Section III

THE NATURE AND SCOPE OF ECONOMICS

Economics as a Science

In Section I, few points relevant here, were already made. Firstly, the nature of positivism as found in the essay was discussed. Secondly, the device of separating the categories of economics from the data to achieve scientific objectively was described.

Here we shall point out the difference and similanties between economics and as a social science and the physical sciences.

Robbins claimed that the method of economics was in the main deductive. However this did not mean that economic generalisations were merely formal and divorced from reality. The generalisations of economics had in common with all scientific generalisations the fact of their relation to reality.

The basis proposition were deduced from simple assumptions that reflected very elementary facts of general experience. Therefore it would follow logically that the basic propositions would also relate to reality. Robbins considers that there is less reason to doubt the counterpart in reality of the assumption of individual preferences in Economics than there is of the electron in physics. The economic assumption cited is obvious as soon as stated, while

the latter assumption is derived only inferentially. Although the method of the economist is largely deductive and theoretical his main concern is with the interpretation of reality. This preoccupation has 2 aspects.

Firstly the economist is required to trace the implications and ramifications of given premises. The modern theory of value has developed in this way, by the elaboration of deductions from very simple premises.

However, it is the 2nd aspect which gives significance to the first. This consists in the discovery and analysis of the very basis of these premises. The great Mengerian Revolution which resulted in the subjective theory of value originated from this second aspect. If started with the discovery of the premises themselves.

Two aspects arriving from the nature of the subject matter of economics tended to show divergencies from what was possible in the physical science.

Firstly, the study of the economic problem in relation to human behaviour made the transition from the qualitative to the quantitative, difficult, if not impossible. In the natural sciences, this is easy and inevitable.

Secondly, it is not possible to understand the basic concepts of Economics like choice and relationships between means and ends, by observation of external data only as is possible in the physical sciences. To conceive the economic system in terms of observable data only as is advocated by the behaviourists is to be incomplete.

Robbins indicated the scope of economics by a series of relationships, which will be traced out here.

Economics and Ends

Economics is not conerned with ends as such. The relationship only arises when the achievement of one end or a set of ends involves, the sacrifice of other ends. Economics assumes that human beings have ends which they can understand and define. The economist cannot explain the nature of these ends. Such considerations are proper to other fields of enquiry. It is only the business of the economist to examine the influence of the scarcity of means on these given valuations.

It is this indirect relationship between economics and the ends of economics subjects, that makes the concept of an economic end inconvenient. It would be inconvenient because the scarcity of means influences a wide range of behaviour. In the light of the definition of economics he adopted, Robbins doubted the utility of such a concept as an economic end or an economic satisfaction.

The economist is not concerned with the evaluation of ends. This lies outside the scope of economic analysis. As far as the economist is concerned the ends may be noble or base. The economist as such is not qualified to find a solution to such issues.

Economics and the Aesthetic

Critically reviewing an article written by Sir Josiah Stamp[12], Robbins draws the distinction between economics and the aesthetic in order to show that economic analysis is concerned with conflict of choice and not harmony of diverse ends.

Robbins quotes Sir Josiah as having said that "attention to the aesthetic will increase economic welfare". Robbins considers it more realistic and practical to say that generally to choose the aesthetic must involve some sacrifice of material welfare, and it is too optimistic to assume that at some stage in the future material compensation will follow.

It is Sir Josiah's acceptance of the materialist definition that has prevented him from recognizing the fact that while economics does not deal with ends as such, the aesthetic is directly connected with certain ends. The beautiful is only one of the range of competing ends the economist regards as giving rise to the economic problem.

Economic and Ethics

Disputing any connection between Economics and Ethics, Robbins says that Economics deals with ascertainable fact, while Ethics with valuations and obligations.

---

(12) Sir Josiah Stamp, 'Aesthetics as Economic Factor', from Some Economic factors in modern life p.p. 1-25. Quoted in Robbins, op.cit., p.28.

It is possible to provide scientific verification of what already exists. However, it is not possible to verify scientifically assumptions that relate to the value of what exists or what may exist.

In guarded language Robbins makes it very clear that this does not mean that economists as men should not comment on ethical questions. It just means that economists cannot bring their authority as economists to weigh on ethical questions.

Disagreement about the morality of taking interest is not a question that can be settle by economists either. But disagreement about the objective implications of the fluctuation in the rate of interest can be settled with economic analysis.

Robbins considers it worthwhile delimiting those fields of enquiry where settlement is near impossible from those fields of enquiry where settlement is possible. Ethical questions do not necessarily envisage settlement.

Economics and Technology

According to Robbins, just as ~~these~~ there has arisen confusion between Economics and Ethics through a blind acceptance of the Materialist definition, so has the confusion arisen around the relationship between Economics and Technology. This is so because the technical arts of production are also concerned with material welfare.

However with reference to the definition of economics the relationship is such that the technical arts of production is included as part of the data influencing the relative scarcity of different goods.

Indeed Robbins says that one of the main dangers to civilisation today arises from the inability to distinguish the economic from the technical. Robbins shows how the conditions that give rise to the economic problem are essentially different from those giving rise to a technical problem with an example related to the behaviour of a Robinson Crusoe.

If Crusoe had an irreplacable stock of wood and wanted it to build a fire of certain dimensions, and nothing else, his problem would be purely technical.

However, if he wanted the wood for 2 ends, a fire and a fence, the technical problem is still there, but a new problem arises - the economic problem. He has to decide how to allocate the wood between the ends he has chosen, the fire and the fence. The economic subject has made the choice. Economic analysis aids resource allocation.

Robbins describes Professor Hans Mayer's way of putting the distinction. The problem of technique arises when there is one end and a multiplicity of means. The problem of economy arises when both the ends and means are multiple.

Therefore economists are not interested in technique as such. They are interested in it solely as one of the influences determining relative scarcity.

Psychology and Economics

Psychology bears the same relation as does Technology to Economics.

Robbins attempts to answer the accusation that the subjective theory of value depends on the validity of particular psychological doctrines.

Robbins says that although it is true that Gossen, Jevons and Edgeworth did talk of "pleasure and pain" and spoke of Man as a "pleasure machine" it is clear that basically the theory is capable of being set out in non-hedonistic terms. This is proved by the parallel development in Vienna where Bohm Bawerk, Menger and others used no hedomistic postulates.

As with Technology, Psychology is introduced into economics as the data in order to analysis relative valuation. It is not the business of the economist to explain human behaviour on psychological grounds.

However, Robbins points out that the economic theory must include the psychological or psychical element. The device used was to introduce it as data. Robbins has strong objections against those economists who insist that scientific methods demands that anything incapable of direct observation should be left out. Robbins replies that it is the business of the economist to explain the economic aspect of conduct and besides it is true that economists do in fact understand terms such as choice, indifference, preference.

Robbins goes on to state that even if the economics were restricted strictly to the study of observable things as prices, ratios of exchange, it is still not possible to eliminate

the psychical element. Anticipation of what prices will be in the future affect prices now. It is not possible to observe anticipation and yet it is absolutely necessary to take anticipations into account in order to understand the mechanics of economic exchange.

To take account of the psychological element however does not necessarily mean that objectivity is renowned. It is not the business of the economist to decide whether values which individuals hold are correct or not. It is enough for the economist to take account of the fact that such valuations are made.

Economics and the Exchange Economy

The universality of the economic problem and the resulting definition that can be drawn from the four conditions that made up the economic aspect is demonstrated in the relationship between Economics and its institutional setting. It is false, says Robbins to designate Economics as being essentially the study of the Exchange Economy. Professor Annon is held to be the misguided advocate of this view.

The generalisation of the theory of value which have a pivotal place in economic analysis, are as applicable to the behaviour of isolated man or the executives authority of a communist society as to the behaviour of man in an exchange economy. They are all subject to the same prevailing scarcity of resources.

Robbins admits however that all the interesting complications arising out of the fundamental fact of scarcity are manifest in the Exchange Economy. However, to say that economic analysis has most interest and utility in the study of an exchange economy is not the same thing as saying that it should be limited to the phenomena of the market.