Introduction: ethics vs economics – in praise of the ‘disciplined’ life?

Geoffrey Brennan and Giuseppe Eusepi

ON THE DIVISION OF INTELLECTUAL LABOUR

When Adam Smith first conceived the intellectual enterprise of which The Wealth of Nations is perhaps the most famous part, he was Professor of Moral Philosophy at the University of Glasgow. In this sense, taking The Wealth of Nations as the point of departure for the study of economics as a separate academic discipline, economics could reasonably be said to have been born ‘out of ethics’.

If so, however, we economists have moved some distance from the family home over the intervening 230 years. The traffic between economics and ethics at the academic level these days is, if not negligible, rather thin and cordially regarded on both sides of the divide as an eccentric occupation, even when practised by respected professionals.

Imagine for example that you are a young economist seeking employment at one of the better US universities. In the preliminary interview at the Annual Meetings (a standard part of the job market process), you are likely to be asked about your ‘fields’. And suppose, having listed your relevant mainstream areas of interest – say, public economics, and applied microeconomics with perhaps a subsidiary competence in labour (economics) – you confess to a serious interest in moral philosophy. Suppose that, in an even more reckless burst of candour, you say that would like to do some of your work at the intersection between moral philosophy and economics. Predict, on this basis, your chances of being asked to visit the hiring institution and ‘give a talk’ – the next step in the hiring process. More than likely, you will be met with a wan smile and thanked, and your file quietly consigned to the waste-paper bin as you leave the hotel room. If you have such a philosophic interest, better to keep it entirely to yourself.

The analogous picture from the philosophy side is probably not quite as inhospitable. Conceivably, if you can show an economist’s facility with some of the higher reaches of mathematical decision theory, or a familiarity with game theory and its applications in political philosophy, the interview process will not immediately be terminated. Perhaps you will even be eyed favourably as a
The possibility for the Business Ethics course – something that no self-respecting philosopher really wants to teach. But at the end of the day, you are likely to be overlooked in favour of someone whose interests fall squarely within the traditional fields. Specifically, if ‘philosophy and economics’ is itself your main game, you had better not be too optimistic about your job prospects. If you want to maximize your professional chances (and who does not) then you would be better advised to stick to the high-prestige, core areas – philosophy of mind, philosophy of language, metaphysics, epistemology and the like – and leave the interdisciplinary work to others.

Actually, there are sound reasons why ‘interdisciplinary’ work is regarded suspiciously – reasons we shall explore below. Even if philosophers do not utter the term with quite the same splendid contempt as the economists use, the suspicion is present – and especially so at the assistant professor level, where the scholar is still to develop his or her professional persona. Better to turn to interdisciplinary interests when you are tenured and your credentials as a serious philosopher are better established.

Or at least these are our impressions based on our observations and conversations with our disciplinary peers. The record needs to be moderated here by reference to our own personal experiences. In fact, both of us have enjoyed a great deal of interdisciplinary hospitality. Brennan, coming as an economist to philosophical subjects in mid-career, has always been received extremely cordially by the philosophers – almost without exception. And Eusepi, having been imprudent enough to start his intellectual career with a PhD in Philosophy, has nevertheless been able to make his way in the Italian system as an economics professor without serious obstacles. Furthermore, it needs to be conceded that, at the level of university administrators and outside funding bodies, interdisciplinary endeavours of all kinds seem to exercise a curious attraction – somewhat, it must be said, to the alarm of many of the academic professionals in discipline-based departments.

All that conceded, it remains true that interdisciplinary endeavour is regarded with some suspicion by more mainstream members of the participant disciplines. But is such suspicion mere disciplinary prejudice? More particularly, is that suspicion well grounded intellectually, or does it reflect, rather, intellectually incidental features of the way in which academic life is structured?

It is tempting to think that disciplines are a natural expression of the division of labour in the intellectual enterprise. In exemplifying the division of labour in the first chapter of The Wealth of Nations, Adam Smith explicitly refers to the academic case. And Smith’s own arguments about the role of market size would lead to the prediction that the division of labour in intellectual matters would have become much more finely grained in the two centuries or so since Adam Smith wrote. And so it is tempting to identify the gradual separation of ethics from economics as academic disciplines – the separation, that is, of moral
philosophy from economics – as just a necessary feature of an increasing divi-
sion of intellectual labour.

We think there is more at stake. Disciplines are institutional artefacts. They
not only form the basis on which communities of common intellectual interest
emerge; they are, as well, the monitors of quality and the providers of creden-
tials. They are reproduced in the departmental structure of universities; and they
determine who gets a job and who is granted tenure. Professional societies are
constructed around them, and those professional societies run the journals on
the basis of which professional standing is calculated.

Consider the following institutional fact. You are applying for a job in the
economics department at a good university. You happen to have considerable
expertise in some neighbouring discipline – let it be philosophy. And you would
be quite useful to the Philosophy Department in teaching a variety of their
courses. But of course that fact is relevant to the head of the Economics Depart-
ment only if there is someone in the Philosophy Department who can teach in
the Economics Department and for whose time yours can be traded. But the
arranging of such trades is difficult, even if your opposite number exists. And
there is an issue with divided loyalties as to whether you will be answerable to
the Economics head or the Philosophy head or both or neither. Given the struc-
ture of the university, it would not be surprising if either of these heads
considered any such arrangement all too complicated.

Being a person with broad interests and competence to teach across a wide
range of fields is an asset if and only if those interests and competencies fall
within departmental boundaries. Any interests and competencies that lie outside
those boundaries will be severely discounted, if indeed they count at all. And this
fact is common knowledge across the system. So it establishes a set of incentives:
breadth within disciplinary boundaries, great; breadth across, hopeless.

The point is not just an administrative one. Disciplines are characterized not
just by subject-matter but also by method. It is, for example, perfectly respect-
able these days for someone in an Economics department to work on the analysis
of political processes, provided the analysis in question is ‘economic’ in char-
acter. Economics is, after all, at least as much defined by its ‘way of thinking’
as by its subject-matter. Political science, by contrast, is a field defined almost
entirely by subject-matter. So it is not unusual to discover a professor in a Politi-
cal Science department with a PhD in Economics. But it is almost inconceivable
that a person with a PhD in Political Science would get a job in a self-respecting
Economics department. So as far as the economists are concerned, someone
who has interests in another discipline (as distinct from other subject-matter
perhaps) is cordially regarded with suspicion. Does this person really think like
an economist if he or she is seriously interested in philosophy? Can this indi-
vidual be ‘one of us’ if he or she spends much of his or her time talking to
political scientists? Or, worse, to sociologists?
Perhaps these questions are reasonable. One certainly needs to be able to ‘talk a different language’ to be able to engage in cross-disciplinary conversation. But it is not entirely obvious that being intellectually multilingual corrupts one’s capacities to speak one’s own disciplinary language (whatever it happens to be). Our guess is that the underlying anxiety about interdisciplinarity derives from the fact that the home discipline no longer exercises a monopoly in the provision of professional esteem. If you as a philosopher look to earn esteem from the economists, you will be less under the thrall of those forces that support compliance with professional norms and to that extent are less reliable.

But there is an entirely proper role as well as a dubious one that disciplines play here. Suppose you are an economist attempting, as one does more or less automatically, to assess how good your interdisciplinary colleague, X, is. You may have reservations about X’s competence in economics, but have a perception that the philosophers think well of him or her. That perception though is not one that you are well placed to verify. You do not know many philosophers and you do not know enough to know whose opinion within philosophy is really worth having. The situation from the philosophy side may be perfectly reversed. The philosophers do not think much of X as a philosopher, but understand that X is a gifted economist.

The situation might be worse: X may be gifted at presenting economics to philosophers and philosophy to economists, but not have serious gifts as a practitioner in either field. So X develops a reputation as an economist among the philosophers and as a philosopher among the economists. X is like a translator whose translations of English verse into German are thought by the Germans to be original.

And these possibilities are known – and have their own implications for academic incentives. If I am mediocre as an economist, I might well enhance my reputation by drifting over the border into philosophy. The ‘jack of all trades and master of none’ prospect looms. And this is indeed the reputation that interdisciplinary academics tend to suffer. Not without some justification. We all can recognize that there is a kind of interdisciplinary activity that is the lowest common denominator across the participating disciplines. There must be some presumption that interdisciplinary activity does not attract the best minds: if they were really good they would be making their mark within a disciplinary home.

It is important to recognize the force of these arguments. As the etymology suggests, disciplines operate to discipline performance. In a complex division of intellectual labour, every ‘user’ of the ‘knowledge’ generated needs some assurance that the knowledge is indeed valid and/or the insights genuine. Public evaluation by recognized experts is the only means we have to make this validation. Short of becoming expert ourselves (an expedient which if generalized would simply negate the division of intellectual labour), we have to rely on the...
authority of those recognized by the profession as competent to judge. That this procedure can lead to a kind of self-referential circularity is a possibility almost too obvious to mention. But there clearly are rewards on offer to those who can persuasively demonstrate that certain propositions widely held in the profession are false, and the presence of that self-checking process gives us some confidence that disciplinary judgements are tolerably accurate.

But for this very reason, disciplines exercise a strong centripetal pull. If the discipline is where practitioners get their credentials, then there are strong incentives to be obedient to disciplinary dictates. The forces for convergence are considerable, and as we have already noted, these forces operate not just in relation to having one’s work taken seriously (something most of us value for its own sake) but also in the allocation of jobs. One piece of evidence as to how strong these centripetal forces are lies in the observed similarity of departmental and disciplinary structures across different universities – and, for that matter, the observed similarity of course structures and specific course content. It is, when considered in abstraction, a rather peculiar fact that pretty much all of the universities in the English-speaking world have a very similar structure of faculties and departments. It is perhaps an even more striking fact that economics course programmes, both what is required for an undergraduate major or the structure of graduate programmes, and the precise content of the courses at the various levels, are also very similar. With only a handful of exceptions, what passes for a course in Economic Principles or Intermediate Microeconomics is essentially the same across the vast array of universities worldwide. This is, one might suppose, just what it means to be a single discipline.

All the same, one might have thought that some departments would experiment with something rather different, would search out a niche in terms of the material taught or the style of its teaching. But rarely so: most departments are virtual clones of each other. Economics is a conspicuous case in these respects. There is nothing like the same homogeneity across Political Science departments – and indeed, political science exhibits little in the way of consensus as to what an undergraduate must know, or what the ‘basic principles’ of political science are, or indeed whether any such exist.

Philosophy seems to lie somewhere between economics and political science in this respect. There would, for example, be pretty wide consensus within Anglo-American philosophy as to the ‘pecking order’ in terms of academic quality of different university departments. And there would be wide consensus, at least within the analytic tradition, as to what the core of the discipline consists in. Course structures would be broadly similar. But with philosophy there is a major rift along the so-called analytic–Continental divide. This divide involves differing views as to the importance of philosophers like Heidegger, Foucault, Derrida and so on, and as to the centrality of certain kinds of ‘analytic’ methods. Although the analytic tradition is dominant in the Anglo-American scene, there
are some small number of departments who boast a Continental predominance and whose views of the appropriate rankings of departments reflect that orientation.

This bird’s-eye picture of the state of the three disciplines with which we are most familiar invites several conclusions:

- Disciplines are an important quality-control mechanism in the (necessary) division of labour in intellectual enquiry.
- In that sense, disciplines are a feature of that division of labour, but they are not merely a manifestation of it.
- Disciplines exercise very strong centripetal forces, creating incentives for certain kinds of conformity around the methods and topics regarded within the discipline as mainstream and/or high prestige.
- Interdisciplinary work is therefore subject to certain systematic hazards – namely, the lack of clear institutional mechanisms for monitoring and quality control, and the associated attraction of that lack to those scholars who have most to fear from quality review. Simply put, much interdisciplinary work is of a predictably ‘mediocre’ kind. And having that reputation, interdisciplinary work may fail to attract the best minds. At the same time, it is notable how many of the Nobel Prize winners in Economics have had significant interdisciplinary inclinations: Arrow (philosophy and economics), Becker (law, sociology and economics), Buchanan (politics and economics), Harsanyi (philosophy and economics), Sen (philosophy and economics). Perhaps precisely because the areas that lie along (and across) the borders of the disciplines attend to be avoided by most scholars, there are interesting ‘pickings’ there. That at least is our belief. The centripetal forces within disciplines draw research away from the ‘borders’. It is in this way that disciplines, while a crucial piece of the landscape of enquiry, can distort the intellectual agenda.

CROSSING THE DISCIPLINARY BORDER

In the particular instance of border crossing that this book represents, the main concern is with the relation between ethics and economics. There are three kinds of issues that emerge.

First, there is a strong tradition within economics of maintaining a rigid separation between positive and normative aspects of analysis. That separation – as expressed perhaps most notably in the work of Lionel Robbins (1932) – connects with a distinction between motivation and justification at the level of the individual agent. In particular, economists have been inclined to model agents as entirely self-interested, leaving justificatory matters to be imposed
‘outside the model’ by some idealized ethical observer. The brute fact that no such ethical observer exists – or better put, that all agents act simultaneously as participants and observers in the social processes of which they are part – means that any normative element must, as a matter of logic, be introduced via the views and judgements of the economic actors themselves. In other words, a serious confrontation between ethics and economics invites economists to adopt a broader set of motivational assumptions within their models. In the first instance, agents have to be modelled as evaluative individuals and their values have to be understood in terms that cannot be reduced to mere ‘preferences’ (in obedience to a distinction that those agents themselves make). But once economic agents are modelled as ‘somewhat moral’, then other extensions to the standard psychology are invited. So, for example, agents might be modelled as concerned with esteem (as in the Frey and Neckermann chapter in this volume, Chapter 5) or self-esteem (Basili and Franzini, Chapter 11) or emotional bonding, even between such implausible partners as tax collection agencies and the taxpayer (Feld, Chapter 9) or expressive concerns (Jones, Chapter 6) as well as with moral requirements more directly (Brennan and Hamlin, Chapter 7).

Of course, attentiveness to a richer motivational structure also reminds us of the role that moral motivations can play in securing acceptable outcomes even within market processes. An example may be found in the current (2009) global financial crisis. It is notorious that corruption has preceded those events; and the endless scandals that have been constantly on the rise on both sides of the Atlantic are testimony to an increased distance between economic and ethical behaviour. Thus much of the energy of an ever-increasing number of scholars has gone into understanding the phenomenon of widespread illegal conduct, especially in public economy, and in procurement foremost of all.

Of course, we do not mean to imply by this observation that exclusive attention should be devoted to moral exhortation. We think that the institutions that govern and coordinate behaviour should remain a primary focus in normative reasoning. But the structure of motivations (whether people are morally responsible or not) is of course not irrelevant, and whether institutions promote or undermine moral responsibility is one aspect of how institutions ought to be evaluated.

Second, and relatedly, there is a range of questions that arise when moral pluralism is taken seriously. Much moral philosophy is concerned with identifying the true moral theory – but when moral beliefs are held by individual agents, there is an issue of how the views held by those agents might appropriately be aggregated and what the status of any emergent moral quasi-consensus might be. This is the issue that is addressed in the Brennan and Eusepi chapter (Chapter 2) and to some extent in the Brennan and Hamlin chapter (Chapter 7) as well – and in quite a different way in the Gorini chapter (Chapter 3).
Third, there are chapters that maintain the traditional ‘positive–normative’ divide – but point up distinctive features of the world that bear on normative assessments (such as increasing returns as in the Buchanan chapter, Chapter 1) or distinctive domains in which normative criteria can be applied (say, to a wider range of political institutions as in the Eichenberger and Funk chapter, Chapter 8) or taxation design (Giuriato, Chapter 10).

All of these chapters exemplify the fusing of ethics with economics in one way or the other, and all exhibit what we see as the strengths of interdisciplinary work: the preparedness to think ‘outside the box’ and to allow one’s disciplinary tools to be resources rather than slave-drivers.

Interestingly enough, it was just when economic science began to outgrow the epistemological classification made by Lionel Robbins (1932) that economics needed to fashion a new approach for understanding its relationship with other disciplines, namely politics and ethics. This is well brought out in the works of neo-Ricardian economists of whom Piero Sraffa was the intellectual godfather (see Sraffa, 1960). When Sraffa tried to set criteria for the distribution of the surplus, he found that he had to distance himself from neoclassical economics and its objectivity and think in terms of political or, perhaps, ethical choices. Sraffa held that capital cannot be objectively measured, nor can the contribution of capital to production, thus inducing him to distinguish between production theory and distribution theory, which is hardly ever necessary in neoclassical analysis. When one shifts from a theoretical setting to the real-world setting, discipline independence becomes short-winded. This explains why an ever-growing attention has been given to cross-border work than the disciplines themselves entirely approve of. The exclusive focus on intra-disciplinary discourse produces some misallocation of intellectual effort.

In sum, when it comes to be applied to real-world phenomena, disciplinary independence, treated as a value, is a much less safe or trustworthy ground to work with than the theory of the division of labour would have us to believe. When transplanted into the ethical domain, in fact, the division of labour seems to lead towards the division of responsibility – something analogous to risk-sharing. In its extreme form, the division of responsibility may simply amount to lack of responsibility.

BOOK OVERVIEW

Prices and values are the focus of this volume. The first part, ‘Pathways through prices and values’ opens with a chapter by James M. Buchanan, concerned with ‘Ethics and the extent of the market’. Buchanan takes as his point of departure the notion of generalized increasing returns that plays such a central role in Adam Smith’s account of the operation of the market. Unlike Smith, Buchanan
draws a sharp distinction between the notion of increasing returns to scale within a specific firm (a pin factory, for example), and the generalized increasing returns that operate across the entire market system. He is concerned to underline the ethical value that is embodied in a market governed by constitutional rules.

In Chapter 2, ‘Value and values, preferences and price: an economic perspective on ethical questions’, Brennan and Eusepi attempt to clarify the relation between economic and ethical accounts of social phenomena by appeal to a distinction between ‘economic value’ and ‘ethical values’. Beginning with Ricardo’s concerns about the concept of value, and specifically Ricardo’s ambition to secure the ‘objectification’ of value, the authors highlight the ambiguities inherent in the Ricardian treatment of the value–price nexus. The authors emphasize the double duty that the term ‘value’ does in the analysis of price determination: first, as an element in the agent’s motivational structure (the agent’s ‘values’ as distinct from the agent’s ‘preferences’); and second, as the outcome of social processes, in which the ‘value’ of different goods and services emerges from the process itself.

In Chapter 3, Stefano Gorini presents ‘An economist’s plaidoyer for a secular ethics: the moral foundation and social role of critical rationalism’. He inquires into the theoretical, ethical and social implications of the adoption of critical rationalism as a method to understand the world. His reasoning revolves around four connected claims. The first claim equates the distinction between morality and economics with the distinction between values and interests. The second claim relates the theoretical foundations of critical rationalism – a secular worldview – to the ethical foundations of that method. The third claim highlights the crucial civic role of the associated secular ethics, as compared with the non-secular moral positions of religion and ideology, and underlines the secular ethic of well-being, social success and power. This kind of analysis gives rise to a distinctive individual sentiment of social solidarity and a liberal social order free of any form of fundamentalism. The fourth claim distinguishes morals from social justice.

In Chapter 4, ‘Conceptual confusions, ethics and economics’, Hartmut Kliemt argues that economists who intend to make non-relativistic claims for their value judgements may legitimately propose a concept of welfare economics that allows them to do so. For Kliemt any claim that this may happen within the constraints that Lionel Robbins imposed on the normative economic argument is illegitimate. The author offers a convincing argument that a conceptual confusion arises in the treatment and justification of value judgements by using the Robbins framework.

The second part, ‘Money and medals: the role of motivations in collective choices’, opens with a chapter entitled ‘Awards: a view from economics’ by Bruno S. Frey and Susanne Neckermann. The authors develop an argument
about the dynamics of awards in terms of orders, decorations, prizes and titles. They argue that this kind of non-material extrinsic incentive is not much studied in social sciences. In their view, the demand for awards has to be interpreted as an individual’s desire for distinction, and the supply of awards as a mechanism for enhancing motivation. They concentrate on the differences between awards and monetary compensations, and offer a comparative analysis of the usage of awards around the world.

In Chapter 6, ‘Assessing collective decision-making processes: the relevance of motivation’, Philip Jones argues that while collective decision-making processes appear to ‘fail’ if policies differ from policies prescribed for instrumentally motivated citizens, this assessment is sensitive to analysis of motivation. Revisiting Downs (1957), Jones shows that instrumental citizens have no incentive to vote when the probability that a single vote will change an electoral outcome is minuscule. If citizens participate, they do so in order to derive intrinsic value from expressing identity. He notes, however, that if intrinsic value depends on how individuals act, ‘choice’ at the ballot box is likely to differ from ‘choice’ revealed instrumentally. Policies that ‘interfere’ with consumer preferences may simply reflect deference to voters’ choices rather than dismissal of consumers’ preferences. Jones questions how collective decision-making processes are to be assessed in the face of the fact that individuals derive intrinsic value from expressive voting.

In Chapter 7, ‘Positive constraints on normative political theory’, Geoffrey Brennan and Alan Hamlin consider the relationship between positive and normative political theory, emphasizing both the role of normative ideas in motivating political behaviour and, particularly, the constraints on normative theory imposed by positive theory. Taking as their point of departure Tom Christiano’s recent claim that the rational choice approach to normative political theory is self-defeating, Brennan and Hamlin outline a revisionist rational choice approach, which they claim serves to build a bridge between positive and normative political theories and to broaden the scope of positive constraints on normative theory.

The third part, ‘Political market processes and liberal ethics: tax fairness vs tax morale’, is made up of four chapters. In Chapter 8, ‘The deregulation of the political process: towards an international market for good politics’, Reiner Eichenberger and Michael Funk focus on certain restrictions that routinely apply to the political process. They argue that three such restrictions in particular weaken politicians’ incentives to produce outcomes in accord with citizens’ preferences. First, in most countries, only nationals and residents are allowed to run for political office. Second, firms are excluded from running for office. Third, the compensation of politicians is fixed by law, and often the salary is lower than that received for a comparable job in the private sector. The authors suggest that these regulations should be abolished and that an open market for
Introduction

politicians should be conceived. The authors’ recommendations are based on the suggestion that increasing prices for political services can crowd out bureaucratic rents and resources from special interests.

In Chapter 9, ‘Do we really know much about tax non-compliance?’ Lars P. Feld directs attention to non-compliance behaviour – especially tax evasion, black-market activities and the shadow economy. Economists are inclined to think that these activities can be explained in terms of low punishments or low probability of detection. However, empirical evidence indicates that social norms, like tax morale, play an important role in compliance behaviour. Feld provides recent evidence on the shadow economy and tax morale in Germany showing that deterrence, though not totally unimportant, has a less robust and less quantitatively important impact than social norms do. He explains that these social norms, based on a psychological tax contract between taxpayers and tax authorities, go well beyond pure exchanges and involve loyalties and ties between the contract partners. Tax morale is therefore a function of: (1) a fiscal exchange wherein taxpayers get public services for the tax prices they pay; (2) political procedures that lead to this exchange; and (3) personal relationships between taxpayers and tax administrators.

In Chapter 10, ‘Searching for fairness in taxation: lessons from the Italian school of public finance’, Luisa Giuriato investigates the issue of justice in taxation. Revisiting the mid-century scholars Vanoni and Berliri, she gives an account of the debate on just taxation in Italy during the period of constitution-making (1945–48) leading up to the 1951 tax reform. The essence of these two scholars’ work can be found in their adherence to the principle of interest. Vanoni used it to lay down his principles of ethical taxation and Berliri to solve the problem of sharing the benefits of indivisible public expenditure among taxpayers. Berliri and Vanoni’s theories are confronted with some of the controversial issues in the debate on just taxation. Their contributions are essentially normative and are of little help in dealing with operational questions. However, those contributions deserve attention for their usefulness in rethinking the fiscal relationship between citizens and the state.

The third part ends with Chapter 11 by Marcello Basili and Maurizio Franzini, entitled ‘Cooperation, reciprocity and self-esteem: a theoretical approach’. The authors suggest that cooperation often occurs, even though it is not predicted by economic theory, owing to what is widely recognized as too narrow a conception of self-interest. They introduce and evaluate the reciprocity hypothesis and present a model of interaction between utility maximization and moral values based upon the notion of self-esteem. Moving from a principal–agent setting they test how the notion of reciprocity relates to self-esteem. They also relate self-esteem to fairness and analyse self-esteem in a setting where there is moral hazard and adverse selection, in order to estimate the influence of self-esteem on securing the best contract.
NOTES

1. If one is prepared to treat social choice theory as moral philosophy, as we would resolutely insist one should.
2. There is not the slightest question that distributive problems cannot emerge if the system does not produce surplus (Sraffa, 1960, Chapter 1).

REFERENCES