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Ethics out of Economics:
The Futile Attempt of Rendering Economics a Neutral Science
by Guglielmo Chiodi*

Abstract

Over the last century, and several times until recently, mainstream economics has been criticized from different viewpoints. Most of the critiques highlighted the weakness of its methodological and logical structure, not to mention its inadequate capacity of tackling with the new problems posed by globalization.

However, mainstream economics has always shown itself strong enough as to stand up victoriously most of the times, notwithstanding those critiques, which quite often turned out to be even devastating from the logical point of view.

The object of my report will be mainly focused on highlighting one of the most important reason for which mainstream economics should be considered altogether inadequate for tackling with many problems of the real world. And that reason essentially lies in the very fact that mainstream economics has since long put any ethical aspect completely outside its basic framework.

One the most important consequences of that operation has been that of rendering economic theory perilously free of any value-judgment and therefore uncontaminated by any possible social and political change in society, even by the most significant ones.

The report will then briefly reconstruct the most significant steps through which that process was accomplished, by bringing about, at the same time, the severe drawbacks of that futile attempt of rendering economics neutral in its analysis and its policy prescriptions.

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FORTHCOMING IN PROBLEMS OF POLITICAL ECONOMY (IN RUSSIAN).
Ethics out of Economics: The Futile Attempt of Rendering Economics a Neutral Science

by Guglielmo Chiodi

1.

The aim of this paper is to illustrate one of the reasons of the inadequacy of the orthodox economic thought to tackle with the main problems of the time, especially with those caused by some exceptional events occurred in Western countries like, for example, the 2007-2008 financial crisis and the continuing changing process of globalization tacking place all over the world in recent decades.

To pursue the above aim, there are obviously several key-readings available and different paths to follow. What will be done in the present paper, however, will be that of inquiring into the motivations which seem ultimately responsible in having put ethics definitely outside the orthodox economic thought (which, in the present context, will equivalently and alternatively be taken to coincide with the market-centered paradigm of neo-liberalism).

To the effect of rendering the exposition as clear as possible, it will be necessary to single out some crucial stages through which the ethical problem has been dealt with in the development of the economic thought.

The refined task of putting ethics outside the orthodox economic thought had initially the strong motivation of transforming the economic discipline into a neutral science, that is to say, free from any value-judgment. In this way, it could legitimately be considered scientific and, as a consequence, it could be viewed on the same footing as any other proper science, like Mathematics and Physics.

The validity of considering the economic discipline a proper science, however, seems quite doubtful as well as highly disputable – as will be seen in the sequel.

It should also be noted that treating the economic discipline as a neutral science could have the side-effect of using the orthodox economic thought as a subtle means of power and of social and political control of the communities – a side-effect which seems to have gone generally unnoticed but which in the present context is retained to be of a crucial importance.

2.

In all the exceptional events which have occurred last century and up to date in Western countries, the orthodox economic thought has been always put under severe criticism. In all those occasions rival schools of thought have given rise to heated debates, which saw the confrontation of alternative theories and models, each one of them suggesting the most appropriate economic policy to purse in the specific circumstances considered.

The orthodox economic thought, however, has always come out victorious in the end, despite the several weak aspects of its methodological and logical structure highlighted by the various critiques.
It should be pointed out that in none of those occasions an explicit critique has ever been made of the orthodox economic thought as far as the ethical aspect is concerned.

Before analyzing the most significant steps through which the ethical problem has been dealt with in the literature, it is worth starting by two extremely important quotations by two authors, Adam Smith and Léon Walras, who can legitimately be taken to represent two alternative economic paradigms, the classical and the neoclassical respectively. Each quotation defines the essential characteristics which Political Economy is supposed to possess.

Adam Smith’s own definition is the following:

Political economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign. Smith (1776), p. 375, italics added.

By contrast, Walras’ definition of Political Economy is made in explicit opposition to Adam Smith’s:

To provide a plentiful revenue for the people and to supply the State with a sufficient income are incontestably most worthy aims. […] But it seems to me that this is not, strictly speaking, the object of a science. Indeed the distinguishing characteristic of a science is the complete indifference to consequences, good or bad, with which it carries on the pursuit of pure truth. Walras (1874), p. 52, italics added.

On reading the two definitions given above, one can easily deduce how much ethical content was characterizing the essential pursuit of Political Economy, according to Adam Smith; whereas, on the contrary, any ethical element should be purposely put outside the realm of Political Economy, according to Walras.

As a consequence, equipped with those definitions, one is in a position to better follow the subsequent development of the ethical problem in the economic discipline.

3.

One can safely affirm that the perspective and vision of the society which can be deduced by Adam Smith’s definition of Political Economy, let alone his own works as a whole, remained by and large the same throughout the classical period and up to Marx.

By contrast, as is well known, in the early seventies of the 19th century the works by Carl Menger (1871), William Stanley Jevons (1871), and Léon Walras (1874) produced a completely different paradigm with respect to that of the Classical economists and Karl Marx (1867). In the present context it is of course unnecessary to compare the two alternative paradigms – Chiodi (2017) and Chiodi (2018). It suffices here to note that the ethical aspect did not completely disappear from the vision of the early neoclassical economists or, more precisely, from the vision of those economists writing between the 19th and the early 20th century.

As an example of this, one can refer first to Wicksell. In his Lectures Vol. I, he made clear at the very beginning that:

the definition of political economy as a practical science is the theory of the manner of satisfying human needs which gives the greatest possible satisfaction to society as a whole, having regard to future generations as well as the present. Wicksell (1901, 1935), p. 3, italics added.

He added to that a warning footnote on the meaningless expression ‘the greatness happiness of the greatest number,’ ibidem, and soon afterwards he better clarify that ‘to seek for the
conditions of the welfare of the whole, consideration for the interests of the proletariat must emerge; and from thence to the proclamation of equal rights for all is only a short step’, ibidem p. 4.

In an inaugural lecture delivered in 1904 at the University of Lund, Wicksell discussed some intricacies of the economic discipline considered as a science, and in that context he came back again to the meaning to be attributed to ‘society as a whole’, the latter to be properly intended as including all individuals ‘of whatever class of society, race, sex, language, or faith they may be’. Wicksell (1904), p. 66.

It is worth noting that in his Lectures he was also well aware of some logical difficulties characterizing the then neoclassical theoretical edifice. Moreover, Wicksell was an admirer of the Classical economists’ method of investigation, especially Ricardo’s, Wicksell (1904), p. 62.

The second author worth considering is Pigou. He is generally thought to belong to the group of neoclassical economists. This opinion, however, should be qualified in some detail.

In 1920 he published the first edition of his seminal book, The Economics of Welfare, which, as is well known, opened up new research paths into the problems of the environment. There are, however, other characteristics of that work which should deserve careful attention.

Firstly, he constantly made use of strong ethical concepts. Secondly, he made use of the notion of Social Product (National Dividend) – first noticed by Hicks (1976), pp. 12-13 – which is a typical classical notion used by Adam Smith and Ricardo and afterwards by Marx. Thirdly, he made a meticulous analysis of the effects of income distribution on the different classes of the society and of the negative externalities produced by the consumption and production activities on the welfare of people.

In the Preface to the third edition 1928 of his book, The Economics of Welfare, Pigou wanted to emphasize from the very outset that:

The misery and squalor that surround us, the injurious luxury of some wealthy families, the terrible uncertainty overshadowing many families of the poor – these are evils too plain to be ignored. Pigou (1920), p. vii.

The specific attention to future generations, which even today sounds not particularly widespread and popular, is also another very looking forward feature of his work:

It is a clear duty of Government, which is the trustee for unborn generations as well as for its present citizens, to watch over, and, if need be, by legislative enactment, to defend the exhaustible natural resources of the country from rash and reckless spoliation. Ibidem, pp. 29-30.

Lastly, a strong flavor of the Classical economists’ viewpoint as regard wages pervades throughout The Economics of Welfare. For example, in relation to a minimum standard of real income, he writes:

It must be conceived not as a minimum of satisfaction, but as an objective minimum of conditions. [...] Thus the minimum includes some defined quantity and quality of house accommodation, of medical care, of education, of food of leisure, of the apparatus of sanitary convenience and safety where work is carried on, and so on. Ibidem, p. 759.

4.

By far the most important work which made explicit the ‘divorce’ between ethics and the economic discipline was An Essay on the Nature and Significance of Economic Science by Lionel Robbins, first published in 1932. It is worth briefly recalling the general atmosphere which surrounded the early thirties of last century.
As far as the economic discipline is concerned, it should be noted that the economics of Alfred Marshall (1890) was at that time losing much of its initial force, especially in the stronghold of Cambridge, soon after some vital parts of its theoretical construction have been put under severe and irremediable criticism by the young Piero Sraffa a few years before – Sraffa (1925) and Sraffa (1926). It should be noted – in contrast with the title of Walras’ book – that Marshall already uses the word ‘economics’ instead of ‘political economy’.

Parallel to the fading away of Marshall’s partial equilibrium analysis, there was an increasing concern in favour of Walras’ general equilibrium analysis, after the publication in 1923 of Gustav Cassel’s *The Theory of Social Economy* (the first English edition was published in 1932), with its characteristic Walrasian structure, and the publication of a paper by Neisser (1932), who pointed out some analytical infelicities of the Walrasian original system.

From a purely historical point of view, it should be pointed out that in the early thirties of last century, the turmoil engendered by 1929 Great Crash was still in operation, whereas, at the same time, the central planned economy of the U.S.S.R. seemed to represent a real alternative to Western countries capitalism.

Robbins’ book is essentially devoted to lay down with the utmost precision and clarity the essential coordinates which the economists should take into account in their investigations, as well as the boundaries of their field of inquire, within which they should strictly operate.

The word ‘science’ is central in the well known definition he gave of Economics and, in a highly compact and essential way, it summarizes the basic ingredients characterizing it:

Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. Robbins (1932), p. 16.

The above definition contains the three key-concepts of ‘ends’, ‘means’ and ‘scarcity’, destined to be, as they have been, the three pillars of what could otherwise be called the ‘constitution’ of neoclassical economics, and therefore the characterizing features of the dominant economic paradigm.

As will be argued in what follows, in fact, those key-concepts, which pervade and run throughout Robbins’ essay, do enter structurally in characterizing every theory and every model of what, already at the time of Robbins, one can safely assert to be the orthodox economic thought.

It should be noted from the very outset that Robbins’ essay never explicitly emphasized the maximizing behaviour of the agents. Most of the book, instead, is devoted to make as clear as possible that “Economics is entirely neutral between ends.” Robbins (1932), p. 24, italics added. And this, as will be shown in the sequel, does constitute another fundamental feature of Robbins’ essay.

As a consequence, he sharply distinguished Economics (defined as he did) from Ethics and Esthetics:

Economics, then, is in no way to be conceived, as we may conceive Ethics or Esthetics, as being concerned with ends as such. Ibidem, p. 32, italics added.

Towards the end of his book and in different places, he emphasized once again the neat distinction between the two disciplines:

Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enqiry are not on the same plane of discourse. Ibidem, p. 148, italics added.

[...] it is worth while delimiting the neutral area of science from the more disputable area of moral and political philosophy.

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But what, then, is the significance of Economic Science? We have seen that it provides, within its own structure of generalizations, no norms which are binding in practice. It is incapable of deciding as between the desirability of different ends. It is fundamentally distinct from Ethics. *Ibidem*, pp. 151-152.

In that connection, he was also very careful in attributing to the concept of *rational action* the appropriate meaning consistent with the characteristic of *neutrality* he had given to Economics:

Now in so far as the idea of rational action involves the idea of *ethically appropriate* action, and it certainly is sometimes used in this sense in everyday discussion, it may be said at once [...] that no such assumption enter into economic analysis. Robbins (1932), p. 91.

He then specifies immediately afterwards:

But in so far as the term rational is taken to mean merely “consistent”, then it is true that an assumption of this sort does enter into certain analytical constructions. *Ibidem*.

Robbins’ project, however, would not have been accomplished without having completely cut off any possible connections with the Classical economists’ paradigm – and it would be instructive to investigate the reason of this, as will be done afterwards in the paper.

In the following passage, Robbins has clearly in mind Adam Smith’s and Ricardo’s approaches, which he rejects outright in favour of the alternative general equilibrium approach:

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. Instead of dividing our central body of analysis into a theory of production and a theory of distribution, we have a theory of equilibrium, a theory of comparative statics and a theory of dynamic change. Instead of regarding the economic system as a gigantic machine for turning out an aggregate product and proceeding to enquire what causes makes this product greater or less, and in what proportions this product is divided, we regard it as a series of interdependent but conceptually discrete relationships between men and economic goods; [...] *Ibidem*, pp. 67-68.

Thus, Robbins’ perspective drastically reduces, in the end, the content of the economic discipline to an engineering sub-sector, whose ‘core’, made up by the three pillars referred to above, has been generally immune from the several critical attacks made in the course of last century and up to date, which have instead been mainly directed to aspects of the neoclassical paradigm other than those of the ‘core’.

Robbins’ seminal essay can thus be seen as the watershed marking the transition from the infancy of neoclassical economic thought to the mature, still alive and dominant today, orthodox economic thought.

5.

The crucial importance attributed here to Robbins’ essay invites therefore to go far more deeply in its content and thus to explore its ultimate message in some further detail.

A central statement made by Robbins regards the independence of the *means* from the *ends*, and the absolute non-competence of the economic science on the latter. This is the direct consequence of the fact that *ends* imply *values*, and that *values* belong to moral sciences other than economics. It might also be added – in accordance with Robbins’ reasoning – that values are out of economics simply because they cannot be dealt with through the kind of rationality which the economic science refers to. Neither calculation nor any test of mathematical coherence, in fact, can ever be made of them. As Robbins put it, “Value is a relation, not a measurement”. Robbins (1932), p. 56.
As a consequence, the way in which Robbins treats the relation between ends and means makes the economist looks like an engineering or a manager, whose essential functions rest on assessing processes in the best possible way, i.e. by using the available ‘scarce’ means (be a technique, an organization or an investment, for example) in the most appropriate way in order to ultimately obtain the best possible result. In all these circumstances ends are given, whereas the work is done on the means, which, being treatable in a quantitative way, a rational calculative action can always be performed on them without any relevant disagreement.

An alternative way of looking at the effects produced by putting ends out of the concern of economics is that of viewing the agent, who performs the rational action, as a subject completely detached from the historical context in which he is acting; in other words, as an isolated individual who has acquired his own autonomy, viz., his own independence of any prior ethical commitment whatsoever. But how would it be possible to conceive any human being having thoughts not influenced by the historical context in which he lives?

At this juncture, a crucial question can be put, that is, whether that separation of the agent from his own historical context can legitimately be made. The raison d’être which lies beneath that question is that it seems impossible to conceive ‘ends’ independently of ‘means’, or, to put it other way, to separate facts from values – Quine (1953), MacIntyre (1985). The activity of designing, searching, organizing the means is strictly connected to the ends to pursue, for that very activity is but an expression of the way of life the society has chosen.

Robbins, however, deliberately chooses to neatly separate ends from means, and since the latter only are considered ethically neutral, it turns out to be the most appropriate field on which economics can legitimately operate.

The task of the economists, being circumscribed to the field of ‘scarce means’ only, boils down in searching the most efficient way to obtain the result. Since Robbins has declared economics a neutral science, and thus characterized by supposed universal ‘regularities’ very much similar to the universal law-like generalizations typical of the natural sciences, the paradigm so structured gives the economists the power of producing predictions, coupled with the corresponding authority in prescribing the most appropriate policies to pursue.

The essential content of Robbins’ essay thus makes it utmost clear and greatly enlarges Walras’ initial statement quoted at the very beginning of this paper. That statement does contain, in fact, the true ‘hard core’ of the Walrasian research program, destined, as it was, to be ‘core’ of the orthodox economic thought over the years to come.
economists’ revival, which a few years later was accomplished by Sraffa’s 1960 seminal work *Production of Commodities by Means of Commodities (PCMC)*.

In that same year, Arrow (1951) published his essay on the ‘Impossibility Theorem’, from which a severe limitation of the orthodox economic theory can easily be derived. Recourse to value-judgments seems almost a natural necessity, not least for making Welfare economics less poor and therefore more realistic – Suzumura (2002), Sen (1974) and Sen (1987).

The book by van Graaff (1957) should be considered one of the most refined work on theoretical welfare economics. He brought about with extreme lucidity many of the limitations which welfare economics was suffering, mainly due to the straitjacket of the Paretian philosophy. He strongly supported ethical considerations to be structurally inserted within the theoretical framework of Welfare economics.

In 1959 Hicks published one of the most amazing critical attack to the still dominant view of considering economics an *a-ethical, a-moral* ‘science’. He writes:

> It is impossible to make ‘economic’ proposals that do not have ‘non-economic’ aspects, as the Welfarist would call them; when the economist makes a recommendation, he is responsible for it in the round; all aspects of that recommendation, whether he chooses to label them economic or not, are his concern. Hicks (1959), p. 137.

The entire Hicksian paper is concerned in stressing the impossibility for the economic discipline of getting rid of value-judgments, and, in another paper published a few years later, he explicitly pointed out the *non*-scientific character of economics, which he ‘downgraded’ to simply a social discipline. Hicks (1983).

Unfortunately, both Hicks’ papers passed almost unnoticed, especially the 1957 paper, whose title in the 1981 version was not surprisingly *A Manifesto* - Suzumura (2019).

7.

It should lastly be noted another important aspect of Robbins’ essay: his critique of the method and concepts employed by the Classical economists, which is extremely important to investigate more deeply.

The Classical economists had at the centre of their investigation the notion of *Social Product*, an aggregate figure. Also they viewed production and distribution as belonging to two different fields of enquire, because they supposed both of them governed by two separate sets of forces. In particular, they did not think the market was playing any relevant rôle whatsoever in that respect and, as far as distribution is concerned, they did instead believe that historical elements (be they of social, political or religious feature) had a fundamental rôle to play. The notion of Social Product turns out to be essential, in this respect, for it represents the object on which rival classes of the society are disputing the shares of the Social Product. It is no surprise that Pigou called it *Social Dividend*.

It is exactly that classical approach that Robbins wanted very much to reject, because he rightly thought that it represented the only real *alternative paradigm* to the neoclassical one. It was in fact precisely the Classical economists’ approach which ultimately prompted *Ethics* to systematically enter the field of the economic discipline.

From this point of view, it is perhaps worth considering Sraffa’s *PCMC*, whose structure is shaped along the lines of the Classical economists’ approach. It was explicitly intended as a prelude to a critique of economic theory.
In that work, the elements which ultimately determine the quantities of the commodities appearing in the analytical framework are of altogether different nature from those determining the prices of the commodities. What is more, in order to know the prices, it is absolutely necessary to know beforehand the quantities. Among the latter – in the same fashion as in the Classical economists’ analysis – the commodities which serve as sustenance for the workers and their families must find their place. These quantities must be fixed before the corresponding prices be known and before the production processes get started. In other words, the market has no say in fixing the quantities and the composition of workers’ subsistence and they are fixed independently of any result whatsoever of the production processes.

All this is in plain contrast with the orthodox economic paradigm, in which both quantities and prices, in a competitive market, are instead simultaneously determined by market forces. As a result, their respective magnitudes are just but the outcome of a mere comparison among excesses of quantities of commodities demanded and supplied, devoid of any possible value-judgment.

The other crucial point, very much worth noting in the comparison between the Walrasian framework (which represents here the prototype of the orthodox economic thought) and the Sraffian one (which represents instead the alternative paradigm), comes to light with clear evidence as soon as the rôle performed by the price system in both systems is taken into account.

The rôle played by the price system in the Walrasian framework is to eliminate through mutual exchanges any and every possible divergence between quantity demanded and quantity supplied, which, it should be noted, is an outcome altogether alien to each and every individual. For example, the labourer should be forced to accept the ‘equilibrium’ wage determined by the market whatever it is, even if it were far lower than the level of subsistence.

By contrast, in the Sraffian framework the subsistence of the workers must be previously known, commodity by commodity, and inserted into the analytical framework, and the market, in this respect, obviously plays no rôle at all. The ultimate end to pursue by the economy, in fact, is that of assuring at least the life of the people to continue, and therefore the viability of the production system must be guaranteed, in order to make the pursuing of that end effective. As a result, ends and means appear not separated within the Sraffian framework.

It should also be noted another aspect of Sraffa’s work in contrast with the orthodox economic thought, viz. the neat separation of production from distribution. Once again, this separation replicates the same approach of the Classical economists, except for the further fact that in Sraffa one finds also the notion of a surplus wage. If the economy produces a surplus (a set of commodities over and above subsistence and the necessary means of production), the determination of the income shares requires that the price system be known, and therefore – as Sraffa analytically shows – it is necessary to fix a distributive variable (preferably the rate of profits) outside the system of production. This means, put it other way, that social and political elements, which quite obviously spring out of the historical context considered, turn out to be crucial in determining distribution and, as a consequence, moral and ethical elements inevitably come in.

It is a pity that, in the effort of continuing the critique of economic theory along the lines suggested by PCMC, the attacks have been mainly directed towards some logical inconsistencies of the orthodox economic theory, without going instead straight to, and deeply into, its ‘core’.

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It should finally be emphasized that the huge effort made in putting Ethics out of Economics can ultimately be considered a futile attempt of rendering Economics a neutral science, because that task – as the present paper has tried to make it evident – revealed itself theoretically untenable.

It should also be emphasized, however, that the attempts of excluding value-judgments from the realm of the economic discipline practically succeeded in inducing most people in believing in its genuine ‘scientific’ character.

A test of this can be found in the increasing sophisticate formal structure given to economic models over the years, but also in the increasing use of econometric methods and models, not to mention the highly fashionable case-studies of experimental economics.

A serious enquire would then be needed not so much on why the orthodox economic thought has been hardly vulnerable so far, notwithstanding the many critiques, rather on how it succeeded in overcoming the difficulties and becoming as dominant as ever.

One of the answers can perhaps be found in the very circumstance that the economic discipline is closely related to political power. It is thus for this reason that economics must appear a neutral science, for making the governance and control of the society far easier and apparently painless.
References


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