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ETHICS AND THE SCIENCE OF ECONOMICS: ROBBINS'S ENDURING FALLACY

BY

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The basic principles of Robbins's Essay on the Nature and Significance of Economic Science *are still present in most textbooks in economics. We thus face a combined problem of historical and contemporary nature. Robbins's assertion concerning the ethics–economics relationship has two main difficulties. Firstly, the presumption of means–ends analysis, which is oblivious of the ends people seek to promote, is not as neutral as it appears. Robbins chooses to ignore the ends by focusing on cost minimization. This implicitly (though not inherently) suggests another end—wealth, or means, maximization—which by no means can be considered as ethically neutral. Secondly, there is an implicit assumption that whatever the ends people seek to promote, there will always be a coordinated outcome to their actions. As competitive prices are the means to achieve waste minimization (through proper pricing by opportunity costs), the assumed coordination must be that of general equilibrium and, thus, cooperative-based coordination must be excluded.*

I. INTRODUCTION

The purpose of Lionel Robbins's *Essay on the Nature and Significance of Economic Science* was to carve a niche for economics as an independent discipline, and to maintain its scientific nature by divorcing it from anything remotely ethical. By offering a clear, almost mechanical, definition of what constitutes the subject matter of economics, he was fending off historicism, which opposed the breaking up of social phenomena into well-defined and separate areas of investigation.[1] By relying

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[1] See a discussion of this point in Hodgson (2001, pp. 207–208).

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on a notion of the Verstehen Doctrine, he was hoping to ward off the institutionalists' demand for direct empiricism as a way to formulate the postulates of economic analysis.[2]

At the heart of this conception, therefore, we find the following main tenets:

1. The subject matter of economics is the tension between scarcity and wants (the means–ends problem).[3]
2. Economics is based on axioms (abstractions), which are derived from experience, and which lead to statements about reality[4] (hence, the 'scientific' nature of the subject).
3. Economics is not concerned with ends but only with the means available to achieve those ends. It is, thus, value free.[5]

In spite of a negative initial response, Roger Backhouse and Steven Medema (2009) provide an excellent account of how Robbins's idea became accepted as part and parcel of modern economics. There are, of course, detractors, such as David Colander (2009), who claims that Robbins's definitions and demarcation no longer reflect what economists do, but the fact remains that Robbins's conception of the subject and his basic tenets are familiar to the modern reader, and would be easily found in most contemporary textbooks.[6] In this respect, the problem posed by Robbins is as much a current debate as it is an historical one.[7] In turn, this makes the analysis of Robbins's methodology a bit more complex. While one has to bear in mind the context and influences that gave rise to Robbins's *Essay*, one may want to ponder the significance of these propositions in terms of current analysis. This is

[2]By Verstehen Doctrine, in this context, I refer to Robbins's suggestion that we are able to understand human action on the basis of introspection. "We do not need controlled experiments to establish [the postulates'] validity: they are so much the stuff of our everyday experience that they have only to be stated to be recognised as obvious" (1935, p. 79). Weber (1947) is a key figure in the development of the concept. For a more general discussion of the doctrine, see Blaug (1980, pp. 47–49), and in connection with Robbins, see a discussion (pp. 86–91).On institutionalism, Backhouse (2009, p. 94) (who attributes the point to Howson) also emphasizes Robbins's dislike of American institutionalism in his discussion on welfare economics and Robbins.

[3]"From the point of view of the economist, the conditions of human existence exhibit four fundamental characteristics: The ends are various. The time and the means for achieving these ends are limited and capable of alternative application. At the same time, the ends have different importance" (Robbins 1935, p. 12).

[4]Section 2 of chapter 4 is devoted to showing that economic generalizations are not historical or based on experiments. It is here that Robbins appeals to the Verstehen Doctrine, according to which we should base our axioms on some notion of introspection. "In the light of all that has been said the nature of economic analysis should now be plain. It consists of deductions from a series of postulates, the chief of which are almost universal facts of experience present whenever human activity has an economics aspect ..." (Robbins 1935, pp. 99–100).

[5]To which section 4 of chapter 6 in Robbins (1935) is devoted.

[6]Even those who disagree with Robbins find these tenets so widely spread that they still feel the need to launch a defence of an alternative way of looking at the subject (see, for instance, Endres and Donoghue [2010]).

[7]Denise O'Brien provides an account of Robbins's microeconomics that suggests it is almost identical to the modern account of it (O'Brien 1990, pp. 157–159).

particularly so as Robbins's intellectual heritage is complex and not necessarily particular to any of the existing schools of his time.[8]

Perhaps the most prominent and enduring element in Robbins's story is the call for the clear separation of ethics from economics. However, most of the attention to this problem has been focused almost entirely on the question of interpersonal comparisons of utility. But in this paper I propose to address this problem from an entirely different angle. I will endeavor to show that Robbins's own conception of the subject is necessarily value laden. Hence, it is not because we agree or disagree with interpersonal comparison of utility, nor is it because we do not accept the separation of science from policy that we reject the idea of a value-free economics. It is because the idea does not hold even if we accept Robbins's conception of the subject.

On the face of it, Robbins makes a simple claim: people may have different ends but they will always need to allocate resources. If economics were to deal with such allocations, it would be value free. While this may appear appealing, there are two main problems with this approach. Firstly, economics would not have well-defined criteria of economic performance, as these would depend on the objective people seek to achieve. Secondly, the idea of efficiency in the sense of waste minimization is not necessarily part of economic analysis. Taken together, these two difficulties make economics less, rather than more, well defined or analytical. Clearly, this could not have been Robbins's intention. Nor is it, in my view, a correct reading of Robbins and the sources that inspired him, and, in particular, Philip Wicksteed.

Two fundamentals appear to help Robbins achieve his objective of separating ethics from economics.[9] Firstly, he insists on divorcing the definition of the subject from any particular objectives and, in particular, the one he perceives to dominate the English tradition. By insisting that economics is not about wealth creation, he offers a view, which still resonates today, that economists have nothing to say about the objectives of human action. Instead, economics is merely concerned with finding solutions to the problem of choosing appropriate means to achieve certain ends when there is scarcity.[10]

This step is essential in the Robbins scheme, as it facilitates both the universalization of economics and its value-free agenda. The former is based on the absence of any substantive boundaries to the application of economic analysis except the presence of scarcity. By implication, this is a licence for what some people call today "economic imperialism." As scarcity is prominent in almost all aspects of the social

[8]"Robbins was an eclectic, seeking to assemble the common strands in a wide range of different sources in economics so as to weld together ... a common body of developed, received and professionally attested economic theory" (O'Brien 1990, p. 155). Howson (2004) also provides an account of the diverse influences on Robbins.

[9]While I will take notice of the historical origin of some of Robbins's idea, most of this paper is devoted to the logic of Robbins's own claims. Robbins was a clear thinker and, to a great extent, his writings speak for themselves.

[10]O'Brien (1990, p. 155) claims that in microeconomics, Wicksteed (1933) was the primary source of influence on Robbins. However when we examine Wicksteed's conception of the subject, the difficulties with separating ethics from economics become apparent. It is easy to see in his writing (in particular, pp. 182–185) why such a position is not as obvious as Robbins, and Wicksteed, try to portray. I will deal with this further, below.

sciences, there are no reasons why economic analysis should not be applied across all disciplines.

The value-free agenda is also assisted, as, by removing particular objectives (like wealth creation) from the economic analysis of human behavior, economics can avoid the debate about the moral significance of these objectives. Hence, according to Robbins, current debates about whether growth maximization is a legitimate social objective instead of, say, happiness lie entirely outside economic analysis. Equally, a claim according to which pursuing the efficiency of competitive structures means a social accommodation of greed becomes a meaningless statement. In other words, economics does not distinguish between solutions in terms of what they are trying to achieve, or, in Robbins's terms: "Equilibrium is just equilibrium" (1935, p. 143).

However, we must bear in mind that Robbins is a committed consequentialist as far as ethics is concerned.[11] Therefore, we need to know something about the objectives that have been pursued in order to judge the outcome. But if we consider ethics more broadly, we cannot accept this as a reason to exclude ethics. Not all forms of ethics are purely consequentialist, and if the process of achieving an end—even if we do not know what it is—can become the subject of moral examination, the system is by no means value free.

But there is a far more immediate problem with Robbins's approach. If indeed "there are no economic ends. Only economical and uneconomical means of achieving given ends" (1935, p. 144), then economics is about the minimization of cost (both at the individual and social levels). However, is the minimization of costs not the logical dual of maximizing wealth? Wicksteed (1933) claims that by avoiding wastage, economics is about creating as many means as possible to achieve whatever ends individuals/society wish to achieve.[12] But unless we create a distinction between productive and unproductive economic goods—which, of course, neither Robbins nor Wicksteed subscribed to—this is virtually the same as output maximization. Why, then, is the accumulation of means not an objective that is open to ethical scrutiny?

The second fundamental in Robbins's argument is the implicit presumption that there is always a potential coordinated outcome when individuals solve their ends–means problem in the face of scarcity. In economic terms, this means there will always be equilibrium, irrespective of which ends people seek to promote.

Now, equilibrium is a highly charged concept. This is particularly so when many attribute to Robbins Austrian tendencies. However, while one would find Austrian ideas in Robbins, the fact that he followed Wicksteed (1933) (who followed Friedrich von Wieser [1967]) suggests a broader agenda than the one adopted by a leading Austrian. In his *Notes and Recollections* Ludwig von Mises claims that Wieser, a follower of Carl Menger, has moved so far away from anything Austrian that one can say that he

[11] "Economics, then, is in no way to be conceived as we may conceive Ethics or Aesthetics, as being concerned with ends as such" (Robbins 1935, p. 32). In Wicksteed (1933) this view is expressed even more brutally: "Any relation into which I enter for the fulfilment of my purpose may, in a sense, be called unmoral, inasmuch as it is a means and not an end" (p. 182).

[12] "The tendencies of modern thought and the conditions of modern life have combined to sever the consideration of the administration of resources from the discussion of the ultimate ends ... it has therefore become usual to treat Political Economy as concerned with increasing the communal means rather than securing the communal ends" (Wicksteed 1933, p. 15).

"was a member of the Lausanne School" (Mises 1978, p. 36). It is, therefore, not surprising that in both Wicksteed and Robbins (as well as Wieser),[13] one can find a far greater commitment to general equilibrium—in a more Walrasian sense—than the mere nebulous idea of spontaneous order. Robbins clearly adopts the idea of general equilibrium, as can be seen in his *Essay* (1935, pp. 67–69), in his discussion of stationary equilibrium (1930), and in his analysis of costs (opportunity costs) (1934). Denise O'Brien (1990) quite explicitly admits that "The focus of analysis [being] upon equilibrium-*general* and not *partial* equilibrium" (p. 158).[14] If, indeed, as O'Brien implies, Robbins's microeconomics is very much the same as the modern one, it is not at all surprising to find a Walrasian concept of equilibrium at its heart.

But the presence of equilibrium in Robbins does not necessarily mean that it is the same as that of Leon Walras.[15] It does not necessarily contradict the view according to which the main interest lies in the process by which prices converge to equilibrium, even if they never do. Equilibrium, in this broad sense, can be interpreted as a logical limit, or the benchmark, and it is in this way that Robbins (and Wicksteed) conceived it.

The reason why the universality of equilibrium under any sort of motivation is important in Robbins's ethics–economics scheme is that once the objective of wealth creation has been dismissed, there is not much left for economists to say. We saw that they would like to say something about cost minimization. The other thing they may say is to explain the relationship between prices. The two are, of course, related, as one cannot properly account for opportunity costs without competitive equilibrium prices. Indeed, as Robbins says quite explicitly, the only thing that economics can say is to describe this equilibrium and what would happen if there were a departure from complete freedom (pp. 143–144). In other words, economics only describes the coordinated outcome that would emerge under all possible sets of motives and characters, but cannot comment on the significance of any *institutions* in resolving any particular economic problem. Economics can either prescribe, for which it would need a well-defined problem, or describe, for which it needs a reference point.

Nevertheless, irrespective of how plausible is the claim that all possible sets of ends have a coordinated outcome, ethics again raises its 'ugly' head. When Robbins describes the concept of equilibrium, he focuses on coordinated outcomes *when certain principles of 'freedom' and 'rights' are established*. It seems that for Robbins, these are the conditions of what eighteenth-century scholars would call "natural

[13]See Salerno (2002).

[14]Blaug (1990) criticizes O'Brien for attributing general equilibrium to Robbins. The reason for this is that he objected to the potential connection between Robbins and Walras. For Blaug, Walrasian equilibrium is an historical aberration. However, Robbins's connection with the Lausanne school cannot be denied, and, in particular, as considered as an important influence on Wicksteed. Moreover, I will later try to demonstrate that Robbins could not have meant any other form of equilibrium, but this does not mean that the Walrasian idea is incompatible with more process-based analysis. The problem, in my view, is more with Blaug than with Walras (see a discussion in Witztum 2010).

[15]Though when Robbins says that "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" (Robbins 1935, p. 68), it is difficult to see how could he have objected to Walras. The truth of the matter is that he has not at all objected. In the introduction to Wicksteed's *Common Sense*, Robbins says that Wicksteed "was deeply influenced by the work of those who carried the application of mathematical methods furthest—by the work of Walras and Pareto" (Robbins 1933, p. xviii).

liberty." However, to establish the conditions of natural liberty, eighteenth- to nineteenth-century scholars went out of their way to try to understand why individuals have become dependent on each other in the first place. This, inevitably, is bound to be connected to what motivates their actions and, subsequently, the natural order that would emerge if things were left to themselves. Thus, to assume that freedom and respect for rights are the natural order upon which all sets of ends can reach equilibrium requires a proper understanding of why people would adopt such ethical views and how this could affect their actions.

Both fundamentals are essential for the creation of a value-free and universal science of economics. The irrelevance of objectives, the certainty of coordination, and the absence of an underlying social dimension, or context, govern the opportunistic nature of human behavior. But, in fact, none of these are true. Economics is not neutral about objectives, and it is promoting wealth maximization, which is indeed different from wealth creation—the Classical agenda—but nonetheless a subject of moral scrutiny. Nor would all types of purpose lead to a competitive general equilibrium, and, thus, impede economists from properly assessing how 'economical' are certain means. In what follows, I will address each of the above fundamentals and examine their validity, both from historical and contemporary perspectives.

II. 'ENDS–MEANS' OR ECONOMIC PROBLEMS

Means–Ends or Cost Minimization?

Robbins defines economics as the investigation into the solving of means–ends problems in the face of scarcity. Economics is not interested in the ends but only with the 'efficient' use of means: "[T]here are no economic ends. Only economical and uneconomical means of achieving given ends" (1935, p. 144).[16] But one may wonder whether the 'economical or uneconomical' use of means is indeed independent of the ends. Naturally, one can always say that one is interested in the efficient use of resources, irrespective of what the person using the resources aims to achieve.[17] This may, at first impression, appear value free but why would one be interested in the efficient use of resources in the first place? Would anyone's interest in this question be independent of the aim that the people who employ resources try to achieve?

While Robbins seems to be quite clear about his intention, in this case it might be useful to examine the same theme in Wicksteed, who, as we have acknowledged earlier, was one of the main sources of influence on him.[18] Wicksteed (1933) defines economics as the study of "the administration of any kind of resources … in such a way as to secure their maximum efficiency for the purpose contemplated. It is

[16]Also: "Economics … is concerned with that aspect of behaviour which arises from the scarcity of means to achieve given ends. It follows that Economics is neutral between ends; … [it] is not concerned with ends as such" (Robbins 1935, p. 24).
[17]"The criterion of economy which follows from our original definitions is the securing of given ends with least means. It is, therefore, perfectly intelligible to say of a certain policy that it in uneconomical, if, in order to achieve certain ends, it uses more scarce means than are necessary" (Robbins 1935, p. 145).
[18]In the introduction to Wicksteed's *Common Sense*, Robbins clearly identifies the separation of ethics from economics as coming from him.

administration with a minimum of waste'' (1933, p. 14). This sounds very much like Robbins's conception, but phrased in this way, it also exposes the difficulty of this definition. What does it mean ''to secure their maximum efficiency for the purpose contemplated''? Does this necessarily lead to the next sentence: ''it is administration with a minimum waste''?

The first part of Wicksteed's definition suggests that the maximum efficiency depends on the purpose. In other words, the criterion of economic performance depends on that which one is trying to achieve. Maximum efficiency, therefore, can only mean the best way to serve a particular purpose. But why should this be ''minimum of waste''?

"All successful administration," writes Wicksteed, "consists in the purposeful selection between alternative applications of resources; and the ultimate value or significance of such success depends on the nature of the objectives at which the administrator aims" (1933, p. 14). Moreover,

> since the idea of 'worth' enters, as the regulating and dominating principle, into every act of administration, and since it is our ends or objects that determine the relative worth, or worthiness, of this or that achieved result, it follows that the ultimate ideals of any individual, household, or community—the nature of the ends it seeks and desires—must give the tone and character to its 'economy', and must be the soul and inspiration of its administrative system (p. 14).

Unlike Robbins, Wicksteed seems to acknowledge the relevance of the ends people seek to the evaluation, and perhaps even the working, of the system. However, many pages later (p. 184), Wicksteed all of a sudden changes tack. He suggests that the reason why economics can nevertheless be neutral is because the free reign of intelligent people seeking to promote their own ends *always* promotes the other's ends and produces more resources to help achieve whichever end we wish.

So it is not that minimum waste has anything to do with a specific objective, but rather because—and I will phrase this in terms of modern economics as it means exactly the same[19]—in competitive equilibrium, everyone gains from trade and output is maximized so as to facilitate the achievement of any objective.[20]

There can be little doubt that Robbins was in full agreement with this. He too talks about the conditions of perfect freedom as the benchmark of how things should be (without elaborating why this should be so).[21] Given the endorsement of Wicksteed's position in his introduction to the *Common Sense*, it is quite plausible that the same logic applies to Robbins.[22]

However, what Wicksteed is actually saying is not that economics is totally uninterested in the objectives of individual/social behavior, but rather that the economic

[19]''Division of labour and exchange, on which the economic organisation of society is based, enlarge our means of accomplishing our ends'' (Wicksteed 1933, p. 184).

[20]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'' (Robbins 1935, p. 67)

[21]See Robbins (1935, pp. 143–144).

[22]''[*Common Sense*] is that most complete statement of the implicit philosophy of economic analysis which has been published in our day'' (Robbins 1933, p. xiv). He then argues that Wicksteed's contribution to the methodology of subjective theory of value in the chapters to which I refer transcends any of his other contributions (p. xxi).

objective of maximizing output is useful for all other possible objectives. Better still, that the economic objective of output maximization is consistent with all other possible objectives, as it provides more resources for them.

One could be tempted to interpret Wicksteed as saying that the economic objective of output maximization is just the means to achieve other objectives, but this cannot be acceptable, as the other reason for its neutrality is the fact that people *always* benefit each other.

Robbins does not discuss these complex relationships in full, but simply accepts the assertion that economics is about minimum waste ('economical'), that it is consistent with all other objectives, and, therefore, that it is ethically neutral.[23] Given the elaborate treatment by Wicksteed, it is easy to see that the claim, according to which economics does not care about objectives and is ethically neutral, is quite problematic. For one, it is difficult to see how the clear admission about output maximization can be accepted as objective, which is beyond the ethical;[24] in particular, as it was coupled with the assumption that people benefit each other in the process. More difficult would be to argue that this objective may be consistent with all other possible objectives.

Perhaps the best demonstration of this difficulty behind the Robbins–Wicksteed conception of economics emerges from Robbins's own metaphor of the power of economic analysis. I will quote it at some length:

> Suppose, for instance, a community of sybarites, their pleasures gross and sensual, their intellectual activities pre-occupied with the 'purely material'. It is clear enough that economic analysis can provide categories for describing the relationship between these ends and the means which are available for achieving them…. Let us suppose the reprehensible community to be visited by a Savonarola. Their former ends become revolting to them. The pleasures of the senses are banished. The sybarites become ascetics. Surely economic analysis is still applicable. There is no need to change categories of explanation. *All that has happened is that the demand schedules have changed. Some things have become relatively less scarce, others more so. The rent of vineyards falls. The rent of quarries for ecclesiastical masonry rises. That is all* (Robbins 1935, pp. 25–26, emphasis added).

Here we have two different communities with different ends to promote, the one 'purely material'; the other, 'purely spiritual.' As both types of communities face scarcity, they are the subject of economic investigation. By referring to the differences in relative prices, Robbins assumes that in both cases there will be an equilibrium where

[23]At one point Robbins slips slightly: ''[W]hen time and the means for achieving ends are limited *and* capable of alternative application, *and* the ends are capable of being distinguished in order of importance, then behaviour necessarily assumes the form of choice. Every act which involves times and scarce means for the achievement of one end involves the relinquishment of their use for the achievement of another. It has an economic aspect'' (Robbins 1935, p. 14). The last bit may mean—in Wicksteed's context—that we must choose between the economic end and other ends. If indeed this is the case, economics is entirely within the domain of ethics. Given the rest of his writings, I do not believe that he meant it.

[24]Robbins himself spends the entire first chapter arguing that modern economics is different from classical economics because the latter was interested in the maximization of material wealth. However, in the last section of the chapter, he concedes that if classical economics were to include non-material economic goods, the definition would be acceptable.

the difference in prices will reflect the difference in taste (or what he calls "the initial data") and, thus, opportunity costs. As a result, the 'economical' allocation of resources would be different in the two societies. If we accept this at face value, then this vindicates both Robbins and Wicksteed as the "waste minimisation" is perceived to be perfectly consistent with two extremely different sets of ends.

However, for the waste-minimizing (productive efficient) allocation to emerge in both economies, prices would have to be at a competitive equilibrium.[25] Naturally, this is not a claim that the economy must at all times be at equilibrium, but rather is the presumption that the coordinated outcome is possible in principle, and that over time, actual prices will tend towards these prices.

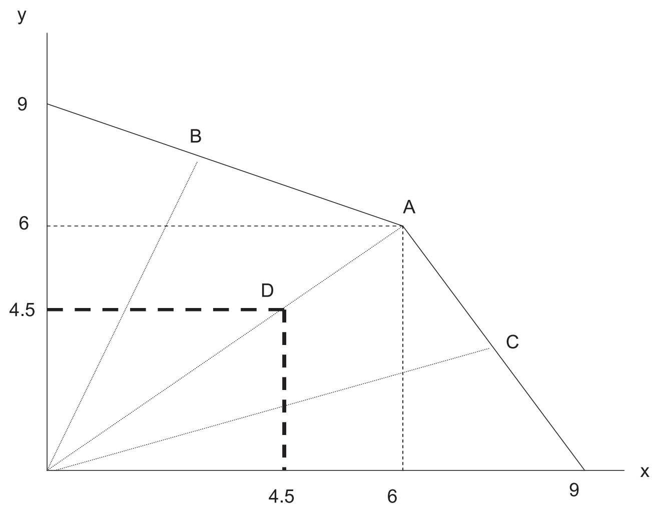
In the material society, when individuals seek to enhance their own material well-being without any clear regard to others, the main problem, for society, would be the coordinated outcome of such behavior. In a sense, the ends that individuals and society wish to promote are identical to the declared end of economics: to ensure plentiful means (i.e., output maximization through waste minimization) while everyone's pursuit is successful and benefits the other. The economic problem would be to find the institutions that facilitate this happy ending, and the answer, as we know, is straightforward: free competition.

But what about the other society? If, in the purely spiritual society, individuals seek to live an ethical life based on minimal material comfort and respect for ethical principles (whatever they are), would they face a similar problem of coordination as the previous society? Is the benchmark of competitive equilibrium where prices reflect the real opportunity costs a meaningful point of reference?

Without delving into the question whether their cooperative streak invites any form of equilibrium as a relevant analytical concept, that which might govern their exchange could easily be ethical principles (for instance, the 'just price'). Hence, while it is clear that the description of equilibrium relationship will be different—as suggested by Robbins—this type of statement would not necessarily be value free any longer. Whether the actual vector of 'just prices' is 'economical' is not really a question about which this society cares much. Nor would they care if they were told that their 'administration'—to use Wicksteed's concept—failed to produce the plentiful of means to support all other ends. As far as this society is concerned, to allow people to compete in the marketplace is a violation of their ethical principles, and stands in contrast to the ends they seek to promote.

To demonstrate this point, consider the following fairly basic example. Suppose that there are two agents in society and two commodities (x and y). Suppose too that agent 1 can produce either 6 units of y or 3 units of x (or any linear combination of the two), while agent 2 can produce either 3 units of y or 6 units of x (or any linear combination of them). It is clear that by specialization and trading, they can both benefit from trade. Becoming members of one society would therefore produce the following economic set-up:

[25] Otherwise, people will have a wrong conception of the opportunity costs, and end up specializing in things in which they may not have a comparative advantage.



According to Robbins, the neutrality of economics emanates from the fact that all three positions (A, B, and C) are equally 'economical,' and would produce different measures of opportunity costs[26] and, hence, competitive prices.

Suppose now that society cares only about equal distribution of burden, and that the labor required for the production of x is far more unpleasant than that required for the production of y. Not A, B, or C produce an outcome compatible with the social objective of equal distribution of burden. At A, we have full specialization, which means that agent 1 is producing the unpleasant x while agent 2 is working in the pleasant production process of y. At B, agent 1 produces only y while agent 2 produces both x and y, and, therefore, 2 is exposed to the unpleasant task while 1 is not. The reverse is true at point C. Only at D would the distribution of burden satisfy the social desire for equity of burden. There, each individual spends exactly half their time engaged in the unpleasant process of producing x and half their time in the more pleasant process of producing y. This means that if the distribution of burden is equal, society would produce 4.5 units of both x and y. What can an economist say if he followed Robbins's conceptions?

At point D, society has chosen a point that is clearly not 'economical,' and prices will not be a meaningful guide in the search of efficiency. In fact, there is nothing meaningful that the economist can say. The only way out of D is by claiming that individuals are opportunistic and care only about consequences, but this would have turned the society of ascetics into sybarites. As such, economics ceases to be universal and becomes ethics dependent.

Can Resource Allocation Be independent of the Economic Problem?

Robbins is trying to persuade us—as do many modern textbooks—that economics is about resources allocation, irrespective of what it is we seek to obtain. However, if we

[26]We overlook the fact that at A there will not be a unique equilibrium as this is simply due to the oversimplified version of our story.

examine the history of economic thought, we will find that there were many attempts to deal with the problem of resources allocation, yet there has not been unified thinking about the best way of conducting such an allocation.

The reason for this is that while everyone was concerned about resources allocation, different scholars solved different *economic problems*. Thus, for instance, both Plato and Aristotle were concerned with the formation of the just society. Inasmuch as there is economics in either of these writers, it is with reference to the type of economic institutions that would support the just society.

However, even though they shared the same economic problem, their conclusions with regard to the best institutional set-up were very different. In Plato (1974, pp. 246–247 [462 b–c]) we can find the argument in favor of communal ownership of property as private property promotes divisiveness, while Aristotle (1976, p.114 [1263a]) claims that private property is a source of virtue. The difference between them, in part, is due to the differences in their epistemology, which affect the way they construct ethical notions like virtue or justice. What is, however, clear is that both were concerned with resources allocation, but the measure of how well different institutions performed depended on the economic problem they formed as well as on the epistemology by which they conceived this problem.

Equally, classical economists like Smith and Mill, on the one hand, and Marx, on the other, were trying to solve yet another economic problem (wealth creation), but they too ended up with very different institutional set-ups and criteria of economic performance. Their approaches differed from those of the Greeks because they were solving a different economic problem. Their solutions differed from each other as they followed different epistemologies.

In other words, while describing equilibrium relationships may indeed be value free—if we accept that "equilibrium" is a useful universal term to capture human interaction—the criterion of economic performance is bound to be dependent on the problem that society tries to resolve. In the above metaphor, it was clear that efficiency (or being economical, in Robbins's terms) is consistent with a society that wishes to coordinate the material wealth maximization of its agents. Society's objective cannot be described as other than wealth maximization. In the case of the purely spiritual society, the criterion of efficiency became meaningless as it would have been in the case of an Aristotelian[27] or Platonic societies.

Robbins's insistence on the distinction between wealth creation and his own definition of economics is based, primarily, on the claim that economics is not only about material wealth. However, he says, "by saying that services are material vibrations or the like [we] can stretch the definition to cover the whole field" (Robbins 1935, p. 21).

This brings Robbins very close to the position of Walras. The latter, in his *Elements of Pure Economics*, asserts, like Robbins, that the Smithian definition of economics is not well conceived, as to provide a plenty of revenue may be an admirable objective but it lies outside the science of economics (Walras 1984, p. 52).

[27]While the word "efficiency" appears in Aristotle, it means that each person in a household should do that which they are good at doing. The purpose is to get as much as one can from household production but not for the purpose of general output maximization, as the ideal of virtue is 'lying in the mean': moderation.

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However, Walras has no problems with the subject matter as "*social wealth*...means all things, material or immaterial... that are *scarce*, that is to say, on the one hand *useful* to us and, on the other hand, only available to us in *limited quantity*" (p. 65).

Nevertheless, there seems to be a remarkable similarity between Walras' initial claim—that the science of economics cannot be construed as the study of wealth creation—and that of Robbins. Even though Walras is not at all disturbed by whether the concept of wealth includes only material wealth, his science of economics, as captured by his *Elements of Pure Economics*, is almost identical to what Robbins considers as the subject matter of economics.

Yet, there are a few fundamentals that distinguish Walras from Robbins. Firstly, while Walras draws a distinction between what he calls science, art, and ethics, he does not consider economics to be comprised of only one of these categories. He clearly insists that the study of value in exchange is the subject of science, the study of production (industry) is the subject of art, and the study of property/distribution (institutions) is the subject of ethics. However, he also accepts that they are all "three generic phenomena or the three orders or groups of specific facts which result from the limitation in quantity of utilities or the scarcity of things" (1984, p. 68). Indeed, while the study of exchange is called "pure economics," the study of art and ethics associated with social wealth contains economics in their title: applied economics and social economics, respectively.[28]

The second element is somewhat obscured in Walras' own analysis. While appropriation and ownership are matters for social economics, they seem to be, in his own words, the preconditions for the 'science' of economics. "We have seen *a priori,*" writes Walras, "how scarce things, once appropriated, acquire value in exchange" (p. 68). In other words, it seems that the natural phenomenon of value in exchange, according to Walras, depends on a social phenomenon—the appropriation of scarce things.

Robbins clearly wanted to limit economics only to what Walras called the 'science' of economics. However, Walras would not have agreed that the subject of economics should be confined to only one of the categorical manifestations of social wealth.

In fact, in the light of Walras' analysis, it is easy to see that what Robbins proposes is not really to divorce economics from a particular set of objectives (or economic problems). Instead, he simply suggests a different economic problem from the one adopted by Classical economists. We are no longer interested in wealth creation, but rather with the reconciling of unsatiated wants with scarcity. In other words, economics is about coordinating the activities of wealth-maximizing individuals.

Thus, it seems that Robbins's attempt to separate the study of economics from a particular problem has not really been persuasive. Equally, to describe equilibrium relationships, even if they always exist, is not necessarily a value-free exercise. Nor is the criterion of economic performance, which is associated with efficiency. Whatever we wish to say about individuals' objectives, if we evaluate the outcome of their chosen organization by the word "efficiency," we are implying a wealth-maximization exercise at least at the level of individuals. If society merely wishes to coordinate such an activity, society is effectively endorsing the objectives adopted by the individuals. Hence, as

[28]In another place Walras says explicitly that the science of economics does not constitute the whole of the subject (1984, p. 71).

economics cannot be separated from the problem it aims to solve, and as ends are natural objects of ethics, economics cannot really separate itself from ethics by claiming to be mute on the objectives that individuals seek to obtain.

III. EQUILIBRIUM AND INSTITUTIONS

The Universal Competitive Benchmark

So far we focused on Robbins's claim that economics is merely about choosing the best means to an end but not from the perspective of the end. Rather, the measure that economics employs to evaluate the choice of means is from the point of view of efficiency, which we claimed was nothing short of subjugating all ends to a supreme end of maximizing wealth (or means).

We now move to the second element of Robbins's call for the neutrality of economics: coordinated outcome. From an Austrian perspective, this simply means that whatever people want to achieve, their actions and interaction constitute a process that will lead to an equilibrium, or some kind of order. The only thing we can say, in such a case, is that we may use utility to explain why prices relate to each other in a particular way, but we *will not* be able to assert that these prices facilitate the minimization of costs.

In Robbins (1934), the connection between the evaluation of cost and equilibrium is clearly stated:

> If we reflect upon the way in which equilibrium is established. It is surely obvious that it is only through regard for cost in the value sense that any harmony between technical displacements and prices can be conceived to come about. It is only in equilibrium that such a harmony exists. . .. [It] is not merely true of the Austrian approach. . .. [It] is as essential a condition of equilibrium in the Walrasian system (Robbins 1934, p. 4).

In other words, we have here both the Austrian story of process, which, Robbins claims, requires that people consider costs in terms of prices, and the Walrasian story, according to which only in equilibrium will prices reflect the true opportunity costs. The ease with which Robbins swings between the two is more than a proof, in my view, that he was less convinced of their incompatibility than most Austrian writers. But more to the point, he could not have been more explicit about the fact that proper cost minimization cannot be achieved outside the Walrasian equilibrium.

Moreover, Israel Kirzner (1999), in claiming Wicksteed—and, by implication, Robbins—to the Austrian perspective, says that: "Here we see Wicksteed, in an Austrian fashion, seeing the decisions of market participants not as the implications of equilibrium conditions somehow assumed already to exist, but as the initiating cause for (and stages) the process of equilibrium itself" (Kirzner 1999, p. 111). What distinguishes the Austrian story from the Walrasian one is that in the Austrian approach, equilibrium is not determined by a priori exogenous conditions, but rather by the process in the marketplace. However, there is nothing clearer than Robbins's own statement that "[w]e enquire rather concerning the conditions of equilibrium . . . *given certain data*" (Robbins 1935, p. 67, my italics). And: "Now, of course, it is of the essence of the conception of equilibrium that, *given his initial resources*, each individual secures a range of free choice, bounded only by the limitations of the material environment and the exercise of similar freedom on the part of the other economic subjects'' (p. 143, my italics).[29] By no stretch of imagination can this be interpreted as an Austrian narrative.[30]

It seems to me quite obvious that Robbins is describing a Walrasian equilibrium where equilibrium prices depend on exogenous variables like taste and initial distribution of resources. He then goes on to say that society may choose not to allow such freedom to individuals (a different end). But the role of the economist is not to judge society's choice but merely to say that—by referring to the potential competitive free equilibrium as the benchmark—the actual allocation does not satisfy the cost-minimization principle (that a policy is or is not 'economical'). In other words, Robbins thinks that economists must always refer to the benchmark of efficiency (which solves the implicit problem of a plenty of means) to evaluate any existing equilibrium. However, by saying this, Robbins is contradicting the most important edifice of his structure: that the means–ends examination is value free.

There is an appearance of ethical neutrality in this kind of claim. Irrespective of what people want, economists would comment only on whether what they do minimizes cost. But this could be meaningful only if, given what people want, there could have been a competitive free equilibrium. If we refer to the metaphor from section II, it is clear that for the first society, if left to their own devices, competitive equilibrium would emerge. However, the purely spiritual society, if left in complete freedom, would not necessarily produce a competitive equilibrium. Unless, of course, we suppose that their ethical disposition is just a façade, and that underneath every one of them lurks a member of the materially motivated society.

Therefore, for economics to be value free in a meaningful manner, there must be a coordinated outcome, or equilibrium, to all possible sets of ends. By adding Wicksteed's qualification that each individual would benefit the other while achieving his own ends, we may say that such an equilibrium should be not only productively efficient but also efficient in the Pareto sense of it. Indeed, according to Robbins, the description of this coordinated outcome is what economics is all about (1935, p. 67). Without it, there is little economics could say that could potentially be value free. Thus, when we discuss taxation, we are not interested in the influence it would have on production or distribution, as much as we are interested in the comparative statics of an equilibrium without taxes and an equilibrium with taxes (p. 69).

Equilibrium and the Natural State

Robbins is clearly focused on equilibrium: instead of causes of wealth, we ''enquire rather concerning the conditions of equilibrium of various economic 'quantities''' (1935, p. 67). But ''we regard [the economic system] as a series of interdependent but conceptually discrete relationships between men and economic goods; and we ask under what conditions these relationships are constant'' (p. 68). This seems to suggest

[29]Robbins makes it even clearer when he states that from the fact that people rank their preferences (taste), we can derive equilibrium: ''From this elementary *fact of experience* we can derive the idea of the substitutability of different goods, of the demand for one good in terms of another, of an *equilibrium distribution of goods* between different uses, of *equilibrium of exchange* and of the formation of prices'' (1935, p. 75, my italics).

[30]The argument against an Austrian interpretation of Robbins also appears in Howson (2004).

that equilibrium is a possibility but achievable only under some conditions. This already implies a departure from the ethical neutrality.

We said in the previous subsection that for economists to be able to say anything meaningful, they must be able to compare a free competitive equilibrium to an actual equilibrium (or even just a set of prices—there is no obvious commitment to a continuous equilibrium, although there is some ambiguity with this respect in Robbins). But why should the circumstances of 'freedom' in the sense required by the competitive model, and which Robbins enumerates (1935, p. 143), constitute a benchmark? Is it not in itself an ethical choice? The fact the we allow society to choose other ends is just a pretence because in the end, economists would judge society on the basis of criteria about which society may not care. Does it not make economics irrelevant rather than ethically neutral?

However, the benchmark of free competition could become a meaningful—value-free—benchmark if one argued that this is what would happen not in complete (State-protected) freedom, but rather in the natural state of things.

On this question, it seems that Robbins is fluctuating between the empiricism of Classical economists like Smith and the rationalism of Walras:

> Although Adam Smith's great work professed to deal with the causes of the wealth of nations . . . the central achievement of his book was his demonstration of the mode in which the division of labour tended to be kept in equilibrium by the mechanism of relative prices—a demonstration which, as Allyn Young has shown, is in harmony with the most refined apparatus of the modern School of Lausanne (1935, pp. 68–69).

Obviously, Robbins treats Smith's idea of 'natural liberty' as the conditions under which competitive general equilibrium emerges. If things were left to themselves, there would always be an equilibrium, regardless of what ends people seek to achieve. In other words, equilibrium is a natural, empirical, phenomenon. The Walrasian system, in that vein, is merely an exposition of the nature of equilibrium that would emerge in natural liberty.

Robbins does not seem to be conscious of the shift in paradigm between Smith and Walras, nor of their epistemological differences. It is not very difficult to establish that Smith was an empiricist while Walras was a rationalist. The significance of this is that the Walrasian general equilibrium reflects the essence of things rather than what they are (their appearance). Therefore, in Walras, the idea of the order of natural liberty is universal and always holds, logically. But this does not mean that it also holds empirically.

To a great extent, this is what Robbins (and Wicksteed) is claiming. I have shown a few examples why Robbins's equilibrium is more Walrasian than Austrian. We also saw that the way to accommodate the multitudes of ends with a neutral economics would come from having a universal benchmark of competitive efficient equilibrium. The Walrasian system offers exactly that. Moreover, even though Robbins finds it easy to move from an "equilibrium of exchange and the formation of prices," Walras faced a monumental task in answering the question of how does the world of ideas relate to the world of appearances. This means that while reality may produce various types of equilibria, the value-free one is the free competitive Walrasian equilibrium. So, according to this story, every set of aims has a potentially efficient equilibrium, which economists can meaningfully compare to the real relationship between economic quantities.

However, in the case of Smith, things are a bit more complicated. While it is true that Smith—in the true spirit of enlightenment—believed that if things were left to themselves, an order would emerge, the type of order was not independent of the ends people seek to achieve. In his *Theory of Moral Sentiments* (Smith 1976), he famously describes two types of society. The one, a society of benevolent individuals, will flourish and be happy as people help each other because they care about them. The other, a society of self-interested people, would also survive as mutual help is given in a mercenary way but they would be considerably less happy.[31] Naturally, the former, cooperative, society would not need a concept of equilibrium to explain the relationships between economic quantities. The latter would. So does this mean that the natural order is that of competition and equilibrium or that of cooperation?

Moreover, while Smith recognized that a natural order would emerge, his concept of equilibrium was very different from the Walrasian one.[32] What mattered most were the dynamic implications of the static equilibrium rather than the mere existence of a coordinated outcome. This is why Smith makes a clear distinction between equilibrium at natural rates and equilibrium at market prices. The former is conducive to growth; the latter, not so. As the economic problem Smith was trying to solve was that of growth maximization, the mere coordination was, in itself, unimportant.

For Robbins, Smith's contribution is not the distinction he draws between the two types of equilibrium, but rather the mere notion that there always exists a natural order. By removing the interest in the ends that society wishes to promote, he empties Smith's distinction between types of equilibrium, and invites the Walrasian system to describe them. In this way, the Walrasian logical structure becomes universal.

In short, it seems that by connecting Smith to Walras, Robbins turns the rationalistic tool of general equilibrium into what Smith treated as natural state. If so, it is logically clear why the benchmark of economic pronouncement would be the free competitive equilibrium. It is not an ethical choice but a description of the world before any institutional intervention. It is a good world. Smith, of course, would not have agreed to this. According to him, the natural state (and, therefore, the ostensibly value-free reference point) depends on what motivates individuals.

Natural State and Society

Neither Walras nor Smith would have agreed to the notion that economics can be separated from ethics. In the case of Smith, this is quite evident, as we saw through the example of the two types of societies that may exist. Surely the society of benevolent individuals would not find them competing against each other. Nor would the societies

[31]Smith argues that human beings are naturally social creatures who "stand in need of each other's assistance" (Smith 1976, p. 85). It is the way in which this 'necessary assistance' is being provided that will determine the kind of society that will emerge. Smith proposes two possible frameworks of social organization, which are both natural and viable. One, where the necessary assistance is provided from generous and *disinterested* motives; the other, where such assistance is provided for its utility, by means of mercenary exchange (in other words, from *interested* motives). The former is an agreeable and happy state; the latter, much less so.

[32]For many Smith scholars, the mere mention of general equilibrium in the context of Smith is a travesty. Nevertheless, I do believe there is a concept of general equilibrium in Smith but it is very different from the Walrasian one. The question is developed in Witztum (2009) and (2010).

of monks, in the metaphor of section II above, end up in a competitive state that requires equilibrium to coordinate their behavior. To compare the actual outcome that emerges to the competitive equilibrium would be a meaningless exercise.

In the case of Walras, it would not hold, either, as while the science of economics describes the essence of the value in exchange, it is the social process of appropriation that pours content into it. In other words, we need to know first what it is that made people depend on each other before we can explore how they would coordinate this interdependence.

Robbins's and the modern story begin with identifying the subject matter of economics as being all those things that are both scarce and desirable. This, in turn, gives rise to the important distinction between allocations that are merely feasible and allocations that constrain our desires (i.e., efficiency). Therefore, given the difference in individuals' abilities, it stands to reason that the first action a rational person should take to solve his, or her, individual problem of reconciling want with scarcity would be to *specialize and trade*. Thus, individuals become dependent on each other.

However, the reason why people become dependent on each other is really a rational construction. We assume that individuals, as a matter of fact, seek to maximize—among other things—their material wealth, and, therefore, they become dependent on each other. In other words, there is no underlying social dimension to why individuals depend on each other and, therefore, there is no need to add a social dimension to the coordinated outcome.

The absence of the social dimension in the description of what made people depend on each other is also the reason why Robbins can easily dismiss ethics. After all, by "social dimension" we refer to the way people view others, which, as a matter of fact, is the foundation of ethics. The question here is not what they consider to be right or wrong, but rather the fact that if they have any particular attitudes towards others, it might affect the reason why they depend on them as well as the means that govern their interaction.

Smith too begins the *Wealth of Nations* with a description of specialization and the subsequent dependence that exists among members of society. But Smith's theory does not begin in the *Wealth of Nations*. It begins much earlier, in the *Theory of Moral Sentiments* and the *Lectures on Jurisprudence*, where he is trying to understand what it is that brings people together.

He first observes that people are social beings in the sense that they seek the approval of others. He then describes how they go about it from early stages of society. Smith does not follow a rationalist agenda—he approaches the subject as a true empiricist. Notwithstanding whether his anthropology is correct, Smith forms the view that people started to specialize and trade because they wished, at first, to confer presents on others to acquire their approval. It is a long and complex story, which I do not wish to repeat here,[33] but in his theory, the driving force behind specialization and trade is the pursuit of social approval (through the deceptive powers of wealth).

In the end, both the Robbinsian and the Smithian narratives lead to the same conclusion: individuals specialize and trade, and thus become dependent on each other. However, the fact that in Smith they do so in search of social approval makes

[33]See Witztum (2010).

a great deal of difference. The question we must answer is not whether we reached an outcome that is or is not economical, but whether individuals succeeded in achieving their objectives through the coordinated outcome. The distinction he draws between equilibrium in natural rates or market prices partially answers this question.

Smith did not complete his agenda, as there is questions that remain unanswered: how does the fact that individuals seek others' approval affect the development of social/ethical norms of behavior, and how do these affect the nature of human interaction? Would competition be the right mechanism of coordination if people become more socially minded?

Throughout history, interest in the question of social and economic organization has always been coupled with an understanding of what brings people together. Plato (1984, pp. 115–122), for instance, claims—through Socrates' voice—that there are two principles bringing people together: they need each other to supply their needs; and they have different aptitudes (Book 2, part 2, section 1). Therefore, in a Hobbsian manner, individuals have no choice but to become members of society, and, therefore, the question of how to organize it becomes external to their attitudes towards one another.

Aristotle, on the other hand, claims that ''observation tells us that every state is an association, and that every association is formed with a view to some good purpose'' (Aristotle 1957, p. 54). This means that the reason that people come together is fundamentally moral. Not surprisingly, he promotes self-sufficiency and condemns trade (beyond the satisfaction of needs) as immoral.

Nearer to today, we have the example of J.S. Mill, who believed in the evolving nature of human character. For him, individuals will become increasingly cooperative, which, in turn, could make competition, and equilibrium, redundant concepts of social organization.

All this tells us that if, indeed, equilibrium describes the natural state, we must begin by asking what makes people dependent on each other. I believe the answer to that is bound to influence their attitudes towards others. This, in turn, will inevitably feed into the way moral notions are formed (what I call ''positive ethics''), which, in turn, is bound to affect whether social interaction is predominantly competitive or cooperative in nature.

IV. CONCLUSIONS

There is one explicit foundation and an implicit one to Robbins's call for the ethical neutrality of economics. The explicit element is the focus on the means in the means–ends analysis. The implicit foundation is the presumption of the universality of competitive equilibrium.

Through reference to Robbins's sources of influence (notably Wicksteed and Wieser), we tried to show that what Robbins meant by claiming that economics is only dealing with the means is cost minimization. In other words, while economics is totally uninterested in what people aim to achieve, it should always judge whether the choice of means had been 'economical' in Robbins's language or 'waste minimizing' in Wicksteed's terminology.

However, this creates two main problems. Firstly, Robbins followed Wicksteed in defining costs as opportunity costs, which are evaluated through prices, and only in equilibrium (a competitive one) would prices reveal the real costs. Secondly, cost minimization is really the dual of some sort of output maximization, which, while different from the Classical problem of wealth creation (growth), is nevertheless an end that should and could be the subject of ethical scrutiny.

The second problem suggests that economics is not really about the 'means' element of the means–ends problem but an end that seems to be superior to all others. While it is true that Robbins agrees that societies may choose to tolerate lesser degrees of efficiency, the mere fact that economists are there to tell them that this is the cost of their choice implies that the end of output maximization (or the maximization of means, as Wicksteed puts it) should always be the measure against which all other aims are compared.

The first problem suggests that economists can always compare the efficient outcome to any actual equilibrium. Whatever it is that motivates people, there can always be, in principle, a competitive equilibrium to their interaction, against which any actual choice of policy can be compared. But this assumes not only that people are opportunistic in the sense that they will always choose the best means to an end, but also that they are always competitive. Would all sort of motivations necessarily lend themselves to competitive behavior and, subsequently, to a competitive equilibrium?

In other words, Robbins seems to suggest that competitive equilibrium corresponds to the notion of 'natural liberty' in the Classical era. However, while it is true that major Classical economists wondered about what would happen in complete liberty, some of them realized that this depends on what motivates individuals and what characters they develop. The degree to which individuals care about each other is bound to affect the kind of social norms and characters that would evolve in natural liberty. In some conditions, this may indeed be the competitive paradigm, but in others, more cooperative notions of coordination may need to be developed.

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