

# Value-Free Economics in Management and Engineering Education

Kevin Christ

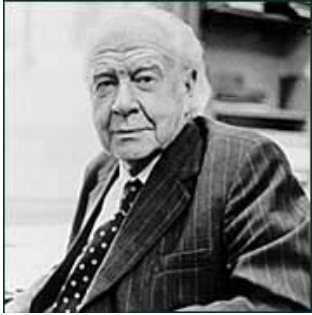
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# Value-Free Economics in Management and Engineering Education

- ❑ Robbins contributed to the development of an “ethically blind” ethos in economics that has ultimately become associated with negative consequences.
- ❑ Management and engineering education offer two venues in which to study the consequences that follow from an ethically blind approach:
  - In management education, economic models developed under the guise of *Wertfreiheit* contributed to an ethically blind management science.
  - In engineering education, an institutional ban on ethical considerations in economic analysis exposes tensions between economics and engineering as engineering educators.
- ❑ Careful attention to these issues might offer useful insights as we ponder the future of economic analysis.

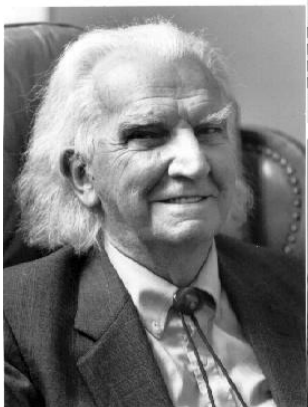
# Value-Free Economics in Management and Engineering Education



**E**conomic analysis is *wertfrei* in the Weber sense (91).

**E**conomics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse (148).

**Lionel Robbins,**  
*The Nature and Significance of Economic Science*



**W**e are strongly imbued today with the view that science should be *wertfrei* and we believe that science has achieved its triumph precisely because it has escaped the swaddling clothes of moral judgment and has only been able to take off into the vast universe of the 'is' by escaping from the treacherous launching pad of the 'ought'.

**Kenneth Boulding, 1969**

**F**airness is not an economic concept.  
If you want to talk fairness,  
you have to leave the  
department of economics  
and head over to philosophy.

**Greg Mankiw**  
**New York Times, July 15, 2007**



# Criticisms of *Wertfreiheit*

## 1. “Value-Basis” Criticism

Value-free analysis is not possible in the social sciences because the researcher and model builder always approaches his or her project with valuations, hidden or not.

## 2. “Consequentialist” Criticism

Theories and models that are developed under the guise of ethical neutrality (or ethical blindness) get applied in environments that are anything but value free and the evaluation of a theory ought to include considerations of the consequences of the use to which the theory is put.

# Economics and Management Education

**C**ombine agency theory with transaction costs economics, add in a standard versions of game theory and negotiation analysis, and the picture of the manager that emerges is one that is now very familiar in practice: the ruthlessly hard-driving, strictly top-down, command-and-control focused, shareholder-value-obsessed, win-at-any-cost business leader of which Scott Paper's 'Chainsaw' Al Dunlap and Tyco's Dennis Kozlowski are only the most extreme examples."



"...the incorporation, within the worldview of managers, of a set of ideas and assumptions that have come to dominate much of management research. More specifically, I suggest that by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility."

**Sumantra Ghoshal, "Bad Management Theories Are Destroying Good Management Practices." *Academy of Management Learning & Education*, 2005**

# Economics and Management Education

**E**conomic theory owes its present development to the fact that some men ... were willing to consider the economy as nothing more than an intricate mechanism, refraining for the while from asking whether the mechanism worked for good or evil.”

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**T**he science of organizations is still in its infancy, but the foundation for a powerful theory of organizations is being put in place.”

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**T**here is evidence that both economics ... and business school training and business school environments themselves, can have deleterious effects.”

Jeffrey Pfeffer, 2005

**T**he problem is not that business schools have embraced scientific rigor but that they have forsaken other forms of knowledge.

**Warren Bennis and James O’Toole, “How Business Schools Lost Their Way.”**  
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**I**t is not acceptable for engineers to treat ethics as mere fluff in engineering education and practice. Ethics is not handy window dressing; it is a core competency. This belief is clearly articulated in the new criteria for accreditation: “Engineering programs must demonstrate that their graduates have an understanding of professional and ethical responsibility.”



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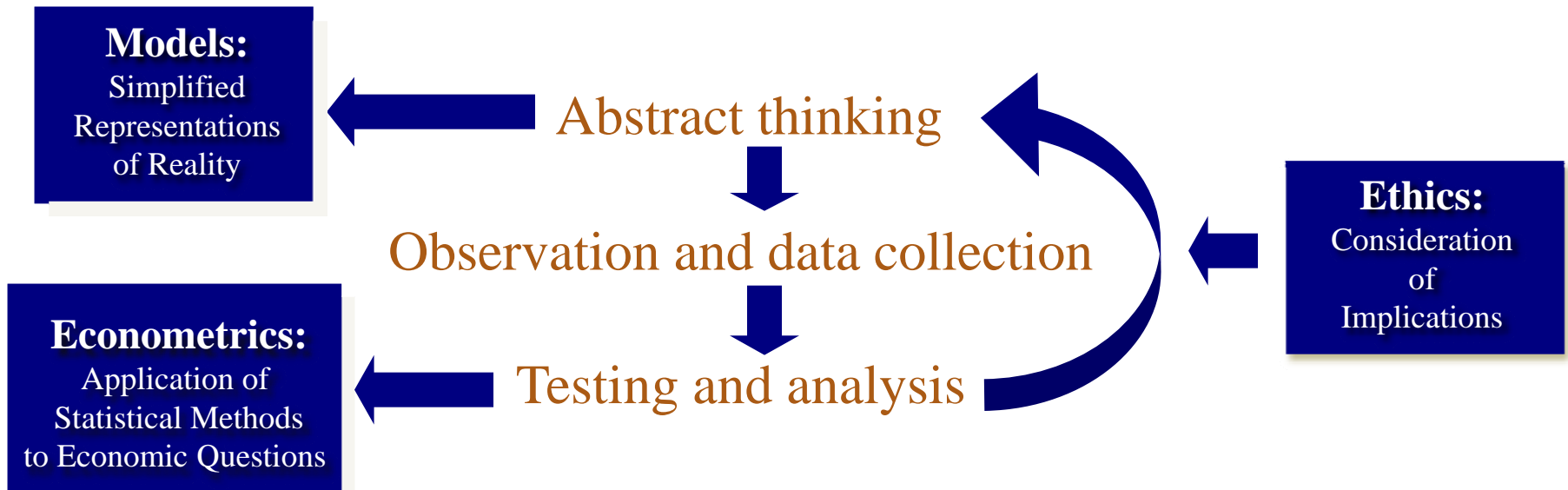
**Harris, Charles E., Michael S. Pritchard, and Michael J. Rabins, *Engineering Ethics: Concepts and Cases* (2000)**

# Two Alternative Approaches:

## *Further Academic Specialization:*



## *Reintroduction of Ethics into our Method:*



# A Different Social Science:

Down the road, it is then possible to visualize a kind of social science that would be very different from the one most of us have been practicing: a moral social science where moral considerations are not repressed or kept apart, but are systematically commingled with analytic argument, without guilt feelings over any lack of integration, where the transition from preaching to proving and back again is performed frequently and with ease; and where moral considerations need no longer be smuggled in surreptitiously, nor expressed unconsciously, but are displayed openly and disarmingly.”

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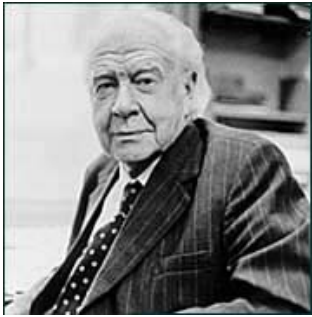
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## Abstract

In the decades that followed publication Lionel Robbins's *An Essay on the Nature and Significance of Economic Science* economics became, in the words of Amartya Sen, “self-consciously non-ethical” (Sen, 1987, 2). Sen and others believe that there have been significant costs associated with this growing divide between economics and ethics, and it is conceivable that adherence to an extreme form of the concept of *Wertfreiheit* (value-free analysis) may have had unanticipated and negative consequences in related fields.

We see some of these consequences in management and engineering education. Before his untimely death, Ghoshal (2005) provided a withering critique of management education, focusing on the role that economics played in fostering an “ethically blind” approach to management. In engineering education, the value-free approach in economics threatens to further marginalize economics as current curricular initiatives seek to broaden the ethical content of engineering education.

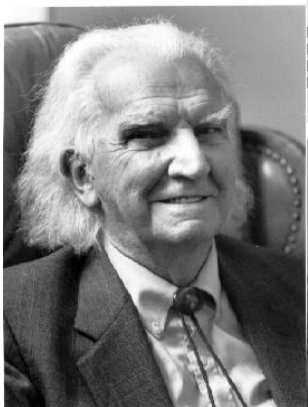
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- ❑ Management and engineering education offer two venues in which to study the consequences that follow from an ethically blind approach:
  - In management education, economic models developed under the guise of *Wertfreiheit* contributed to an ethically blind management science that has become the subject of harsh criticism.
  - In engineering education, an institutional ban on ethical considerations in economic analysis exposes tensions between economics and engineering as engineering educators seek to broaden the ethical content of their curricula.

# Criticisms of *Wertfreiheit*

## 1. “Value-Basis” Criticism

Value-free analysis is not possible in the social sciences because the researcher and model builder always approaches his or her project with valuations, hidden or not.

## 2. “Consequentialist” Criticism

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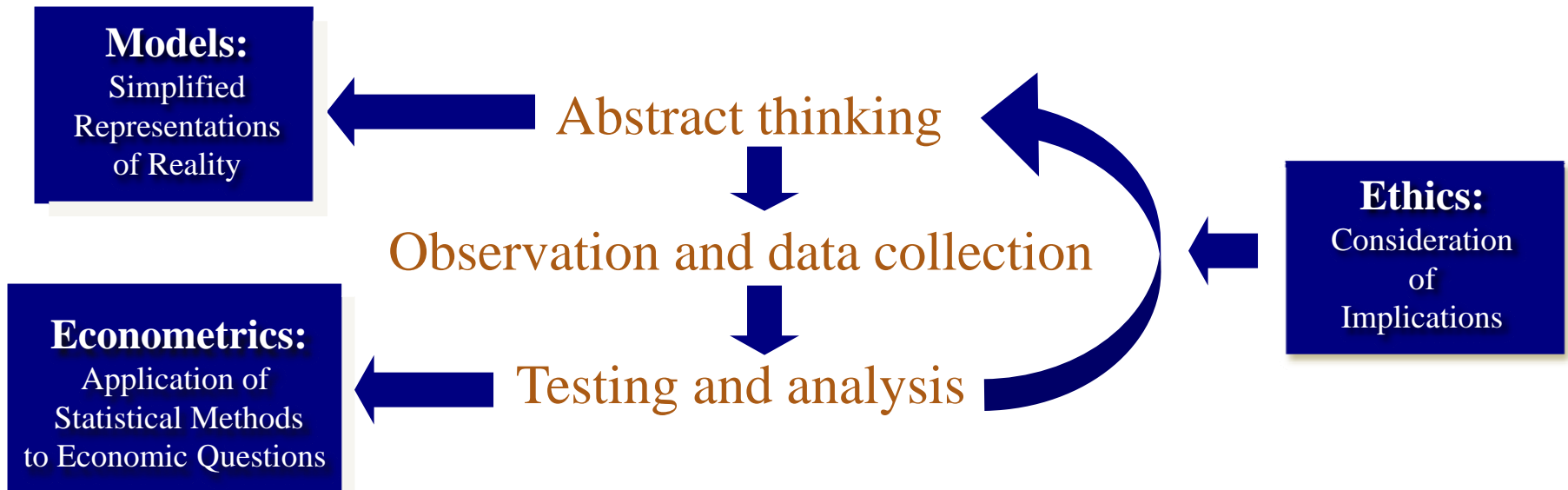
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# Two Alternative Approaches:

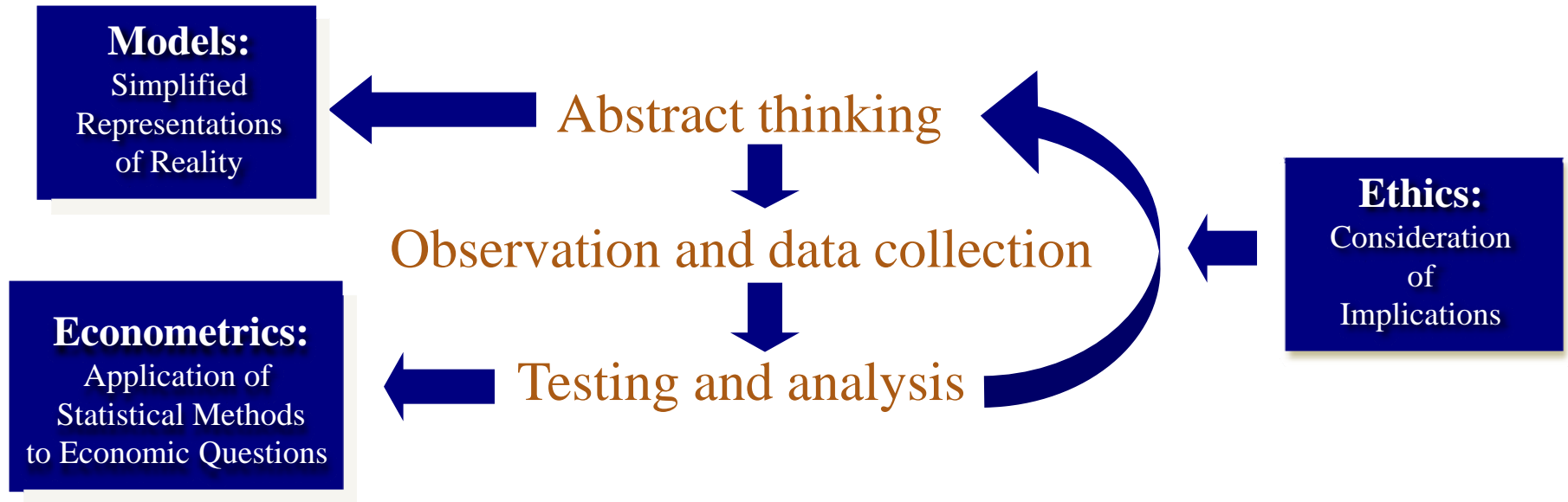
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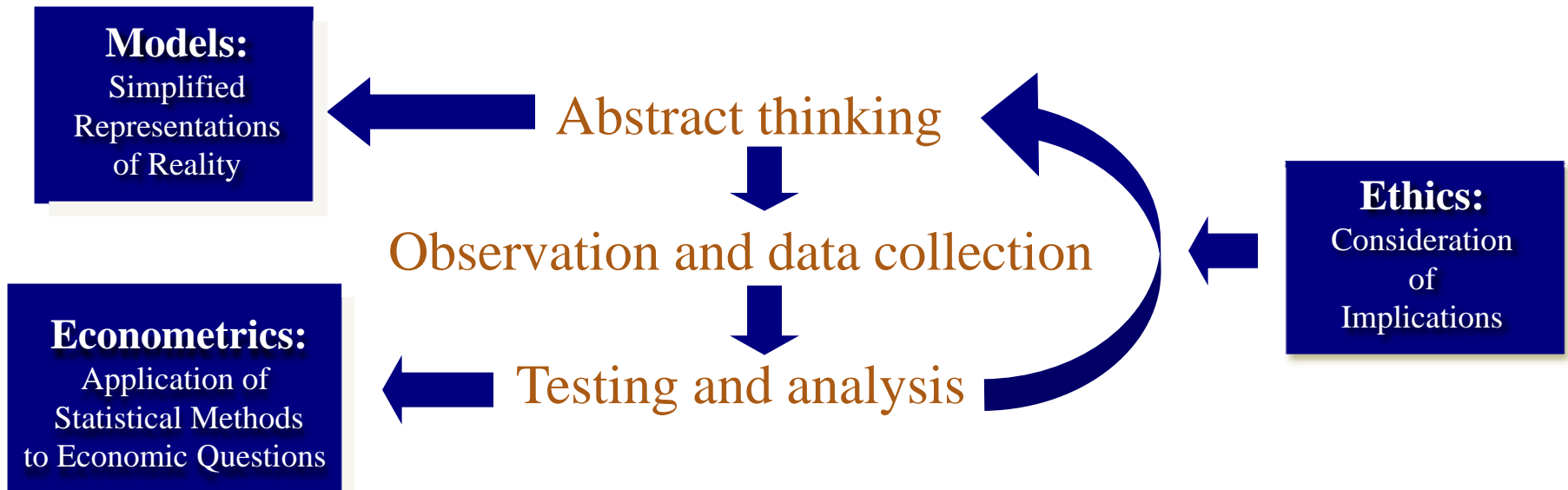
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# Two Alternative Approaches:

Figure 2

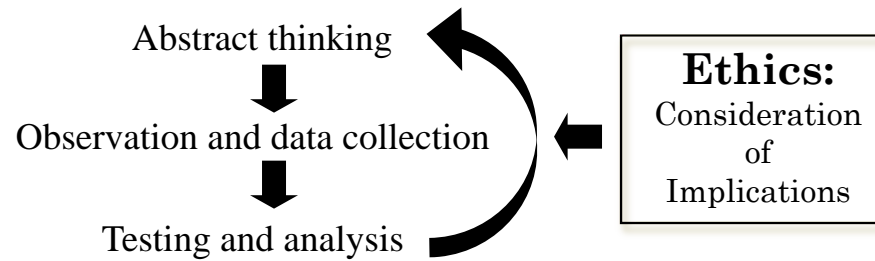
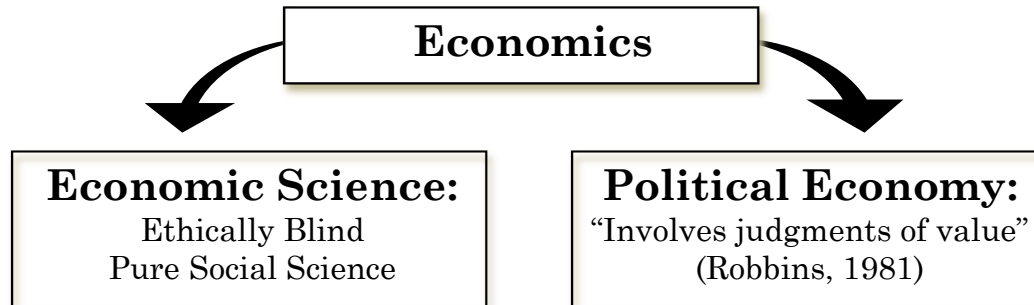


Figure 1



# Two Alternative Approaches:

Figure 2

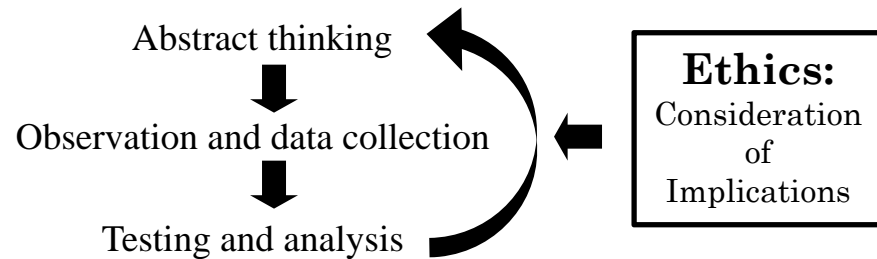
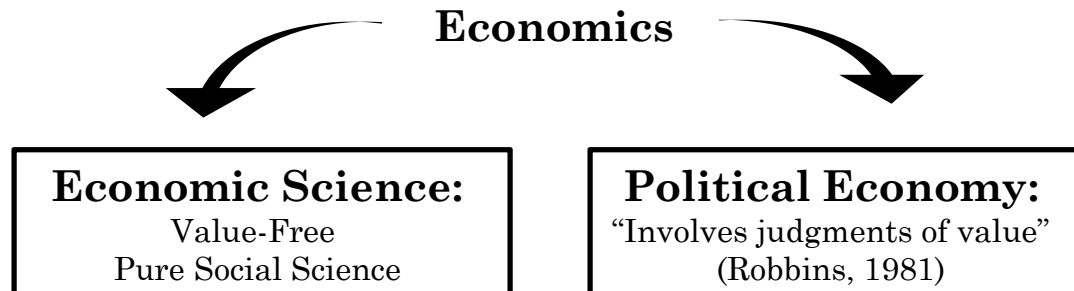


Figure 1



# From Ethical Neutrality to Ethical Blindness

**I**t does not seem logically possible to associate the two studies in any form but mere juxtaposition. Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse.”

Lionel Robbins, *An Essay on the Nature and Significance of Economic Science*

**A** strange characteristic of social thinking in recent times has been the lack of contact between ethics and economics ... it is equally odd to find ‘scientific’ economists ignoring the ethics of business.”

A. L. Macfiew, “Welfare in Economic Theory”, *The Philosophic Quarterly* (1953)

**E**conomic theory owes its present development to the fact that some men ... were willing to consider the economy as nothing more than an intricate mechanism, refraining for the while from asking whether the mechanism worked for good or evil.”

William Letwin, *The Origins of Scientific Economics* (1963)

# Economics and Management Education

Established tradition  
in British Economic Thought



Weber-Inspired  
Austrian Views

