

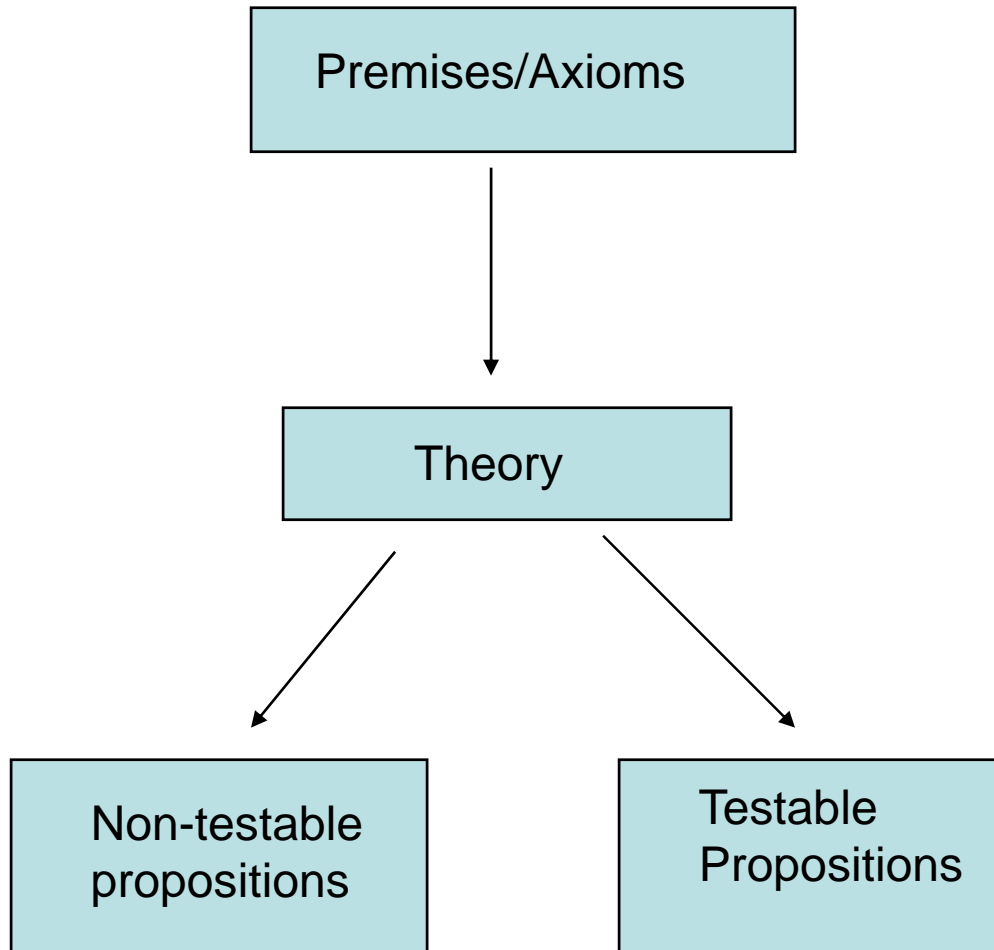
Positive Ethics and the Science
of Economics:
An Enduring Robbins's Fallacy
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The issues

- Robbins's conception of economics is very much present in most contemporary textbooks;
- It is therefore a current problem rather than a historical one;
- It is very much in line with the inroads which economics has made into other social sciences but somewhat anomalous with the rise in interest in the significance of other areas like ethics, sociology and psychology **to** economics.

In a Nutshell

- Robbins's position is based on an implied presumption that the Walrasian system is empirically true. Namely, that there is always a co-ordinated outcome to individuals' attempts to solve their ends-means problems in the face of scarcity.
- It is on these grounds that he wishes to extend economics to all problems of means-ends irrespective of wealth creation (i.e. economics is a mere algorithm to finding co-ordinated outcomes to ends-means problems);
- And it is on these grounds that he claims for ethical neutrality: economics can only comment on the nature of the natural co-ordinated outcome or the 'price' of its violation.
- Moreover, the agents upon which the model is based are fundamentally a-moral and hold symmetric position in the system.



The Issues (2)

- Specifically the issues are:
 - Is Robbins's definition of economics meaningful and is it really a departure from the Classical conception of wealth creation?
 - Is basing the nature of economic generalisations on the opportunistic individual consistent with Robbins's own rules of deriving main postulates and with the value free nature of his conclusion?

A Metaphor and the Problem

- To show the universality of economic analysis Robbins provides a metaphor about a community of sybarites who at one stage are taken over by a Savoralala type of a priest. Their former ends become revolting to them and they become ascetics.
- “All that has happened” writes Robbins, “is that the demand schedules have changed” (p.27)
- The fact that such a change may produce an institutional change (like self-sufficiency without markets, or markets at just prices etc) where the concept of equilibrium may be redundant does not cross his mind.
- In other words, what is missing here is the reason why individuals are dependent on each other. This, inevitably, would bring to the fore the attitudes towards the others or what I would like to call: positive ethics.

Conceiving the Subject matter of Economics

- Robbins's definition of the subject matter is "the forms assumed by human behaviour in disposing of scarce means" (p.15): in current terms: resources allocation.
- However, such a conception of the subject matter does not offer a clear idea of what is the economic problem we wish to solve?

Conceiving the Subject matter of Economics

- We must bear in mind that Plato and Aristotle as well as Marx and Smith have all considered the problem of resource allocation;
- Yet they all came up with different descriptions as well as prescriptions;
- Partly this is due to differences in their epistemology but also because of the difference in the way they conceived the ***economic problem.***

Conceiving the Subject matter of Economics

- Robbins seems to limit what economists can say to the description of equilibrium relationships for different forms of competition: “We no longer enquire concerning the causes determining variations of production and distribution. We enquire rather concerning the conditions of equilibrium of various economic ‘quantities’, given certain initial data, and we enquire concerning the effects of variations of these data” (p.67)
- Alternatively, we enquire about departure from these conditions as manifested in his minimum wage example (that such a regulation (as a departure from the ‘free’ equilibrium) will cause unemployment).
- However, it is not clear why should equilibrium be the benchmark for all which economists say?

Equilibrium as a Benchmark

- There are two possible reasons why Equilibrium may be considered a benchmark:
 - 1. It is the natural order (or a logical limit);
 - 2. It is the desirable order.

Equilibrium as a Benchmark

- If it is the natural order of things then would it work regardless of what ends people seek? Moreover, why would resource allocation imply co-ordination?
- Would it depend on an additional feature of human behaviour about which Robbins does not say much: i.e the competitive nature of human behaviour or the reason why we become dependent on each other?

Equilibrium as a Benchmark

- If it is the desirable benchmark then we must clearly know not only what the end which each individual seeks but also the ends which society wish to promote.
- None of these suggest either an isolated or a value free system of thought.

Conceiving the Subject matter of Economics

- Robbins admits that the idea of wealth creation is not outside his conception of economics (p.21) and his criticism of it is not at all persuasive.
- His argument against such an approach is that “The scarcity of our own time and the services of others is just as important” (p.21); which is, of course, very strange.
- “Only by saying that services are material vibrations or the like can one stretch the definition to cover the whole field” (p.21)

Conceiving the Subject matter of Economics

- I therefore conclude that the only way in which Robbins's conception of economics can be meaningful is if we add the idea that the ends we pursue—in economic-- are those where we desire greater quantities of those things which are scarce.
- The free exercise of solving end-means problem in everything that moves is therefore not part of economic analysis. Robbins, in his defence of economics as an independent discipline has given it licence to invade all others.
- In turn, the implicit but more focused definition produces a meaningful criterion of economic performance called **efficiency** which would otherwise be meaningless.

Conceiving the Subject matter of Economics

- In other words, economics is not really neutral with regard to the ends it seeks to analyse.
- Therefore, there exists a well defined ***economic problem***: how to reconcile unlimited wants with scarcity.
- Which raises an ***institutional*** question which Robbins entirely ignores.

Conceiving the Subject matter of Economics

- Indeed, perhaps the most striking element of Robbins's conception of economics is the absence of institutions;
- His system of equilibrium merely assumes that whenever there are people struggling to make choices, there will also be co-ordination;
- But for this to be true, one must also show that people do not care about the process or the relationship between the outcome and the initial position. In other words, one must show that people act, as a matter of fact, without any moral constraints.

Conceiving the subject matter of economics

- Most great traditions in economic thinking have all started with the examination of how people relate to each other.
 - Plato begins his *Politics* with examining the meaning of justice;
 - Aristotle states at the beginning of *Politics* that people always aim to do ‘good’
 - Smith assumes that individuals desire to be socially acceptable

Conceiving the subject matter of economics

- The economic systems which emerged were the consequence of these deliberations.
- In Smith, for instance, it is the desire to be socially approved that drives people to specialise and trade which, subsequently, gives rise to the problem of interdependence. Co-ordination is by no means guaranteed and Ethics, perceived positively, is closely related to the working of the system.

Conceiving the Subject matter of Economics

- All of these lead to an institutional conception of economics, namely:
 - What are the institutions which would naturally develop?
 - What are the institutions which would serve best to solve individual problems?
 - What are the institutions which society desires?

Conceiving the Subject Matter of economics

- In other words, what is hidden in Robbins's story— in spite of protestation-- is a rational utility maximiser who always seeks the best means to an end without any consideration of what this means to the others.
- In short, we can ignore ethics and all other social sciences if our individual ignores them.
- Which leads us to the next element in our discussion: the opportunist.

The opportunistic Agent

- Robbins's methodology is clearly deductive: "The proposition of economic theory, like all scientific theory, are obviously deductions from a series of postulates" (p.78).
- These postulates must be based on experience: "We do not need controlled experiments to establish their validity; they are so much the stuff of our everyday experience that they have only to be stated to be recognised as obvious" (p.79).

The opportunistic Agent

- The agent Robbins describes is, of course, the traditional rational utility maximiser: there is a purpose and consistency;
- The opportunistic nature of such behaviour is embedded in the idea that the only criteria for choosing a means is whether it best serves the purpose.

The opportunistic Agent

- But how does this subscribe to the ‘experience’ element of the postulate?
- Recently Rubinstein (2007) showed that most respondents to a game chose the less likely strategy predicted by a Nash equilibrium: those who did, spent less time on it.
- This means that the ‘rational’ behaviour is perhaps less intuitive than we think.

The opportunistic Agent

- In a fascinated study of ‘Human Sociality’ the authors conclude: “there is no society in which experimental behaviour is consistent with the canonical model from economic textbooks....”(Heinrich et al, 2004, p.10)
- This, in turn, flies in the face of Robbins’s demand for universality: “[Economic analysis] consists of deductions from a series of postulates, the chief of which are almost universal facts of experience present whenever human activity has an economic aspect” (pp.99-100).

The opportunistic Agent

- But the key thing is not so much the rejection of the notion of rationality as it is a rejection of the 'isolationist' value free individual.
- What many of these studies (including a summary of studies into the public good game --now collected in Meier (2006)--) highlight is the significance of the 'other' to one's consideration.

Positive Ethics

- If we accept that individuals are social beings who have views about the others then these views will determine the development of some rules of behaviour.
- I call these rules (irrespective of how they develop) positive ethics.
- Had Robbins recognised that positive ethics is as widely recognised a postulate as the purposive consistent decision maker, he would not have banished ethics from his analysis.

Positive Ethics

- Unfortunately, most modern economists who attempt to take ethics into account commit a similar fallacy.
- By adding elements into their utility function they force ethics to be consequentialist.
- This, in turn, may not correspond to the universal experience of ethical principles.

Positive Ethics

- There is a more serious question about whether the utility maximisation framework can deal with ethics at all.
- Consider Weber's distinction between:
 - Instrumental rationality and
 - Expressive rationality

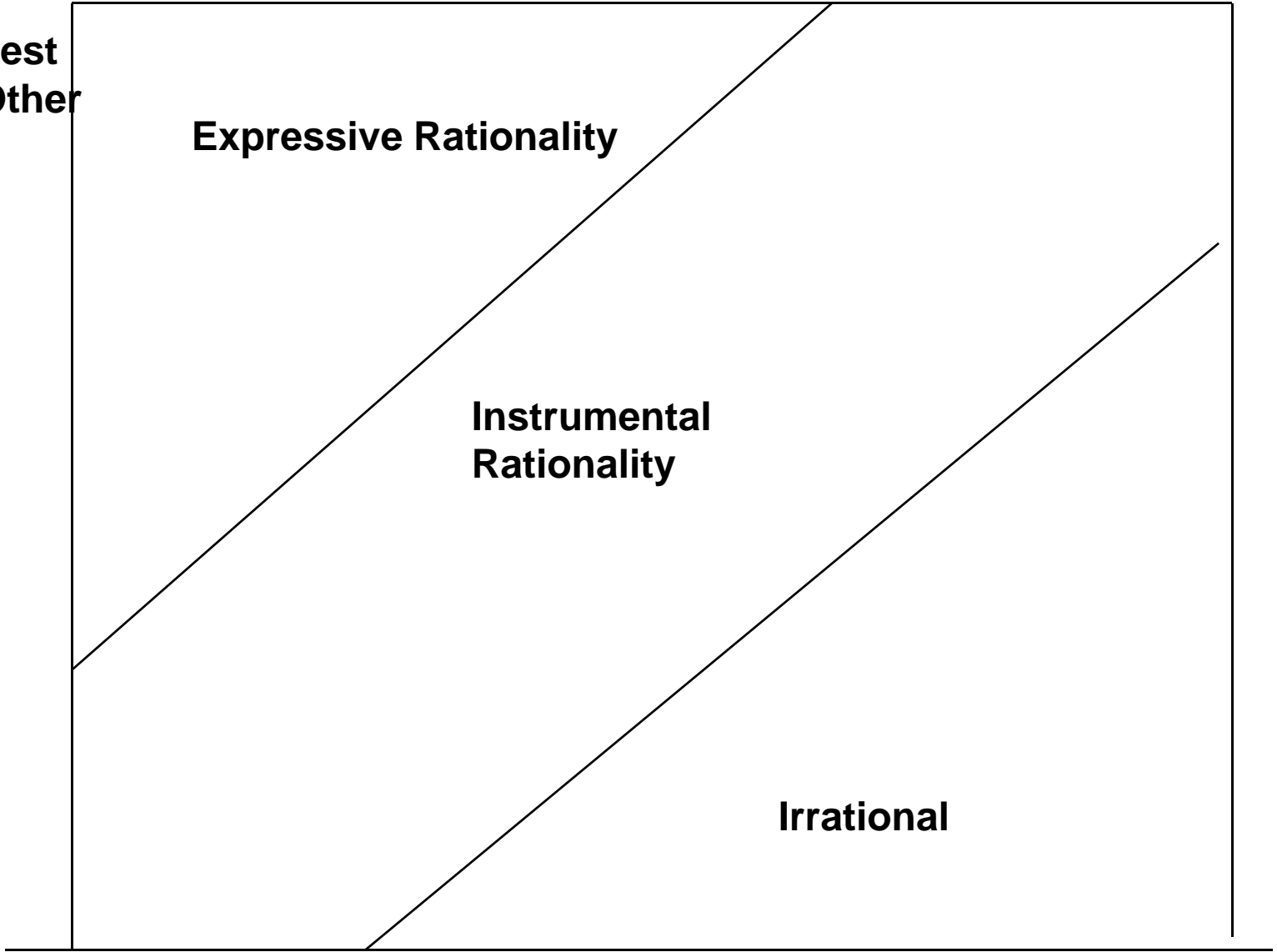
**Degree
Of Interest
In the Other**

Expressive Rationality

**Instrumental
Rationality**

Irrational

**Domain of
consideration**



Ethics and Rationality

- If we care about the others we must be able to understand the proposed effects of our actions on them;
- This is very difficult and therefore, most people are more likely to behave according to expressive rationality rather than instrumental rationality.

Positive Ethics and Economics

- Moreover, in spite of repeated references to J S Mill, Robbins misses the latter's main argument:
- If $M_{1,t}, \dots, M_{n,t}$ represent n different motives in human character, which affect actions and subsequently, a social phenomenon:

$$S_t = F(M_{1,t}, \dots, M_{n,t})$$

- The argument in favour of a separate science of economics rests on the ability to look at each motive in isolation (i.e. we require weak separability).

Positive Ethics and Economics

- Suppose that M_1 represents the motive of the traditional rational utility maximiser. Robbins assertion implies that the effects that this parameter will have on individual actions and subsequent social phenomenon is independent of the values of: $M_{2,t}, \dots, M_{n,t}$. The study of 'human sociality' rejects this.
- Moreover, according to JS Mill, we learn from experience (ethnology) and thus :

$$M_{1,t} = E(S_{t-1})$$

Positive Ethics and Opportunistic Behaviour

- Thus, for Robbins, the issue was not so much the isolation of economics as an independent discipline as it was the totality of economics as a social science.
- It is because of this that we should reject his conception of economic science then as well as now.