



MASSEY UNIVERSITY
COLLEGE OF BUSINESS
KAUPAPA WHAI PAKIHI



MASSEY UNIVERSITY
SCHOOL OF ECONOMICS AND FINANCE
DISCUSSION PAPER: 11.06

JAMES E. ALVEY

**ETHICS AND ECONOMICS, TODAY AND IN THE
PAST**

Te Kunenga ki Pūrehuroa

This series contains work in progress at the **School of Economics and Finance, Massey University**.
Comments and criticism are invited. Quotations may be made on explicit permission of the author(s).

The Secretary
School of Economics and Finance
Massey University
Private Bag 11222
Palmerston North 4442
NEW ZEALAND
Phone: 06 356 9099 Extn 7744
Fax: 06 350 5660

Discussion Paper 11.06

ISSN 1179-0474 (Online)

Ethics and Economics, Today and in the Past*

James E. Alvey
School of Economics and Finance
Massey University
Palmerston North
New Zealand

ABSTRACT

Economics was traditionally viewed as part of a wider study of human things, including ethics. It has drifted away from ethics despite the fact that ethical considerations inevitably form part of economics. After a brief introduction, the second section outlines the state of play in the economics discipline. The third section deals with the ethical crisis of economics today. The fourth section presents two grand narratives of ethics and economics. The fifth section sketches Amartya Sen's critique of the mainstream and his alternative approach to economics. The sixth section provides a checklist to keep in mind. The final section provides some concluding comments.

Keywords: Amartya Sen; ethical motivations; human well-being; social achievement.

JEL: A13; B10; B20.

* Corresponding Author:

Email: J.E.Alvey@massey.ac.nz; Telephone: +64 6 3569099 Ext.7139; Fax +64 6 3505660

1. INTRODUCTION

Is economics an independent science, which has nothing to gain from other disciplines, including ethics? What is the rhetorical position of economists today on this point? Would such a view have been accepted in the past? Is a value-free economics even possible? If some links between ethics and economics are inevitable, where do they manifest themselves? Would economics benefit from an explicit and deeper engagement with ethics?

These, and many other, questions emerge once one begins to think about economics and ethics. I am in broad agreement with the argument presented in this journal by Qizilbash (2007), who, in turn, follows the lead given by Amartya Sen (the 1988 winner of the Nobel Prize in Economic Sciences) in various writings. Both Qizilbash and Sen have noted that modern economics presents itself as having a ‘non-ethical’ character (Sen, 1987, p. 2; Qizilbash, 2007, p. 54). Both claim that economics arose as an offshoot of ethics and that the break between the two occurred only in recent times (Sen, 1987, p. 2; Qizilbash, 2007, p. 54). On the other hand, Qizilbash suggests that, due to Sen’s development of the Capability approach to economics, the connections between ethics and economics have been made clearer. Further, Sen and his fellow Capability theorists have had some impact on the economics profession, notably in the sub-discipline of economic development. In other words, there has been a partial reconciliation between ethics and economics.

In what follows I repeat some of the points made by Qizilbash. More importantly, I am seeking to broaden the scope of his article. Qizilbash focussed primarily on the area of economic development.

The structure of the paper is as follows.¹ The second section presents a quick outline of the state of play in the economics discipline. The third section deals with the ethical crisis of economics today. The fourth section presents two grand narratives of ethics and economics. The fifth section sketches Sen’s critique of the mainstream and his alternative approach to economics. The sixth section provides a checklist to keep in mind. The final section provides some concluding comments.

2. STATE OF PLAY IN THE ECONOMICS DISCIPLINE

Economics is in disarray. Few would deny it. Some of the signs for this are obvious. Other evidence is more controversial. After commenting on the extent of the crisis, it is worthwhile considering how economics descended into this state. One of the fundamental causes is an ethical failure.

First, economists claim to be scientists or technicians who study ‘facts,’ not values; they make ‘scientific’ studies and predictions. They claim that advances in mathematical tools, and the ability and willingness to use them, have allowed economics to far surpass all other disciplines in the social sciences (and the humanities). Yet economists failed to predict the

¹ The paper draws heavily on my book, Alvey, 2011 forthcoming.

Global Financial Crisis, the largest economic ‘shock’ in seventy years. Since the early 1980s, both Marxist and the Keynesian views of the macroeconomy have been rejected. Not only is the modern capitalist economy free from fatal contradictions/flaws but it is also self-stabilizing. For three decades, the prevailing view of mainstream economists has been that the macroeconomy is inherently stable and self-correcting. Despite the embarrassment of falsification by the Great Depression, we were assured that nothing similar could ever recur.

A little handwringing, however, has recently started to appear in public. When Alan Greenspan, the former US Federal Reserve Chairman, gave evidence to a Congressional Committee in 2008, he admitted to being wrong. He conceded that he had now found a flaw in his worldview: a ‘flaw in the model that I perceived as the critical functioning structure that defines how the world works’ (quoted in James, 2008). The top of the tree of public sector economists in the United States has admitted to having a fundamental misunderstanding of the economy and economic processes. The facts of the world have not supported the economists’ models.

Second, all scientists, including positivistic economic scientists, are faced with ethical issues in conceptualizing, conducting, and reporting their work.² For example, it is ‘unethical [for economists] not to work on the quality of the data or on the correct use of statistical tests’ (McCloskey, 2000, p. 144; see also p. 52). In particular, economists ‘should not use statistical significance as the equivalent of economic significance’ (McCloskey, 2000, p. 143; see also pp. 187-207). Fitting equations to historical data can be an absorbing game but using this for future-oriented purposes, such as public policy, can be dangerous. Nevertheless, despite *repeated* criticism, economists persist in this ethical lapse (McCloskey and Ziliak, 1996; McCloskey, 2000, p. 187; Ziliak and McCloskey, 2008). Perhaps driven by the dictum ‘publish or perish’, economists do not feel bound by elementary ethical standards demanded of positive scientists.

Similarly, business economists act like hired guns in the Wild West. When acting as consultants or expert witnesses, they will tell any story that they expect will be supported by their actual or prospective employer. Indeed, they will tell their story in these contexts, even if there is a conflict of personal interest.³

To some degree at least, these examples demonstrate the adoption of some of the behavioural principles that they have been taught in economics courses (see the next section, below). The reader may now be wondering if there aren’t some minimal standards to which economists must conform. No professional code of conduct has ever existed.⁴ This reflects a professional disposition towards *laissez-faire* and indifference to ethics. In recent years, some economists have been calling for a code of ethics for the discipline (DeMartino, 2005; DeMartino, 2011). This culminated in a petition of three hundred economists, many associated with the Post-autistic Economics (PAE) movement (see below), calling for a code

² ‘Positive’ scientists must not cheat in order to make profit from science (see McCloskey, 2000, p. 144). Ethical issues are much more visible in economics, however, when policy recommendations are made.

³ The petition calling for a code of ethics, which will be discussed in the text shortly, specifically refers to conflicts of interest.

⁴ The economics discipline began to be professionalized around 1890. See Maloney, 1991.

of ethics for economists (Petition to the American Economic Association on a Code of Ethics, 2011). Apparently embarrassed by the petition, on 7 January, 2011, the American Economic Association voted to establish a committee to examine the adoption of formal ethical rules for its members.⁵

Third, as indicated above, in order to advance their career prospects, academic economists are ‘encouraged’ to publish frequently. The result has been an explosion in the quantity of published material, much of which is of limited worth, misleading, or dangerous. Some of this ‘output’ is purely formal, with no relevance to anyone beyond the formal theorists. Other work appears to be relevant but uses questionable, highly simplified theoretical models. Usually these end with a section on the ‘policy relevance’ of the paper; this rests on the house of sand previously built. Further, it is never explained how normative conclusions arise out of positive analysis. There are also empirical papers on topics that are relevant, but they often use techniques of questionable validity. Like the theoretical work, policy recommendations drawn from the results of empirical work are often highly questionable or dangerous.

Since the 1980s, economics units within universities have gradually shifted out of Arts, Humanities, and Social Sciences faculties into Business Schools or faculties. The unintended consequence of this apparently strategic choice has been increasing marginalization of the economics discipline; it has been alienated from the disciplines in its former faculty (e.g. political science) and reduced to a ‘service’ discipline (for accounting and management) in its new faculty. Accreditation bodies (such as exist for business schools and for accountants) require some but minimal economics to be studied. Indeed, the trend has been to require a one-semester unit rather than a full-year first-year course (Guest and Vecchio, 2003). Perhaps indicative of a global trend, economics departments in Australian universities have been subject to frequent amalgamation and staffing levels have declined considerably (Maxwell, 2003, pp. 80-1).

Fourth, the disenchantment of students with economics is palpable. They constantly complain about the poor quality of the teaching (promotion is based on research ‘output’) and the unrealistic assumptions that economists make. Courses on the history of economic thought, economic history, and political economy have been cut in favour of subjects deemed suitable for technical ‘training’. A protest movement began in France in 2000, against the formalism and lack of relevance of mainstream economics education. This spread across the world and became known as the PAE movement (and in May 2011 effectively became the World Economics Association [WEA]).⁶ It has gathered considerable publicity and support. Debate within the economics discipline about PAE/WEA concerns, however, has tended to be among those *already* disaffected with the mainstream.

⁵ Submissions to the committee, led by Robert Solow (a Nobel Laureate), closed on 30 June, 2011 and further progress is expected soon.

⁶ The PAE movement has produced at least two books (Fullbrook, 2003; Fullbrook, 2004). It also has a journal (*Real-World Economics Review*) and a blog (*Real-World Economics Review BLOG*). On 16 May, 2011, the World Economics Association was launched and seems to be an institutional manifestation of the PAE movement. (After due consideration, the author joined this association in October, 2011.)

While some will disagree, I take the previous four sets of observations to be fairly obvious. Other signs of crisis in economics are more controversial. Let me give just *one* example. Consider again the Global Financial Crisis. Greenspan's remarks, quoted above, were in response to direct questioning in one US Congressional Committee but they must also be seen in the context of his prepared statement. Here Greenspan said that he had 'looked to the self-interest of lending institutions to protect shareholder's equity' (quoted in James, 2008). Along with other public officials, as the Chairman of the Fed, Greenspan repeatedly rejected public regulation of the financial sector. His views reflected the international trends in the 1980s and 1990s favouring deregulation. Apparently, economists were more influential than one may have expected given some of the earlier observations. Following the onset of the Global Financial Crisis, however, public policy 'best practice' has shifted to re-regulation. It is *de rigueur* internationally. Hence, even if they failed to *predict* the Global Financial Crisis, perhaps economists were responsible for *creating* it through their advocacy of the now controversial/discredited deregulation policy.

Is the current crisis in economics simply another episode in the long history of economics from which it will recover (i.e. a cyclical problem)? Or is it an indication of a deeper (secular) malaise? There is evidence of both but my focus is on the latter.

In the 1980s, when Keynesianism was being dismantled, a new arrogance emerged in the economics profession. The new view had a wide range of manifestations: creation (and wide acceptance) of fanciful theories and advocacy of a neo-liberal agenda (small government, privatization, deregulation, and so on).⁷ Well established theoretical problems (e.g. second-best) were ignored (Lipsey and Lancaster, 1956). Everything had to be construed as 'first best'. At the heart of the new economics was a simplified version of Adam Smith's 'invisible hand' doctrine. Smith held that within a certain institutional framework, in many cases, self-interest worked to the public benefit ([1776] 1976, p. 356; see pp. 664, 698; Evensky, 2005, p. 227). The modern doctrine appears to be a bastardized version of this: 'greed is good'.

It seems to me that *part* of the current crisis in economics is an ethical crisis. This secular problem (which I trace to the 1930s) is the topic of the next section.

3. THE ETHICAL CRISIS OF ECONOMICS

There are two starting points for the relationship between ethics and economics. The first is the fact/value or positive/normative dichotomy; this methodological view is proclaimed early in almost every economics course and textbook.⁸ Science, understood as positive science, is concerned with 'facts'. With virtually no argument, the economic scientists place economic theory in the former category and economic policy in the latter category.⁹ I believe that the

⁷ One fanciful theory will have to suffice: real business cycle theory (Kydland and Prescott, 1982).

⁸ See Case, Fair, and Oster, 2009, p. 42; Frank and Bernanke, 2009, p. 15; Gans, King, and Mankiw, 2009, pp. 27-9; Samuelson and Nordhaus, 2010, p. 6; Garnett, Lewis, Hubbard, and O'Brien, 2010, pp. 13-4.

⁹ Case, Fair, and Oster (2009, p. 42) state that normative economics can be called policy economics but also refer to two branches of positive economics: descriptive economics and economic theory. Along similar lines, Mankiw (2006) distinguishes between economic science and economic engineering. Colander argues that there is an art of economics which applies knowledge from positive economics to the achievement of goals

fact/value distinction is a *dogma* and a deadly one. The second point is a sort of amalgam that builds upon the first point. Human ends are said to be subjective and beyond rational debate. Means can be subject to rational debate and economics focuses on them. Because ends are subjective and beyond rational debate, they are taken as given. For the economist/technician, human rationality refers to thinking and calculating about means. The initial characterization of goals/ends is often in terms of gaining satisfaction, maximizing utility (or expected utility), having benefits outweighing costs, or something of the sort (Gans, King, and Makiw, 2009, p. 5; Heyne, 2008, p. 25). It is claimed that the goals can be altruistic or public spirited. Hence, claims by critics that economists assume, and build models based on, human selfishness, materialism, or greed are wide of the mark (Heyne, 2008, p. 25). I believe that this is a *rhetorical* position which collapses upon closer examination, even for many of those who start off with such claims. In many cases, the rhetoric is dropped once the early genuflection has been observed. Some elaboration on these two points is needed.

First, it is a widely-held view today among mainstream economists that economics is free from any ideology, theology, or moral philosophy.¹⁰ One commentator on the role of ethics in mainstream economics has stated that:

The 'scientification' of economics ... has led to a separation of economics from its ethical roots. The 'mainstream economics' of the 20th century fully accepts this separation. Economic theory is seen as a positive science which has to analyse and to explain the mechanisms of economic processes. ... [E]thical valuations ('ought'-statements) ... should not form part of the economist's research programme. (Rothschild, 1993, p. 16)

Similarly, a recent commentator on the methodology of economics has commented that 'economists today ... agree that ... economic theory free from values is essential in establishing the scientific nature of the discipline' (Drakopoulos, 1997, p. 286). Many others have expressed similar assessments of the prevailing view (see Young, 1997, p. 4; Galbraith, 1987, p. 124).

The matter-of-fact adoption of this methodology flies in the face of a vast number of criticisms from inside and outside of economics. Inside the profession, thoughtful critiques have been provided by Myrdal (1958), Heyne (2008, pp. 12-21), and others. From outside of economics, critiques have been provided by Putnam (2002) and others. Methodologists have abandoned the fact/value distinction and, along with it, the pretence of a value-free science.¹¹ A certain resistance to change is inevitable, and even healthy within limits, but there is no legitimate excuse for retaining these views today. Until the fact/value or positive/normative distinction is abandoned, there is little hope for a deeper integration of ethics and economics.

determined from normative economics (2008, p. 16). This view is more sensible than most of those based on the positive/normative distinction.

¹⁰ There are certain embarrassing ethical residues which economists try to hide, such as the utilitarian foundations of traditional welfare economics (see Sen, 1987, pp. 30, 38-40). For foundational criticisms, see Cropsey, 1955; Duhs, 1994. In the post-utilitarian phase of welfare economics, Pareto Optimality rules supreme. The fact that Pareto Optimality is itself a type of ethical evaluation of social states, is often swept under the carpet.

¹¹ This does not mean that anything goes (see Heyne, 2008, pp. 10-28). It does mean that values and ethics have to be put back on the table and considered as suitable for rational debate (c.f. Friedman, 1953, p. 5). Consensus may be the best that one can hope for in this area.

Second, as stated above, the rhetoric of modern economics is rational calculation and scientific neutrality on moral issues. The reality is that self-interest regarding baser material objectives come to the fore. These foci, including self-interest, however, can easily shift towards something else. For example, Yezer, Goldfarb, and Poppen state that ‘introductory microeconomics is based on assumptions of rationally *selfish* behavior’ (1996, p. 178 emphasis added). Note that self-interest has slipped to ‘selfish behaviour’. Consider also what one of today’s leading microeconomists, David Kreps, has to say: ‘a sparse set of canonical hypotheses--...*greed*, rationality, and equilibrium--became the maintained hypotheses in almost *all branches* of [economics]’ (1997, p. 59 emphasis added). Colander calls these three the ‘holy trinity assumptions’ of mainstream economics (2005, p. 930). Note that Kreps and Colander have slipped from the ‘selfishness’ of Yezer, Goldfarb, and Poppen to ‘greed’. While mainstream economists usually begin by claiming that they are technicians, who can *apply* their tools to any problem, they frequently make the slip noted above (explicitly, or implicitly): human ‘greed’ is posited as a ‘fact’ from which modelling can commence.¹²

Utility maximization is often rhetoric covering the real view of the profession. Indifference to ends differs from the reality. Other than in the quotes presented above, is there any real evidence that economists tacitly assumed selfishness or greed? One piece of evidence must suffice. Until recently there was not the slightest interest of mainstream economists in theoretical or empirical aspects of altruism.

What is the moral *effect* of promulgating this view on the behaviour of economics students (including future economic consultants and expert witnesses)? Experiments have been conducted to see whether humans cooperate or attempt to ‘free ride’ in a range of situations.¹³ In one study, it was found that people were generally cooperative or public spirited, *except* for a group of first-year graduate students in economics: the latter were less cooperative, contributed much less to the group, and found the concept of fairness alien; the economics students were ‘much more likely to free ride’ than any other group tested (Marwell and Ames, 1981, p. 306). On this same study, Hausman and McPherson comment: ‘Learning economics, it seems, may make people more selfish’ (1993, p. 674; see also Marwell and Ames, 1981, p. 309). More recently, Frank, Gilovich, and Regan found in their experiments that students of economics, unlike others, tended to act according to the model of rational self-interest to which they are exposed in economics; they concluded that ‘exposure to the [economists’] self-interest model does in fact *encourage* self-interested behavior’ and that ‘differences in cooperativeness are *caused* in part by training in economics’ (1993, pp. 159, 170 emphasis added). This conclusion leads them to recommend that economists ‘stress a broader view of human motivation [than rational self-interest] in their teaching’ (Frank, Gilovich, and Regan, 1993, pp. 170-1). If these studies have validity, by producing selfish and uncooperative individuals, empirical evidence exists to show that economics has become non-ethical in

¹² There are some exceptions. As greed must be a ‘fact’ (not a ‘value’) it can be subjected to empirical testing. Some of those working in behavioural economics are aware of the empirical evidence against the claim.

¹³ In the study, “free riding” refers to the absence of contribution towards the provision of a public good by an individual, even though he or she will not be excluded from benefiting from that good. The free rider hypothesis is based on the assertion that under such conditions it is irrational to voluntarily contribute’ (Marwell and Ames, 1981, p. 296).

practice. Actually, far from a value-free science, it is a type of religion. The preachers of the cult indoctrinate greed as part of their ‘holy trinity’.

The current ethical crisis of economics is the culmination of longer term trends. Following Amartya Sen, I argue that the origins can be traced back to advent of Logical Positivism in the the 1930s. Nevertheless, if a *very* long time horizon is chosen, the separation of economics from ethics is actually quite recent.

4. TWO GRAND NARRATIVES OF ETHICS AND ECONOMICS

This section is devoted to placing the current ethical crisis in economics in the context of a longer narrative of ethics and economics. There are two grand narratives of ethics and economics, which are the focus of the section. My own version has been sketched previously (Alvey, 1999; Alvey, 2000).

Before turning to these, however, there is a preliminary matter to discuss. Economic matters have been debated throughout human history. For example, sacred writings from ancient times typically included ethical injunctions on wealth accumulation, lending, business, and commerce. For most of recorded history, economic processes were embedded in the social fabric (including theology, ethics, and politics). This inclined theorists to construct social thought in a holistic way, with economics as simply one small part of social thought.¹⁴ The gradual emergence of the semi-autonomous market fairs in the Middle Ages began the process of disembedding the economy but that process was not completed until the early nineteenth century (Lowry, 1987, pp. 3, 253 n.3; see Polanyi, 1944 [2001], p. 60). Similarly, social thought only gradually recognized the notion of an autonomous economic sphere. Hence, the notion of an independent science of economics arose relatively recently, perhaps since the nineteenth century. Until that time, economics was generally discussed as a subordinate part of a broader study of theological, moral, and political matters.

Some commentators, such as Polanyi and his associates, argue that ‘economics’ began when the modern economy emerged, namely at the time of the industrial revolution (Polanyi, 1957). In their view, there was ethics but no economics before the time of British Classical Economics (roughly 1770 to 1870). Most commentators, however, do not take such an extreme view.

The first grand historical narrative of the relationship between ethics and economics is provided by Amartya Sen and his associates and followers, especially Martha Nussbaum. They adopt what may be called a social democratic or egalitarian approach to ethics and economics. The second narrative is provided by Joseph Cropsey, Richard Staveley, and their followers. They adopt what may be called a philosophical/aristocratic view of ethics and economics.

¹⁴ No theory of determinism is presupposed here. In Marx’s terminology, the superstructure of ideas is influenced by the economic base but not determined by it.

Despite disagreement on some details, the two grand narratives have considerable commonalities. Both accept that there was an ethical tradition in economics in ancient and medieval times and both place Aristotle (384-322 BC) at the centre. Second, they agree that the ethical tradition faded out. Third, they consider the current state of economics to be either ethically thin or amoral.

--*The Grand Narrative of Amartya Sen*

The best place to locate Sen's grand narrative of the history of economics and ethics is in *On Ethics and Economics* (Sen, 1987). Sen refers to 'the historical evolution of modern economics largely as an offshoot of ethics' (1987, p. 2). The 'ethics-related tradition', he says, can be traced back at least to Aristotle in ancient Greece (Sen, 1987, p. 3). Sen argues that there are two moral aspects of economics: 'the ethics-related view of motivation' and the ethical view of 'social achievement' (1987, p. 4). First, in the ethical view of motivation, 'ethical deliberations' do affect 'actual human behaviour' (Sen, 1987, p. 4). Compare this with the 'fact' of human greed proclaimed by today's mainstream economists. Second, the ethical view of 'social achievement' cannot be limited to the satisfaction of 'efficiency': the evaluation 'has to be more fully ethical, and take a broader view of "the good"' (Sen, 1987, p. 4). What Sen has in mind by 'efficiency' is both technical efficiency and economic efficiency. The latter is the Pareto Optimal condition in which no individual 'can be made better off without making someone else worse off'; the former is the equivalent condition in production, in which further output of one good can only be achieved by reducing production of another good (assuming inputs are negative outputs) (Sen, 1987, p. 21 n. 20). For Sen, social achievement is a type of distributive justice, in which the distributive standard is independent of Pareto Optimality (Sen, 1987, pp. 32-3). More will be said below about these two ethical aspects of economics.

In addition to ethics, Sen admits that there is a second origin of economics: 'what might be called "engineering"' (1987, p. 3). This approach also has a long history. In the engineering approach, ends are assumed to be given and it is concerned with logistical issues of means. 'Ethical considerations . . . are not given much role' in its analysis (Sen, 1987, p. 6).

For Sen, both origins 'have some cogency of their own' (1987, p. 6). Engineering contributions, such as general equilibrium theory, are praised, despite their limitations, for showing 'the nature of social interdependence' (Sen, 1987, p. 8). There is a legitimate role for inquiries into both means and ends. The two approaches are not mutually exclusive and can be combined in 'varying proportions' (Sen, 1987, p. 6). Nevertheless, it was the engineering tradition which became dominant and came close to obliterating its sibling (the ethical tradition).

In terms of the grand narrative, Sen argues that the ethical tradition from Aristotle continued to flourish through to the 1930s. The advent of Logical Positivism in the philosophy of (natural) science and its adoption in economics by Lionel Robbins represents the decisive turning point for the ethical tradition in economics (Robbins, 1932; Sen, 1987, p. 30; see also Rothschild, 1993; Drakopoulos, 1997). From the 1930s onwards, economics shifted away from ethics. For Sen, however, economics must 'find an important place' for the old 'ethics-related view of motivation and social achievement' as well as engineering (1987, p. 6). He concludes that 'the distancing of economics from ethics has impoverished welfare economics, and also weakened the basis of a good deal of descriptive and predictive economics' (Sen, 1987, p. 78, see p. 7).

Sen argues that both traditions must be kept alive and he demonstrates this in his own writings. He has made various contributions to economic engineering and, more importantly, has been a tireless researcher in the ethical tradition. Further, he identifies himself as part of the ethical tradition in economics stretching back to Aristotle.

Martha Nussbaum, Sen's collaborator, has written extensively on various ancient Greek writers. Nussbaum's early work on Aristotle preceded Sen's and heavily influenced the latter's interpretation of the Greeks (especially Aristotle), as shown in his various citations of her work (Sen, 1987, pp. 46 n., 63n., 64 n., 66-7n.; Sen, [1999] 2000, pp. 24, 73, 300 n. 14, 308 n. 35, 309 n. 40; Sen, 2009, pp. 231 n., 436 n. 8; see Duhs, 2008, pp. 185, 188).

--The Grand Narrative of Cropsey, Staveley, and their Followers

Cropsey and Staveley were students of the philosopher Leo Strauss. The latter made some side remarks about economics but the comments were fundamental to the second grand historical narrative of the history of economics and ethics (see Minowitz, 1993a). According to Strauss, there is a fundamental break in social thought sometime during the Renaissance (probably in the 1500s), and economic thought reflected that reorientation.¹⁵ At that time, a new view of rationality and self-interest arose and along with these went a new view of the ends of human beings. Modern economics had the same genetic makeup as the rest of modern thought. By contrast, ancient and medieval economics had the same genetic makeup as pre-modern thought.

Strauss's brief remarks were developed by Cropsey, Staveley, Peter Minowitz, and others.¹⁶ Cropsey was influential in the United States, especially in his interpretation of Adam Smith (Cropsey, 1957; Cropsey, 1960; Cropsey, 1964; see Minowitz, 1993b). He regarded Smith as very modern (the few minor pre-modern residues in his writings could be safely ignored) and well outside the classical ethical tradition. Pack correctly refers to Cropsey as having adopted an 'Aristotelian' critique of Smith (Pack, 2010, p. 65). Staveley was influential in Australia; many of his students and followers wrote in the Strauss/Cropsey tradition or were at least greatly influenced by it.¹⁷ A collection of essays by some of Staveley's students was recently published (McCarthy and Kehl, 2008). To ensure full disclosure, I should declare that I was a student of Staveley for three years and adopted his interpretation for a decade or so. I gradually abandoned most of the Staveley doctrine, especially his view of the turning point in the grand narrative (Alvey, 1999; Alvey, 2000; Alvey, 2003; Alvey, 2007).¹⁸ In any event, what is needed now is a sketch of the second grand narrative.

¹⁵ Ancients vs Moderns is the rhetoric that Strauss uses but really what he means is Ancients (and Medievals) vs Moderns.

¹⁶ Most of the Straussians approached discussions of economics as outsiders; they normally wrote from within the discipline of political science. Cropsey held an academic post in economics for some years before transferring to political science but Staveley remained in the economics discipline throughout most of his career (see Kehl and McCarthy, 2008, pp. 6-7).

¹⁷ See Staveley, 1972; Staveley, 2008. Staveley's students included Richard Temple-Smith (Temple-Smith, 1986; Temple-Smith, 2007) and Thea Vinnicombe (see Vinnicombe and Staveley, 2002; Vinnicombe, 2005). His followers included Alan Duhs (Duhs, 1994; Duhs, 1998) and Athol Fitzgibbons (see especially Fitzgibbons, 1988).

¹⁸ For historical reasons, I am listed in two works as having been influenced by Strauss: Murley, 2005, pp. 857-8; Pangle, 2006, p. 147 n.15.

According to Strauss and his followers, in the ancient (and medieval) world, economics was subordinate to politics and ethics in the humanistic studies; indeed, economics played a minor role in such thought. In the face of limited resources, human rationality meant controlling the passions (i.e. the desire to acquire material goods), in order to allow better satisfaction of the true human ends (passions and ends not shared with animals).¹⁹ Three aspects of modern thinking are relevant to economic thinking.²⁰ First, modern thought is based on the liberation of self-interest; as summarized by Hume, reason is the servant of the passions ([1739-40] 1978, p. 415). This fundamentally breaks with the pre-modern view of rationality. Second, the modern view, commencing with Mandeville, is that self-interest leads to the public good (Mandeville, [1714] 1966). This is a further break from the pre-modern view. Third, the grander view of the ends of human beings is replaced by a reductionist view which could be called materialism or economism (maximize material possessions without limit). These modern doctrines are rejected by the followers of Strauss.

--Conclusion

Both of the grand narratives serve two purposes. First, they seek to show the existence of a vibrant ethical tradition at one point in the history of economics. Second, by endorsing the past over the present, they take a stand against the prevailing economic orthodoxy. Each grand narrative is associated with a critique of mainstream economics today.²¹ Aspects of both narratives and their theoretical critiques can be questioned. Nevertheless, they do have considerable merit. In the next section, we will focus entirely on Sen's critique.

5. SEN'S CRITIQUE OF THE MAINSTREAM AND HIS ALTERNATIVE APPROACH TO ECONOMICS²²

Sen is a critic of mainstream economics and a builder of an alternative. After briefly commenting on his critique, this section will focus on his *new* approach to economics: the Capabilities approach.

Sen provides a series of critiques (of positivism, positivistic economics, utilitarianism, and utilitarian economics) (see Alvey, 2005). Some of the criticisms are directed at the inadequacies of human motivation depicted by these theories. Other criticisms are directed at the narrow or inadequate understanding of the purposes of social life.

Sen argues that the mainstream views of rationality and human motivation are inadequate or wrong. Concerning ethical motivation, one point should be made here. The economic theory that was the mainstream after World War II asserted that personal choice and personal welfare

¹⁹ Officially, the two best ways of life are philosophy (Athens) and piety (Jerusalem). In reality, for most of the Straussians, the good life meant the life of the philosopher; for a few, it meant the political life.

²⁰ One could add a fourth aspect: the moderns are secular, whereas the pre-moderns generally are not.

²¹ One example of the Strauss/Cropsey critique of mainstream economics must suffice. See Cropsey, 1955; Duhs, 1994.

²² This section draws on Alvey, 2005.

were identical (see Sen, 1977, p. 329).²³ In this context, he draws attention to the atomistic unsympathetic individualism assumed in economics that derives from J.S. Mill's reductionist model of the 'economic man' (Mill, [1836] 1967). Sen says that this image leaves out sympathy *and* what he calls commitment (1977, p. 326). Sympathy modifies the simplistic view of many economists, because 'concern for others now directly affects one's own welfare' (Sen, 1977, p. 326). Nevertheless, it remains ultimately egoistic. Sen takes his critique further by introducing 'commitment'. Commitment, he says, 'drives a wedge between personal choice and personal welfare' and thus undermines modern economics (Sen, 1977, p. 329). He refers to 'class and community' as cases where individuals frequently display commitment, acting against their own welfare in favour of the group (Sen, 1977, p. 344).

Even if economists have never seriously considered sympathy from a theoretical perspective or attempted to examine empirical manifestations of it, they do quickly grasp the meaning of the term. On the other hand, economists seem to have enormous difficulties grasping the possibility that 'commitment' drives any wedge between personal choice and personal welfare. For rhetorical purposes, commitment is construed as nothing more than sympathy, widely construed. As stated above, the reality is that neither category has been taken seriously by mainstream economists. Hence, for Sen, economists have not grasped human complexity. By ignoring such ethical behaviour, they are left with a reductionist view of human nature represented by the economic man: '[t]he purely economic man is indeed close to a social moron' (Sen, 1977, p. 336). Sympathy and commitment need to be brought into economic analysis. Indeed, Sen explicitly refers to the need for an ethical framework (including the prevalence of honesty) for a society, and especially a market society, to operate (1977, p. 332). This is an example of commitment that contradicts the model of the economic man. A society of economic men would be one in which markets are constantly tending to break down; the likely end result is a return to a barter economy with a very low standard of living.

Although ethical motivations are relevant, the Capabilities approach is more concerned with social achievement. With regard to the latter, Sen and his followers have built up an alternative philosophy which is the foundation of a new approach to economics.²⁴ To a large degree, this is a theory of distributive justice. Sen thinks that his theory is an improvement on the existing theories in political science and philosophy. More importantly, as economics has no distributive theory, his theory fills an important gap. Some key points should be mentioned here.

Sen's goal is to faithfully represent human well-being, or what Nussbaum calls 'human flourishing', which lies between commodities (the physical thing) and utility (the pleasure associated with it).²⁵ His approach can be presented as a chain: 'Commodities→Characteristics→Functionings→Utility' (adapted from Sen, 1982a, p. 30). A commodity, such as a bicycle, has the property of providing transport (i.e. its characteristic); by

²³ Consider the ontological view of strict subjectivism of James Buchanan, a Nobel Prize winner. For him, there is no distinction between the individual's utility function and his behaviour (Buchanan, 1991, p. 225). Individual choice is all that there is.

²⁴ To a considerable degree, the Capabilities approach is the latest framework within which a reformed Marxism has tried to find a home.

²⁵ In *The Fragility of Goodness*, Nussbaum frequently refers to human flourishing but says that term actually arose from work by John Cooper (Nussbaum [1986] 2001, p. 6 n).

using that property, the owner can move (i.e. its functioning). The ‘characteristics’ approach was originated by Lancaster; ‘functionings’ was formulated by Sen, using insights from Aristotle, Adam Smith, and Karl Marx (Lancaster, 1966; Sen, 1982a, p. 30; see Sen, 1990a, pp. 43-4).

For Sen, functionings are ‘what the person succeeds in doing with the commodities and characteristics’, he also calls them well-being achievements ([1985a] 1999, p. 6). Some of these functionings are more foundational than others. Sen distinguishes between 1) ‘elementary functionings’, such as ‘avoiding undernourishment, escaping avoidable morbidity’, ‘escaping avoidable mortality’, and ‘undertaking usual movements’, and 2) ‘complex functionings such as achieving self-respect, taking part in the life of the community and appearing in public without shame’ (1980, p. 219; Sen, 1985b, p. 199; Sen, 1990a, p. 44; Sen, [1999] 2000, p. 66).²⁶ The function ‘undertaking usual movements’ would be restricted by physical disability or by cultural views about female seclusion (i.e. cultural norms that require a female to be chaperoned for movements in public). Sen mentions a vast number of functionings in his writings. In addition, he recognizes the importance of freedom, agency, and choice.²⁷ Hence, he often refers to the ‘capability to function’. Capabilities provide for freedom to use, or not use, a functioning (e.g. the choice of fasting or eating).

Nussbaum has gone further than Sen and provided a *full list* of the main features of a human being and a list of human functional capabilities (Nussbaum, 1995, pp. 76-80, 83-5; Nussbaum 2000, pp. 78-80).²⁸ In the latter she includes items such as: ‘Being able to have good health’; having ‘an adequate education’; and ‘being able ... to participate in political life’ (Nussbaum, 1995, pp. 83-4). This year she has provided a work for the general public which summarizes her version of the Capabilities approach (Nussbaum, 2011). In this work Nussbaum argues for ten central Capabilities (Nussbaum, 2011, Ch 2).

Another aspect of Sen’s (and Nussbaum’s) work which is associated with the Capabilities approach is gender equality. If the female rates of ‘mortality, morbidity, under-nourishment, medical neglect’ and illiteracy are higher, and the freedom is less, than for the male counterparts, the female’s functionings are negatively affected (Sen, [1999] 2000, p. 89).²⁹ Sen has claimed that, in various Asian countries, females receive less food and medical care than males. He uses his findings to claim that, in these countries, there has been dramatic *capability deprivation* of females (i.e. there has been a major failure in terms of distributive justice) (Sen, [1999] 2000, pp. 106, 109). In effect, Sen and Nussbaum say that everyone has an *entitlement* or right to certain basic functionings, including the right to life. This means that there must be an *entitlement* to adequate provisions (e.g. food) in order to achieve these functionings. While concerns with gender may seem to have arisen only since the late eighteenth century, and that Sen is merely proclaiming the current view, that is not correct, as I have shown elsewhere (Alvey, forthcoming, Chapters 3 to 5).

²⁶ A useful listings that brings together Sen’s various examples of capabilities is provided by Crocker (1995, pp. 174-6).

²⁷ What Sen has in mind by freedom is not the ‘negative freedom’ of the libertarian but freedom to *achieve* certain constructive things (Sen [1999] 2000, pp. 65-7; see Berlin, 1969).

²⁸ There is a considerable difference between Sen and Nussbaum on this point (see Crocker, 2008, pp. 192-4).

²⁹ Sen has stressed that, in India and China, female fetuses/children are subject to much higher rates of abortion and infanticide than males ([1999] 2000, p. 107).

In his recent work on the Capability approach, Sen has stressed the role of ‘democracy’, both as a *means* to achieving other capabilities (e.g. famine prevention) and as an *end in itself* (he regards public participation as a functioning) (1982b; Sen, [1999] 2000, pp. 16-7, 147-8; Sen, 2009, pp. 342, 348-9). I assert, however, that it is better to use another term than ‘democracy’.³⁰ What Sen has in mind is not tyranny of the majority but actually an *improved* (or *elevated*) democracy including the rule of law, or a regime that Aristotle calls *polity* (Aristotle, *Politics*, 1279a36-79b4; 1293b20-94a30; 1984, pp. 96, 129-31; Sen, 2009, p. 352; see Alvey, forthcoming, Chapter 7).

When the various functionings are put together with appropriate freedom and resources, some image of human well-being (or human flourishing) emerges. Similarly, Sen argues that capability achievements, rather than the production of commodities, should be the appropriate metric for the standard of living. Having developed this framework, Sen has identified various impediments to capability achievement, including poverty and gender inequality (especially female nutrition).³¹ Such impediments are ignored in the most widely used national accounting measure of the standard of living (i.e. GDP/head).

Sen’s final step is to assert that the political authority must be judged by how well people within its jurisdiction are doing according to the Capability standard. Some *duty* is imposed on the political authority to support individuals in achieving certain capabilities to function. The Capability approach requires that many means be provided to every person. This is an alternative to what is at least implicitly the mainstream economics approach to social achievement: a high and growing quantity of commodities available for consumption, or more precisely, a high and growing quantity of commodities per head available for consumption. The conventional measure of the standard of living (GDP/head) has been subject to sustained criticism in recent times; one source of the complaints is the Capability theorists.³²

In sum, the Capabilities approach constitutes a whole new interdisciplinary social science. There are many problems with this approach but at least it provides us with a sort of checklist of ethical issues which seem to lie outside of the concern of mainstream economics.

6. A CHECKLIST TO KEEP IN MIND

Three points stand out from what we have discussed above. First, for Sen, ethical motivations exist and play a role in actual behaviour. The next two points represent an unpacking of ‘social achievement’ in Sen’s discussion. Second, human well-being refers to living a *full* human life. A representation, or measure, of it must show the things that demonstrate a good life being lived. Human functioning achievements must be the focus.

³⁰ Given Sen’s recent focus on freedom (Sen [1999] 2000), it may be more accurate to refer to him as an advocate of ‘liberal democracy’ rather than ‘democracy’.

³¹ There is a huge literature on these topics. The reader should commence by reading Sen 1987. On poverty, see Sen, 1981. On gender inequality, see Sen, 1995. On female nutrition, see Sen, 1990b; Sen, 1992; Sen, [1999] 2000, pp. 89, 104-7.

³² See, for example, Stiglitz, Sen, and Fitoussi, 2009; Nussbaum, 2011, pp. 13-6, 46-50, 185.

Possession of a certain quantity of commodities, however, may be necessary in order to achieve human functionings. Third, once this standard of well-being is clarified, a further measure is required. This provides the benchmark for social success in delivering well-being across the society.

We need to be aware, however, that discontinuities can exist between the second and third standards. Even if a rich notion of human flourishing applies, the standard of social success may be limited to basic functionings. Alternatively, a rich notion of human flourishing may be accepted but social success may be considered to be human flourishing for only a small proportion of the population. For Sen and his associates, however, social success must be construed within a *social democratic framework* (not an elitist one).

As we look ahead to future work in the area of intersection of ethics and economics, we need to keep these three points in mind. Concerning each economist/work we need to ask the following questions. First, does the economist/work present an ethical view of motivation? Second, does the theorist adopt a deep notion of human well-being (or human flourishing)? Third, in the assessment of social success, does the economist/work consider the breadth and depth of human functioning achievements and means to promote functioning achievements?

In addition to these three components of the ethical tradition of economics, I have added two of my own. The first is a notion of a ‘just price’. This is important because of its central role in the history of economic thought, especially in the Middle Ages. The other is an ‘ethical methodology’. This has two characteristics. First, a ‘moral science’ adopts a *method* which is consistent with moral or human concerns, distinct from the natural sciences. The twin dichotomies outlined earlier (fact/value and positive/normative) are profound barriers to any moral science. Second, a ‘moral science’ is concerned that the study contributes to moral *ends*. We should watch out for the five points outlined above.

One final point that we should keep in mind is the level of analysis: individual, household, or state (see Table 1 below). Most economists/texts focus on only one or two levels. Xenophon, Plato, Aristotle, and Sen have interesting things to say about the household level. For Sen, the household is an institution that impedes female functionings. His focus is on the individual and the public policy means that support individual achievements.

Table 1 Levels of analysis

The State/City
social achievement (public policy to support resource needs for individual capability achievement); formative law
Household
household management; moral education; character formation
Individual

psychology/soul; human functioning; ethical motivation

7. CONCLUSION

--An Example

Let me start this concluding section with what may seem like a strange example: globalization. Globalization is the name given to the recent extension of the free trade idea. Support for globalization depends on a combination of things, including material benefits. Ethical dimensions are critical in the battle for hearts and minds. Recent evidence suggests that there has been a decline in enthusiasm for globalization. Nearly all economists support free trade (and, by implication, globalization) (for references, see Mankiw, 2011, p. 36). The gap between popular opinion and that of economists must be explained. It is perfectly clear that economists cannot mount a convincing case for free trade (and globalization). There are two reasons for this failure.

First, adherence to positivism severely limits what economists can say. Public policy is the realm of 'values'. It is not a realm of rational debate. As Friedman said, in the realm of values (which includes policy), all that human beings can do is fight (1953, p. 5). If it is just a matter of opinion, there is no point in persuasion. Ultimately, all policies supported by economists are just matters of opinion. Even the most fundamental thing of all, the market system, falls under the same strictures. To the extent that economists defend the market system, they do so with a bad conscience.

This leads to the second explanation which builds on the first. McCloskey (1985; 1994) has argued frequently that economists do not pay attention (or pay inadequate attention) to rhetoric, the art of persuasion. Given their positivist methodology, this makes perfect sense in the area of economic policy. Persuasion, is not just a matter of trickery, it assumes that people can engage in rational argument. Positivism rules that out of the realm of policy.

The inability to put a persuasive case for free trade must be contrasted with the period of classical economics. British economists argued for free trade on material and ethical grounds. They had to overcome considerable obstacles (both vested interests and firmly held convictions) but they persuaded British politicians to adopt this policy. Indeed, for about a century, Britain was a free trade nation (Trentman, 2008).

--The Reform of Economics

Something has gone terribly wrong. I assert that economics has gone down a wrong path. It must take stock and change direction. The starting point for reform of the economics discipline must be the removal of the dogma of positivistic methodology. Many economics courses begin with a statement of that methodology. Foundational assumptions apply in many areas of economic theory i.e. science. The whole fact/value dichotomy is misguided.

Second, the rhetoric of indifference to ends must be dropped. Diversity of human ends must be taken seriously. That does not mean that all ends are equal. There must be rational debate about ends. The Capability approach at least takes us in the right direction.

Ethical motivations must also be taken seriously. Altruism and public spiritedness must receive due attention. Consider a rather prosaic example. Participants in markets that are

working well assume that people are essentially honest and that a high degree of trust is justified (i.e. there is a low degree of corruption). If these do not apply, the market economy begins to grind to a halt. Surely it is not too much to expect that economists explain the moral framework that is necessary for their beloved market system to work well! Further, if, as was stated earlier, modern economics tends to promote selfishness, it contributes to the undermining the economic system favoured by economists.

Once these two points are accepted, a whole range of topics open up. Adam Smith had no trouble providing ethical arguments in a wide range of economic topics: distribution and exchange; international trade; economic development and growth; and the evaluation of economic systems (see Alvey, 2007). Is it too much to expect that mainstream economists add the ethical dimension to existing arguments in many of these areas?

Many other topics are ripe for ethical treatment. The major macroeconomic metrics (GDP and GDP/head) need close scrutiny. Do they really give a good handle on human well-being? Should the focus be on human well-being growth rather than economic growth? Textbooks often refer to the equity-efficiency trade-off but then proceed on the basis that efficiency is all that matters. If greater attention is given to equity, questions have to be asked when market-clearing prices coexist with starvation. It is routinely stated that free trade improves everyone's material position. Closer inspection reveals that with international trade there are losers but they lose less than the gainers gain. Economists need to seriously confront the issue of compensation for losers.

One means of kick-starting the reform of economics is restoring history of economic thought to a place of prominence in the curriculum. Emphasis could be shifted from traditional themes to ethical themes.

None of this will be easy. The discipline has come so far down the engineering path it will be difficult to turn back. On the other hand, most people think about turning back when they realize that the road they are on leads to a dead end.

REFERENCES

- Alvey, J.E. (1999), 'A Short History of Economics as a Moral Science', *Journal of Markets and Morality*, 2(1), 53-73.
- Alvey, J.E. (2000), 'An Introduction to Economics as a Moral Science', *International Journal of Social Economics*, 27(12), 1231-51.
- Alvey, J.E. (2003), *Adam Smith: Optimist or Pessimist? A New Problem Concerning the Teleological Basis of Commercial Society*, Aldershot, UK: Ashgate.
- Alvey, J.E. (2005), 'Overcoming Positivism in Economics: Amartya Sen's Project of Infusing Ethics into Economics', *Journal of Interdisciplinary Economics*, 16(3), 227-45.
- Alvey, J.E. (2007), 'Ethical Foundations of Adam Smith's Political Economy', in P.E. Earle and B. Littleboy (eds), *Regarding the Past: Proceedings of the 20th Conference of the History of Economic Thought Society of Australia: The University of Queensland, July 11-13, Brisbane, St Lucia, Australia*: School of Economics, University of Queensland, pp. 25-43.
- Alvey, J.E. (forthcoming), *A Short History of Ethics and Economics: The Greeks*, Cheltenham, Edward Elgar.
- Aristotle (1984), *The Politics*, trans., with an introduction, notes, and glossary by Carnes Lord, Chicago: University of Chicago Press.
- Berlin, Isaiah (1969), *Four Essays on Liberty*, Oxford: Oxford University Press.
- Buchanan, James M. (1991), *The Economics and the Ethics of Constitutional Order*, Ann Arbor: University of Michigan Press.
- Case, K., Fair, R. and Oster, S. (2009), *Principles of Economics*, 9th ed., Upper Saddle River, NJ: Prentice Hall.
- Colander, David (2005), 'The Future of Economics: The Appropriately Educated in Pursuit of the Knowable', *Cambridge Journal of Economics*, 29(6), 927-41.
- Colander, David (2008), *Economics*, 7th ed., Boston: McGraw-Hill Irwin.
- Crocker, D.A. (1995), 'Functioning and Capability: The Foundation of Sen's and Nussbaum's Development Ethic', in M.C. Nussbaum and J. Glover (eds), *Women, Culture, and Development*, Oxford: Clarendon, pp. 153-98.
- Crocker, D.A. (2008), *Ethics of Global Development*, Cambridge: Cambridge University Press.
- Cropsey, J. (1955), 'What is Welfare Economics?', *Ethics*, 65(2), 116-25.
- Cropsey, J. (1957), *Polity and Economy*, The Hague: Martinus Nijhoff.

- Cropsey, J. (1960), 'On the Relation of Political Science and Economics', *American Political Science Review*, 54(1), 3-14.
- Cropsey, J. (1964), 'Hobbes and the Transition to Modernity', in Joseph Cropsey (ed.), *Ancients and Moderns*, New York: Basic Books, pp. 213-37.
- DeMartino, G. (2005), 'A Professional Ethics Code for Economists', *Challenge*, 48(4), 88-104.
- DeMartino, G. (2011), *The Economist's Oath: On the Need for and Content of Professional Economic Ethics*, Oxford: Oxford University Press.
- Drakopoulos, S.A. (1997), 'Origins and Development of the Trend towards Value-free Economics', *Journal of the History of Economic Thought*, 19(2), 286-300.
- Duhs, L.A. (1994), 'What is Welfare Economics? A Belated Answer to a Poorly Appreciated Question', *International Journal of Social Economics*, 21(1), 29-42.
- Duhs, L.A. (1998), 'Five Dimensions of the Interdependence of Philosophy and Economics Integrating HET and the History of Political Philosophy', *International Journal of Social Economics*, 25(10), 1477-1508.
- Duhs, L.A. (2008), 'Sen's Economic Philosophy: Capabilities and Human Development in the Revival of Economics as a Moral Science', *Real-world Economics Review*, 14(3), 173-91.
- Evensky, J. (2005), *Adam Smith's Moral Philosophy*, Cambridge: Cambridge University Press.
- Fitzgibbons, A. (1988), *Keynes's Vision*, Clarendon Press: Oxford.
- Frank, R. and Bernanke, B. (2009), *Principles of Economics*, 4th ed., Boston: McGraw-Hill Irwin.
- Frank, R.H., Gilovich, T. and Regan, D.T. (1993), "Does Studying Economics Inhibit Cooperation?", *Journal of Economic Perspectives*, 7(2), 159-71.
- Friedman, M. (1953), *Essays in Positive Economics*, Chicago: University of Chicago Press.
- Fullbrook, Edward (2003), *The Crisis in Economics*, London: Routledge.
- Fullbrook, Edward (2004), *A Guide to What's Wrong with Economics*, London: Anthem.
- Galbraith, J.K. (1987), *A History of Economics*, London: Hamish Hamilton.
- Gans, J., King, S. and Mankiw, N.G. (2009), *Principles of Microeconomics*, 4th ed., South Melbourne: Cengage Learning.

- Garnett, A., Lewis, P., Hubbard, R.G. and O'Brien, A.P. (2010), *Essentials of Economics*, Frenchs Forest, Australia: Pearson.
- Guest, R. and Vecchio, N. (2003), 'Are There Learning Spillovers in Introductory Macroeconomics?', *International Review of Economics Education*, 1(1), 36-60.
- Hausman, D.M. and McPherson, M.S. (1993), 'Taking Ethics Seriously: Economics and Contemporary Moral Philosophy', *Journal of Economic Literature*, 31, 671-731.
- Heyne, P. (2008), *Are Economists Basically Immoral? And Other Essays on Economics, Ethics, and Religion*, Indianapolis: Liberty Fund.
- Hume, D. (1739-40), *A Treatise of Human Nature*, L.A. Selby-Bigge (ed.), 2nd rev. ed. with text rev. and variant readings by P. H. Nidditch (1978), Oxford: Clarendon Press.
- James, F. (2008), 'Greenspan: Money Mess Rocked His World', 23 October, retrieved from www.swamppolitics.com/news/politics/blog/2008/10/greenspan_money_mess_rocked_hi.html.
- Kehl, D. and McCarthy, S. (2008), 'Introduction', in S. McCarthy and D. Kehl (eds) (2008), *Deductive Irrationality*, Lanham, MD: Lexington, pp. 1-27.
- Kreps, D.M. (1997), 'Economics: The Current Position', *Daedalus*, 126(1), 59-85.
- Kydland, F.E. and Prescott, E.C. (1982), 'Time to Build and Aggregate Fluctuations', *Econometrica*, 50(6), 1345-70.
- Lancaster, K. (1966), 'A New Approach to Consumer Theory', *Journal of Political Economy*, 74(2), 132-57.
- Lipsey, R.G. and Lancaster, K. (1956), 'The General Theory of Second Best', *Review of Economic Studies*, 24(1), 11-32.
- Lowry, S. Todd (1987), *The Archaeology of Economic Ideas*, Durham, NC: Duke University Press.
- Maloney, J. (1991), *The Professionalization of Economics*, New Brunswick: Transaction Publishers.
- Mandeville, B. (1714), *The Fable of the Bees or, Private Vices, Public Benefits*, reprinted (1966), 2 vols., with a commentary by F.B. Kaye, Oxford: Clarendon Press.
- Mankiw, N.G. (2006), 'The Macroeconomist as Scientist and Engineer', *Journal of Economic Perspectives*, 20(4), 29-46.
- Mankiw, N.G. (2011), *Principles of Macroeconomics*, 6th ed., Mason, OH: South-western Cengage Learning

- Marwell, G. and Ames, R. (1981), 'Economists Free Ride, Does Anyone Else?', *Journal of Public Economics*, 15, 295-310.
- Maxwell, P. (2003), 'The Rise and Fall(?) of Economics in Australian Universities', *Economic Papers*, 22(1), 79-92.
- McCarthy, S. and Kehl, D. (eds) (2008), *Deductive Irrationality*, Lanham, MD: Lexington.
- McCloskey, D. (1985), *The Rhetoric of Economics*, Madison: University of Wisconsin Press.
- McCloskey, D. (1994), *Knowledge and Persuasion in Economics*, Cambridge: Cambridge University Press.
- McCloskey, D. (2000), *How to be Human Though an Economist*, Ann Arbor: University of Michigan Press.
- McCloskey, D. and Ziliak, S.T. (1996), 'The Standard Error of Regressions', *Journal of Economic Literature*, 34(1), 97-114.
- Mill, J.S. (1836), 'On the Definition of Political Economy and on the Method of Investigation Proper to it', rev. ed. reprinted in J.S. Mill (1967), *Collected Works*, Toronto: University of Toronto Press, vol. 4, pp. 309-39.
- Minowitz, P. (1993a), 'Machiavellianism Come of Age: Leo Strauss on Modernity and Economics', *Political Science Reviewer*, (22), 157-97.
- Minowitz, P. (1993b), *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion*, Stanford, CA: Stanford University Press.
- Murley, J.A. (ed) (2005), *Leo Strauss and His Legacy: A Bibliography*, Lanham: Lexington Books.
- Myrdal, G. (1958), *Value in Social Theory*, P. Streeton (ed), London: Routledge & Kegan Paul.
- Nussbaum, M. (1986), *The Fragility of Goodness: Luck and Ethics in Greek Tragedy and Philosophy*, rev. ed. (2001), Cambridge: Cambridge University Press.
- Nussbaum, M. (1995), 'Human Capabilities, Female Human Beings', in Martha C. Nussbaum and Jonathan Glover (eds), *Women, Culture, and Development*, Oxford: Clarendon Press, pp. 61-104.
- Nussbaum, Martha (2000), *Women and Human Development*, Cambridge: Cambridge University Press.
- Nussbaum, M. (2011), *Creating Capabilities: The Human Development Approach*, Cambridge, Mass.: Belknap Press.
- Pack, Spencer J. (2010), *Aristotle, Adam Smith and Karl Marx*, Cheltenham: Edward Elgar.

- Pangle, T.L. (2006), *Leo Strauss: An Introduction to His Thought and Intellectual Legacy*, Baltimore: Johns Hopkins University Press.
- Petition to the American Economic Association on a Code of Ethics (2011), 3 January, retrieved on 27 October, 2011, from <http://www.paecon.net/CurrentNews/bp11-1-6.htm>.
- Polanyi, K. (1944), *The Great Transformation*, reprinted (2001), 2nd Beacon paperback edition, foreword by Joseph E. Stiglitz, introduction by Fred Block, Boston: Beacon.
- Polanyi, K. (1957), 'Aristotle Discovers the Economy', in K. Polanyi, C. Arensberg, and H. Pearson (eds), *Trade and Market in the Early Empires*, New York: The Free Press, pp. 64-94.
- Putnam, H. (2002), *The Collapse of the Fact/Value Dichotomy and Other Essays*, Cambridge, Mass.: Harvard University Press.
- Qizilbash, Mozaffar (2007), 'On the Ethics and Economics of Development', *The Journal of Philosophical Economics*, 1(1), 54-73.
- Robbins, L. (1932), *An Essay on the Nature and Significance of Economic Science*, London: Macmillan.
- Rothschild, K.W. (1993), *Ethics and Economic Theory*, Aldershot, UK: Edward Elgar.
- Samuelson, P.A. and Nordhaus, W.D. (2010), *Economics*, 19th ed., Boston: McGraw-Hill Irwin.
- Sen, A. (1977), 'Rational Fools: A Critique of the Behavioral Foundations of Economic Theory', *Philosophy and Public Affairs*, 6(4), 317-44.
- Sen, A. (1980), 'Equality of What?', in S. McMurrin (ed.), *The Tanner Lectures on Human Values*, Salt Lake City: University of Utah Press, vol. 1, pp. 195-220.
- Sen, A. (1981), *Poverty and Famines*, Oxford: Clarendon Press.
- Sen, A. (1982a), *Choice, Welfare and Measurement*, Oxford: Blackwell.
- Sen, A. (1982b), 'How is India Doing?', *New York Review of Books*, 29 (16 December), 41-5.
- Sen, A. (1985a), *Commodities and Capabilities*, reprinted (1999), Oxford India paperback, New Delhi: Oxford University Press.
- Sen, A. (1985b), 'Well-being, Agency and Freedom: The Dewey Lectures 1984', *Journal of Philosophy*, April, 169-221.
- Sen, A. (1987), *On Ethics and Economics*, Malden, MA: Blackwell.

- Sen, A. (1990a), 'Development as Capability Expansion', in K. Griffin and J. Knight (eds), *Human Development and the International Development Strategy for the 1990s*, London: Macmillan, pp. 41-58.
- Sen, A. (1990b), 'More than 100 Million Women are Missing', *New York Review of Books*, 37, 20 December, 61-6.
- Sen, A. (1992), 'Missing Women', *British Medical Journal*, 304 (March), 587-8.
- Sen, A. (1995), 'Gender Inequality and Theories of Justice', in M. Nussbaum and J. Glover (eds), *Women, Culture, and Development*, Oxford: Clarendon Press, pp. 259-73.
- Sen, A. (1999), *Development as Freedom*, reprinted (2000), Anchor Books edition, New York: Anchor Books.
- Sen, A. (2009), *The Idea of Justice*, Cambridge, MA: Belknap.
- Smith, A. (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations*, reprinted in R.H. Campbell and A.S. Skinner (eds), (1976), *The Glasgow Edition of the Works and Correspondence of Adam Smith*, Vol. II, Oxford: Oxford University Press.
- Staveley, R.W. (1972), 'Political Economy Ancient and Modern: Aristotle, Locke and Keynes', in D. Crook (ed), *Questioning the Past*, Brisbane: University of Queensland Press.
- Staveley, R.W. (2008), 'Adam Smith and the Invention of Economic Science', in Stephen McCarthy and David Kehl (eds), *Deductive Irrationality*, Lanham: Lexington Books, pp. 47-69.
- Stiglitz, J., Sen, A. and Fitoussi, J-P. (2009), *Report by the Commission on the Measurement of Economic Performance and Social Progress*, English translation retrieved from www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf
- Temple-Smith, R. (1986), 'Aristotle as a Welfare Economist: A Comment', *History of Political Economy*, 18 (3), 523-8.
- Temple-Smith, R. (2007), 'Adam Smith's Treatment of the Greeks in the *Theory of Moral Sentiments*', in G. Cockfield, A. Firth, J. Laurent (eds), *New Perspectives on Adam Smith's Theory of Moral Sentiments*, Cheltenham, UK: Edward Elgar, pp. 29-46.
- Trentman, Frank (2008), *Free Trade Nation*, Oxford: Oxford University Press.
- Vinnicombe, T. (2005), 'Thomas Hobbes and the Displacement of Political Philosophy', *International Journal of Social Economics*, 32(8), 667-81.
- Vinnicombe, T. and Staveley, R. (2002), 'John Locke, Thomas Hobbes and the Development of Political Economy', *International Journal of Social Economics*, 29(9), 690-705.

Yezer, A.M., Goldfarb, R.S. and Poppen, P.J. (1996), 'Does Studying Economics Discourage Cooperation? Watch What We Do, Not What We Say or How We Play', *Journal of Economic Perspectives*, 10(1), 177-86.

Young, J.T. (1997), *Economics as a Moral Science*, Cheltenham, UK, and Lyme USA: Edward Elgar.

Ziliak, S.T. and McCloskey, D.N. (2008), *The Cult of Statistical Significance*, Ann Arbor, MI: University of Michigan Press.

LIST OF RECENT DISCUSSION PAPERS

2011

- 11.05 James Obben, *The Assignment-Examination Relationship and the Probabilistic Performance of Intermediate Macroeconomics Students: 2000-2011*, September 2011.
- 11.04 Kim Hang Pham Do, *Can issue linkage help mitigate externalities and enhance cooperation?* June 2011.
- 11.03 Kim Hang Pham Do, *Saving the Mekong River basin*, June 2011.
- 11.02 Srikanta Chatterjee, *The long march of China and India to prosperity: The progress so far and some constraints*, May 2011.
- 11.01 James E. Alvey, *Plato Part III: Overall comments on Plato's ethics and economics*, April 2011.

2010

- 10.14 James E. Alvey, *Plato Part II: The 'Late' Dialogues (with a focus on the Laws)*, December 2010.
- 10.13 Kevin Heagney, *The politics of tax: New Zealand 1844-45*, August 2010.
- 10.12 Kevin Heagney, *New Zealand's fiscal inheritance: An assessment of the development of Direct Taxation in the Mother Country. Part IV 1801-50*, August 2010.
- 10.11 Kevin Heagney, *Australasian taxation, Schedule E: A precursor of New Zealand's institutional framework?* August 2010.
- 10.10 Kevin Heagney, *New Zealand's fiscal inheritance: An assessment of the development of direct taxation in the Mother Country. Part III 1801-50*, August 2010.
- 10.09 Kevin Heagney, *New Zealand's fiscal inheritance: An assessment of the development of direct taxation in the Mother Country. Part II 1701-1800*, August 2010.
- 10.08 Kevin Heagney, *New Zealand's fiscal inheritance: An assessment of the development of direct taxation in the Mother Country. Part I 1601-1700*, August 2010.
- 10.07 Kevin Heagney, *Tax Law New Zealand 1844-1845 – The property rate, the property rate amendment and the dealers' licensing ordinance*, August 2010.
- 10.06 James E. Alvey, *Plato Part I: The 'early' and 'middle' dialogues*, August 2010.
- 10.05 Hans-Jürgen Engelbrecht, *Natural capital and life satisfaction across countries: A different perspective on natural capital abundance and dependence*, June 2010.
- 10.04 James E. Alvey, *Ethics and economics in Socrates and Xenophon*, May 2010.
- 10.03 Hans-Jürgen Engelbrecht, *Knowledge-based economies and subjective well-being*, May 2010.
- 10.02 James Alvey, *The context of ancient Greek ethics and economics*, March 2010.
- 10.01 Srikanta Chatterjee, *Some economic dimensions of higher education within and beyond national frontiers*, January 2010.