1. Introduction

Economics is in disarray. Few would deny it. Some of the signs of this are obvious; other evidence is more controversial. After commenting on the extent of the crisis, it is worth considering how economics descended to this state. Part of the answer we trace to 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 Global Financial Crisis, the largest economic ‘shock’ in 70 years. In many cases they claimed that the macroeconomy is inherently stable and self-stabilizing. Despite the embarrassment of being undermined 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 head of the 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 conducting and reporting their work. 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.¹

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 Section 1 below). The reader may now be wondering if there are some minimal standards to which economists must conform. No professional code of conduct has ever existed, which reflects a professional disposition towards *laissez-faire* and indifference to ethics.² In more recent years, some economists have been calling for a code of ethics (DeMartino 2005). This culminated in a petition of 300 economists, many associated with the Post-autistic Economics (PAE) movement (see below), calling for a code 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.

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 this kind of work ends with a section on the 'policy relevance' of the paper; this rests on the house of sand previously built. There are also empirical papers on topics that are relevant, but they often use techniques of questionable validity. Further, as stated above, policy recommendations drawn from the empirical results are highly questionable or dangerous.

Since the 1980s, economics units in universities have gradually shifted out of arts, humanities, and social sciences faculties into business schools or faculties. The unintended effect of this apparently strategic choice has been the increasing marginalization of the economics discipline; it has been alienated from its former faculty and reduced to a 'service' discipline (for accounting and management) in its new faculty. Accreditation bodies (as exist for business schools and for accountants) require some economics to be studied, but usually only a minimal amount. Indeed, the trend has been to require a one-semester unit rather than a full-year, first-year course (Guest and Vecchio 2003). Economics departments 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. It spread across the world and became known as the PAE movement;³ it has gathered considerable publicity and support. Debate within the economics discipline about PAE concerns, however, has tended to be among those already disaffected with the mainstream.

While some will disagree, I take these 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 the 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-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 theories⁴ and advocacy of a neo-liberal agenda (small government, privatization, deregulation, and so on). 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 problem with 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.

1. THE ETHICAL CRISIS OF ECONOMICS

It is a widely held view today among mainstream economists that economics is free from any ideology, theology, or moral philosophy.⁵ 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 (see Galbraith 1987, p. 124; Young 1997, p. 4).

Modern economics stresses rational calculation, the baser material objectives, and scientific neutrality on moral issues. 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). 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 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.⁶

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'⁷ in a range of situations. 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 detached from ethics. 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, the 1988 winner of the Nobel Prize in Economic Sciences, I argue that the origins can be traced back to the 1930s. Nevertheless, if a very long time horizon is chosen, the separation of economics from ethics is actually quite recent.

2. 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.⁸

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.⁹ For most of recorded history, economic processes were embedded in the social fabric (including theology, ethics, and politics). This inclined¹⁰ theorists to construct social thought in a holistic way, with economics as simply one small part of social thought. 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; I will elaborate on this in Chapter 2.

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.

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 completely 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, p. 46 n., 63n., 64 n., 66–7n.; 1999 [2000], pp. 24, 73, 300 n. 14, 308 n. 35, 309 n. 40; 2009, pp. 231 n., 436 n. 8; see Duhs 2008, pp. 185, 188). Because of the sharing of ideas between Nussbaum and Sen, I will often treat them as adhering to a unified view. As a result, there will be frequent reference to Nussbaum’s writings below.

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.¹¹ 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.¹² Cropsey was influential in the United States, especially in his interpretation of Adam Smith (Cropsey 1957; 1960; 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 Straussian tradition or were at least greatly influenced by it.¹³ 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 2003; 2007). In any event, what is needed now is a sketch of the second grand narrative.

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.¹⁴ Three aspects of modern thinking are relevant to economic thinking.¹⁵ First, modern thought is based on the liberation of self-interest; reason is the servant of the passions. 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.¹⁶ 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.

3. SEN'S CRITIQUE OF THE MAINSTREAM AND HIS ALTERNATIVE APPROACH TO ECONOMICS¹⁷

Sen is a critic of mainstream economics and a builder of an alternative. This section will briefly comment on his critique but 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 mainstream views of rationality and human motivation are inadequate or wrong. One point concerning ethical motivation should be made here: the economic theory that was the mainstream after World War II asserted that personal choice and personal welfare were identical (see Sen 1977, p. 329).¹⁸ 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). By ignoring such ethical behaviour, '[t]he purely economic man is indeed close to a social moron' (Sen 1977, p. 336). Clearly, this element of ethical behaviour has been ignored by economists and needs to be brought into the analysis.

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.¹⁹ To a large degree, this is a theory of distributive justice that Sen thinks is missing from mainstream economics and an improvement on the existing theories in political science and philosophy. Some key points should be mentioned here.

Sen's goal is to represent faithfully human well-being (or human flourishing), which lies between commodities (the physical thing) and utility (the pleasure associated with it). 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 (its characteristic); by using that property, the owner can move (its functioning). The 'characteristics' approach was originated by Lancaster; 'functionings' was formulated by Sen, using insights from Aristotle, Smith and Karl Marx (Lancaster 1966; Sen 1982a, p. 30; see 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; 1985b, p. 199; 1990a, p. 44; 1999 [2000], p. 66).²⁰ 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 various functionings in his writings. In addition, he recognizes the importance of freedom, agency, and choice.²¹ 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 1995b, pp. 76–80, 83–5; 2000, pp. 78–80).²² In the latter she includes items such as: '[b]eing able to have good health'; having 'an adequate education'; and 'being able ... to participate in political life' (Nussbaum 1995b, pp. 83–4).

Another aspect of Sen's work which is associated with the Capabilities approach is gender equality. If the female rates of 'mortality, morbidity, undernourishment, medical neglect' and illiteracy are higher, and freedom less than for the male counterparts, the former's functionings are negatively affected (Sen 1999 [2000], p. 89).²³ 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, Nussbaum and Sen 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. Concerns with gender may seem to have arisen only since the late eighteenth century, and it may seem that Sen is merely proclaiming the current view, but that is not correct, as will be shown in Chapters 3 to 5.

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; 1999 [2000], pp. 16–17, 147–8; 2009, pp. 342, 348–9). Because of the technical usage of the term in the rest of the book, it is better to use another term instead of 'democracy.'²⁴ 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 *Pol* 1279a36–79b4; 1293b20–94a30; 1984, pp. 96, 129–31; Sen 2009, p. 352; see 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).²⁵ 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 the mainstream economics approach to social achievement (which uses the quantity of commodities available for consumption). The conventional measure of the standard of living (GDP/head) has been subject to sustained criticism in recent times;²⁶ one source of the complaints is the Capability theorists.

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 the concern of mainstream economics.

4. THE ROAD AHEAD

A Checklist to Keep in Mind

Three points stand out from Sections 2 and 3. 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. 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.

As we look ahead to later chapters, we need to keep these three points in mind. For each theorist we need to ask the following questions. First, does the theorist present an ethical view of motivation? Second, does the theorist adopt a deep notion of human well-being? Third, in the assessment of social success, does the theorist 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 subsequent 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. Second, a 'moral science' is concerned that the study contributes to moral ends. As we progress through the book, we should watch out for the five points outlined above.

One final thing that we should keep in mind is the level of analysis: individual, household, or state (see Table 1). Some theorists that we consider focus on only one or two levels. 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. As we progress through the book, we need to place each discussion in the context of the three levels of analysis.

Table 1 Levels of analysis

The State/City

social achievement (public policy to support equipment needs for individual capability achievement); formative law

Household

household management; moral education; character formation

Individual

psychology/soul; human functioning; ethical motivation

The Structure of the Book

Let me now lay out the structure of the remainder of the book. The book is a contribution to filling out one 'episode' in a grand narrative along the lines sketched in Section 2.

Chapter 2 does two things. First, it provides some context for the study of the ancient Greek thinkers. Second, it gives a brief outline of the Sophists, who were perhaps the first teachers of economics. It is their views that were subject to attack by the Socratics, who we focus upon in Chapters 3–8. Chapter 3 discusses the contribution to the ethical tradition of economics of Socrates (469–399 BC) and Xenophon (434–355 BC). The latter was one of several famous students of Socrates. Chapters 4 and 5 are devoted to a wide range of works by Plato (427–347 BC), another student of Socrates. The next three chapters are devoted to Aristotle, the leading student of Plato. His economics (Chapter 8) is set in the context of his ethics (Chapter 6) and politics (Chapter 7). Chapter 9 provides some concluding remarks.

NOTES

1. The petition calling for a code of ethics, which will be discussed in the text shortly, specifically refers to conflicts of interest.
2. The economics discipline began to be professionalized around 1890.
3. The PAE movement has produced at least two books (Fullbrook 2003; 2004). It also has a journal (*Real-World Economics Review*) and a blog (Real-World Economics Review BLOG).
4. One example will have to suffice: real business cycle theory (Kydland and Prescott 1982).
5. There are certain embarrassing ethical residues which economists try to hide, such as the utilitarian foundations of welfare economics (see Cropsey 1955). Nevertheless, it is an ethically thin discipline relative to its past.
6. 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.

7. 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).
8. My own version of a grand narrative can be found in Alvey 1999 and 2000.
9. Analyses of the economic content of ancient sacred writings have been completed already (Ginzberg 1932). On the Old Testament, see Gordon 1975, pp. 70–82; Paris 1998. On the New Testament, see Gordon 1975, pp. 82–91. On the Talmud, see Ohrenstein 1998.
10. 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.
11. Ancients vs moderns is the rhetoric that Strauss used but really what he means is ancients (and medievals) vs moderns.
12. 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 his career.
13. See Staveley 1972; 2008. Staveley’s students included Richard Temple-Smith (Temple-Smith 1986; 2007) and Thea Vinnicombe (see Vinnicombe and Staveley 2002; Vinnicombe 2005). His followers included Alan Duhs and Athol Fitzgibbons (see especially Fitzgibbons 1988).
14. 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 some, it meant the political life.
15. One could add a fourth aspect: the moderns are secular, whereas the pre-moderns generally are not.
16. One example of Cropsey’s critique of mainstream economics must suffice. See Cropsey 1955; Duhs 1994.
17. This section draws on Alvey 2005.
18. 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.
19. To a considerable degree, the Capabilities approach is the latest framework within which a reformed Marxism has tried to find a home.
20. A useful listing that brings together Sen’s various examples of capabilities is provided by Crocker (1995, pp. 174–6).
21. 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).
22. There is a considerable difference between Sen and Nussbaum on this point (see Crocker 2008, pp. 192–4).
23. 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).
24. 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.’
25. 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; 1992b; 1999 [2000], pp. 89, 104–7.
26. See, for example, Stiglitz, Sen, and Fitoussi 2009.