

A SYMPOSIUM ON
THE NATURE AND SIGNIFICANCE OF
ECONOMIC SCIENCE
BY LIONEL ROBBINS

FOREWORD

BY
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I well remember how fascinated I was as a graduate student in the 1950s by Lionel Robbins’s book (1935), being deeply impressed by his neat means–end definition of economics, which struck me—incorrectly I have learned from Roger Backhouse and Steven Medema (5)—as strikingly original. I was equally impressed by his slam-bang attack on American Institutionalism, although I realized even then that he did less than justice to the empirical work of W. C. Mitchell (1927) on business cycles.

Backhouse and Durlauf (2009) remind us that econometrics, as the term is now understood, hardly existed in 1932. Robbins, while declaring that empirical work was important in economics, displayed an utterly disdainful attitude toward what little empirical work had then been achieved, ridiculing it rather than seriously criticising it—the famous joke about “the wretched Blank” on the elasticity of the demand for

herring (Robbins 1935, 107–8) was characteristic of his attitude. At the same time, they show that this did not stop Robbins from making various strong empirical claims, such as the dire effect of a minimum wage or the inflationary effect of an increase in the quantity of money, which, I can't help saying, is typical of all those who are sceptical of an inductive approach to economic inquiry.

I am ashamed to admit that I was equally impressed by Robbins's naïve introspectionism, although I soon changed my mind as I learned more economics. Perhaps this is the most striking difference between the way the average young economist read the *Essay* in the decade after 1945 and the way we read it today. We have learned from Daniel Kahneman and Amos Tversky to look more kindly at experimental economics and not to assume by introspection that economic man is always rational and endlessly calculating. Maas (6) shows us that Robbins's introspectionism must be seen as a reaction to William Stanley Jevons' and Francis Edgeworth's tendency to indulge in psychophysics. Nevertheless, in retrospect, Robbins's belief in *a priori* truths as the royal road to economic enlightenment seems almost unimaginable now.

Another central message of the *Essay* was the clarion call to divorce positive economics and ethical beliefs about the objectives of economic policy. Masini (1) demonstrates that this was the most often misunderstood theme of the book and I, for one, joined the crowd in getting it wrong. Robbins's message was to draw a line between economics and political economy, a line between positive and normative economics, if the latter is understood as the "art" of policy advice. This is nothing more than a perfectly orthodox distinction drawn first by the classical economists. Backhouse (4) corrects the widespread impression that Robbins was attacking Arthur Pigou rather than John Hobson, R. H. Tawney, and Ralph Hawtrey, all of whom were trying to extend the scope of traditional welfare economics to encompass ethical concerns.

This is a theme to which Colander (2) and Scarantino (3) refer but without questioning Robbins's belief that interpersonal comparisons of utility (IPCU) should be ruled out of economics on the ground that they involve value judgements to which economists as such are not entitled. But in between the lines Robbins also suggested that IPCUs between economic agents were logically impossible and probably meaningless.

Let me stretch the license of an editor to say a few more words about the vexed question of IPCUs. If IPCUs were really impossible, welfare economics would be reduced to efficiency comparisons in terms of physical commodities or in terms of money on the old Benthamite assumption that each extra dollar is equally valuable no matter by whom it is received. Not only are IPCUs possible but we make them all the time and dinnertable conversations are absolutely dependent on them.

Yes, but how do we actually make IPCUs? We make them by means of empathy, the capacity to step into some else's shoes, a capacity the lack of which is defined as autism, a mental disability. But how do we justify them? By rational communicative discourse à la Habermas, a process without a binding conclusion.

However, to make IPCUs at all, we need to have, not just cardinally measurable personal preferences, but what Binmore (1994, 59–61, 283; 2005, 14–121) calls "empathetic preferences"—expected utilities expressed in terms of John von Neumann and Oskar Morgenstern's theory of utility.

This all goes back, like so much else in economics to David Hume and Adam Smith, both of whom defined “sympathy”—a concern for the welfare of others—as something close to what we now call “empathy”—the ability to see the world as others see it. These two ideas are closely related but they are different: it is clearly possible to empathize with others—to be non-autistic—and yet not want to enhance their welfare.

When we enter into the mind of others to form empathetic preferences, we are hindered in that we see others, including their preferences, through the screen of their inherited endowments and natural abilities whether inborn or acquired. If I am going to decide how much it hurts a rich man to part with his riches as a result of a progressive income tax, I need to imagine him stripped of his riches; otherwise, I will end up deciding that it hurts him more than it would hurt me, without knowing how much more.

To form empathetic preferences, we need to see the world as if all differences in wealth, income, and native ability were eliminated, establishing “distributive justice”—a society of absolute “fairness” in which goods are so assigned that no one envies the bundle of goods assigned to someone else—thus providing a Pareto-equivalent conception of an optimal distribution of endowments and abilities to go with an optimal allocation of resources.

This idea goes back to John Rawls’ *Theory of Justice* (1972), which invented the notion of “distributive justice” as a social contract that is reached behind a “veil of ignorance” in which no one knows their ultimate position in terms of their own inherited fortune.

John Harsanyi imported this idea of a social contract formed behind a “veil of ignorance” into game theory and Binmore (2005, 151) has been a keen advocate of the idea that distributive justice is an empathetic equilibrium in the sense of John Nash that will emerge spontaneously in the process of social evolution rather than by the conscious calculation of rational agents. Harsanyi and Binmore seem to imply that far from IPCUs being particularly difficult, there is normally a strong consensus in society on the appropriate standard of IPCUs, which is revealed the moment we peel back the obscuring differences in income and accidents of birth.

Harsanyi goes further and virtually implies that when we imagine everyone in an “original position” having their payoffs expressed in terms of cardinal utilities, their empathetic preferences will be the same as their personal preferences, being the point of view of an ideal or “impartial” spectator. This is the so-called “Harsanyi Doctrine,” according which all rational agents, given the same information about alternative social states, are bound to ascribe the same utility to all actions (Hargreaves Heap and Varoufakis 1995, 100, 124, 136, 141).

This seems to me to come dangerously close to solving the problem of IPCU by dissolving all differences between persons. Even Binmore (2005, 62), the most prominent advocate of this conception of “natural justice,” says as much. I myself doubt that differences in the utility scales of different individuals can even be defined once we strip away all inherited endowments as well as inborn and acquired abilities of individuals. In short, I fail to see that the Harsanyi Doctrine is coherent, which is either a brave or foolhardy thing to say in the face of the Nobel Prize award to Harsanyi.

I have discussed the Harsanyi Doctrine at some length because it is the last word in the perennial theme of IPCUs that Robbins raised in his book. While Harsanyi has not settled the question, the idea of some social consensus on IPCU clearly underlies decision-making in a democratic society. The ballot box is, surely(?), where differences in IPCUs are ultimately resolved if they are ever resolved.

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