

**The status and relevance of Robbins's *An Essay on the Nature and Significance of Economic Science* after seventy five years**

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# Focus of paper

- Status and content of Robbins' *Essay*
  - Relationship between economics and psychology
  - Role of 'cost controversies'
- Relevance of Robbins' *Essay* for modern mainstream economics
  - Well-known rise of 'behavioural economics'
  - Recent emergence of 'economics of happiness'

# Focus of presentation

- Nature of 'cost controversies'
- Robbins's resulting conception of cost
- Importance to Robbins's means-end definition of economics
- Modern 'economics of happiness' as antithesis of Robbins's views

# 'Cost controversies'

- Before Robbins wrote *Essay*, there had been controversy over the definition of cost
- Two positions in debate:
- Jevons and Marshall  
vs.
- the Austrians and Wicksteed

# Positions taken in 'cost controversies'

- Real cost doctrine of Jevons and Marshall
  - Work itself a direct source of utility
  - Real cost defined in terms of disutility of work itself
- Opportunity cost concept supported by Austrians and Wicksteed
  - Final consumption the *only* direct source of utility
  - Cost defined in terms of foregone consumption

# Robbins and cost

- Robbins agrees with Austrian position on cost, while stressing an ordinal concept of utility
- Utility derived from final consumption to be understood in terms of an order of preference

# Importance to Robbins's means-ends definition of economics

- For Jevons and Marshall work itself had been *both*
  - An *end* in itself: a direct source of utility
  - A *means* to an end: a means to final consumption
- For Robbins, by contrast, work is a *means only* to the sole end of final consumption
- Robbins's famous means-end definition of economics thus required the Austrian concept of opportunity cost

# Robbins's *Essay* and the 'economics of happiness'

- 'Economic of happiness' a new, fast growing research program
- Key authors include Layard (2005)
- Can be seen as the antithesis of Robbins's approach

# Economics of happiness

- Linked to emergence of 'hedonic' or 'positive' psychology
- Utility or happiness a psychological entity
- Can be measured and compared across individuals

# Implications for Robbins's means-ends definition

- For the 'economics of happiness', work itself is *direct* source of utility
  - As it was for Jevons and Marshall
- Thus work an end as well as a means
- Economics of happiness therefore contradicts Robbins's means-end definition of economics
- Implies a return to pre-Robbins definition?

# Concluding reflections

- Our argument has approached Robbins's *Essay*, from an unusual angle: that of the conceptualisation of costs and of production
- This angle has shown Robbins's means-ends definition of economics to be closely related to a key debate in the history of economic thought: the 'cost controversies'

# Concluding reflections

- Robbins's rejection of cardinal, interpersonally measurable utility, facilitated removal of social production from foreground of economic ontology
- Instead, production is viewed as a mere means
- Throws new light on the full implications for conception of the economy of recent developments in mainstream economics
- In particular, the new economics of happiness disallows view of production as a means only

# Concluding reflections

Let us give Robbins the final word:

- ‘So long as the theory of value was expounded in terms of costs, it was possible to regard the subject-matter of economics as something social and collective and to discuss price relationships simply as market phenomena. With the realisation that these market phenomena were, in fact, dependent on the interplay of individual choice, and that the very social phenomena in terms of which they were explained – costs – were in the last analysis the reflex of individual choice – the valuation of alternative opportunities (Wieser, Davenport) – this approach became less and less convenient.’  
(Robbins, 1935, p.69n)