom resides. Our philosophies, being the work of finite minds, will always be
imperfect, and in need of correction and reform. The project to which this paper contributes makes use of the Aristotelian tradition, interpreted through Aquinas and Aquinas’s modern interpreters, to explore what economics misses, and how economists should think in light of its practical gaps. Christian economists need not rely on Aristotelian moral philosophy to order their thoughts on the moral life, and to place Christian worldviews in conversation with economics (although they will hard pressed to find a better alternative). There are other philosophical frameworks available; White (2010) argues for a Kantian alternative, for example. Nonetheless, these alternatives will have to be philosophical, however theological their inspiration. Just as any reflection on the economy requires an economic theory (even if all theory is eschewed), so too does any ordered reflection on what is good for human beings in society require a moral philosophy (even if all philosophy is eschewed).

**Endnotes**

1. There are alternative philosophies of practical reason: the Humean and Kantian traditions. For comparisons across these theories, see Audi (2006). For an attempt to combine insights across these theories, see Millgram (2001). For a Kantian approach to economics, see White (2011).
3. See Yuengert (2006) for a discussion of this point applied to the economics of addiction.
4. A fuller description of practical wisdom, and its suitability as a background account, is found in Yuengert (2012, ch. 3).
5. For more complete treatments of each of these aspects, and of the inability of economic models to fully capture them, see chapters 4-8 in Yuengert (2012).

**References**


