

ETHICS LOST:
THE SEVERANCE OF THE ENTRENCHED RELA-
TIONSHIP BETWEEN ETHICS AND ECONOMICS
BY CONTEMPORARY NEOCLASSICAL MAIN-
STREAM ECONOMICS

by Yannis Papadopoulos

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Ethics Lost: The severance of the entrenched relationship between ethics and economics by contemporary neoclassical mainstream economics

Yannis Papadopoulos

Abstract

In this paper we examine the evolution of the relation between ethics and economics. Mainly after the financial crisis of 2008, many economists, scholars, and students felt the need to find answers that were not given by the dominant school of thought in economics. Some of these answers have been provided, since the birth of economics as an independent field, from ethics and moral philosophy. Nevertheless, since the mathematisation of economics and the departure from the field of political economy, which once held together economics, philosophy, history and political science, ethics and moral philosophy have lost their role in the economics' discussions. Three are the main theories of morality: utilitarianism, rule-based ethics and virtue ethics. The neoclassical economic model has indeed chosen one of the three to justify itself, yet it has forgotten —deliberately or not— to involve the other two. Utilitarianism has been translated to a cost benefit analysis that fits the “homo economicus” and selfish portrait of humankind and while contemporary capitalism recognizes Adam Smith as its father it does not seem to recognize or remember not only the rest of the Scottish Enlightenment's great minds, but also Smith's *Theory of Moral Sentiments*. In conclusion, if ethics is to play a role in the formation of a postcapitalist economic theory and help it escape the hopeless quest for a *Wertfreiheit*, then the one-dimensional selection and interpretation of ethics and morality by economists cannot lead to justified conclusions about the decision-making process.

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Rationality, whether it is one or twelve different kinds (Zouboulakis, 2014), is a theoretical concept which has dominated economic science as a model of human decision making. Much thought has been given to whether this concept best represents the way human agents act, and many scholars from a variety of scientific fields have tried- and are still trying- to challenge this notion. Yet, since this explanation of human activity is a theoretical one, which—as its supporters advocate—merely depicts some basic characteristics of human agents, it leaves space for deficiencies in and departures from the theory in the real world.

Many attempts have been made to fill the gaps that mainstream economics has left in order to construct a more concrete analysis of human action, especially after the 30s when the notion of uncertainty entered the concept of rationality. Sociology, psychology, biology, and philosophy are just a few examples. The study of ethics and morality in economics could give a partial answer to the questions that pure economic rationality has left unanswered and lead economics to a much healthier postcapitalist perspective. Many scholars have devoted part or most of their work to the study of ethics and the result was an abundance of ethical theories, with distinct differences. Whether the connection between economics and ethics was to be exploited by an economist or a philosopher, either way the connection was to be explored. From Adam Smith to Henry Sidgwick and from Kurt Rothschild to Amartya Sen, the notion of ethics has played a central role in economic theory.

Nevertheless, through part of this work, it is made clear that, often ethics is not used as a means which could offer economic theory a better understanding of human activity. It has rather been used as a tool to support rationality of human agents. In simple words, ethics and morality entered economic theory in order to reveal a different perspective about humans, that economics may have failed to observe. Duty, guilt, rules, fear have been presented as counter motives, which could lead a person to act ethically.

Altruism, when not presented as a chimera, is presented as an outcome of maximised satisfaction (Rothschild, 1993). The categorical imperative (Kant, 1950) has been translated as fear of future losses in economic theory and has entered a cost benefit analysis in a sense that it is selfishly better not to steal, not because stealing is intrinsically wrong, but because you are better off if others do not steal as well. Sen, even though he argues against universal selfishness as a requirement of rationality (Sen, 1987, p. 16), still suggests a strong presence of selfishness when one's achieving something for his community, family etc.

Mainly after the global financial crisis of 2008, many economists, scholars, and students felt the need to find answers that were not given by the dominant school of thought in economics. Whether it is referred to as philosophy of economics, or the combination of ethics and economics, welfare economics, behavioural economics, ecological economics etc., they all exist under the “umbrella” of mainstream economics. Nonetheless, either consciously or not, ethics has been lost. It has given its place to something else. It is not an adjustment to the modern understanding of life. It is a loss. This is not to suggest that ethics and morality are not mentioned in economic theory and by modern economists around the world. On the contrary, ethics in economics is one of the most discussed subjects- in economic science- during the last twenty years. Yet the way ethics is depicted in contemporary economics has no resemblance to ethical theories that people are familiar with. It once entered the field of economic theory to offer a new, a radical point of view to the explanation of human action. Yet, ethics has lost its purpose. It did not only forget its purpose; it abandoned its roots.

The connection between ethics and economics has been “rediscovered” during the last twenty years: *Ethics out of Economics* (Broome, 1999), *Ethics and Economics an Introduction* (Dutt & Wilder, 2010) and *Ethics in Economics* (Wight, 2015). Nonetheless, a predominant part of these books —and a great number of others— do not accurately depict their title. I have recognized a

pattern in many of them to present not ethics in economics, not economics through ethics, but ethics as economics. I have already mentioned ethics has lost its sovereignty and although it once tried to help the seemingly crying crocodile that is called economics, now ethics is the one being devoured by economics.

Furthermore, through its deformation, ethics has made the dominant economic school of thought even stronger by giving its “blessing” to the rationality of human agents and to the concept of utility maximisation. If they have the support of ethics, why would these notions be considered bad or even immoral? Yet, this support does not come from ethics, but merely from a manufactured shadow of ethical values that have been reduced to an instrumental notion. Unfortunately, the fact is that for a long time now, ethics has not provided an explanation to economic theory’s questions. Economic theory is the one explaining and defining ethics. As Brennan puts it: “Let the economists devote themselves to feasibility questions, and let the philosophers, popes and other ethical gurus attend to desirability” (Brennan, 1996, p. 133).

Main Ethical Theories

What plays a crucial role in the clarification of ethical loss, is the selection of the ethical theory in the first place. Three are the main ethical theories, the differentiation of which lies in their distinct understanding of what is ethically important. These three theories are: Outcome Based Ethics, Duty or Rule Based Ethics and Virtue Ethics (Wight, 2015). Consequences, principles, and motives are respectively the underpinnings upon which these ethical theories are structured.

First, imagine a world where the actions are measured by their outcome, and if their outcome is efficient enough, then the actions are considered good. We do not have to imagine this world, because this does resemble — to a great extent— the way mainstream economics conceives and presents

our world. It uses efficiency and profit/ utility maximisation, when measuring economic actions and decisions. Whether it is probable or acquired, efficiency and utility, refer both to outcomes. Thus, it does not come as a surprise that the easiest or most suitable ethical match to the efficiency and utility maximising economic theory and the hard-rational choice theory is the outcome-based ethics and consequentialism. Besides, consequences and efficiency are not that different conceptually.

In a more bounded concept of rationality and in a socially embedded one, space is given for rules, duties and principles to partake in the formation of the ethical theory. Path dependency, along with tradition, allow for some departure from the pure rationalistic understanding of human action. Here the ethical dimension takes the form of duty and rule- based ethics. The Christian and similarly the Kantian prompting, “not to do to others what you do not want done to yourself”, fills the gap between utility maximising and healthy social existence. A junction between outcome-based ethics and rule-based ethics is rule-consequentialism. In rule- consequentialism, rules are selected according to their outcomes and these rules are the ones which determine which actions are morally right or wrong. Rule consequentialism could be considered as the middle ground between ethical values in hard rationality and ethical values in socially embedded rationality.

Yet, the third ethical theory, virtue- ethics, seems to have had the least impact and seems unable to fit the explanation of human action when faced with the deficiencies of mainstream economic theory. Are motives and intrinsic values so out of place when discussing the economic realm? The answer is, or at least should be, no. The “problem” with virtue ethics is that they cannot be mathematised or numerically measured, because they cannot be accounted for. It is impossible to know whether a donation is made out of altruistic purposes or pure selfishness. That produces uncertainty, a concept long despised by mainstream economists. Uncertainty, apart from making universal definitions scarce or impossible, reveals the difficulty that

economic theory faces when explaining decision making. Thus, outcomes and consequences, or norms, duties and principles are far more favoured and more acceptable when ethics enter mainstream economic analysis. They are not complex. They are easy to handle and grasp. Why choose complex and difficult concepts over simple and easy ones?

“It is therefore a mystery why economists are so reluctant to depart from the assumption of pure self- interest. One obvious explanation is that this assumption permits enormous simplification and that any alternative would be either ad hoc or more complicated. There is some truth in this claim, but its result is to produce a seriously distorted view of economic life, and policies which either fail to utilize people’s capacity for altruism or, worse still, erode this capacity by promoting selfishness and opportunism” (Groe- newegen, 1996). It is fallacious to confuse economic theory with economic policies. Yet, certain assumptions arise out of the underestimation of the existence of altruism, ethics, and morality. These assumptions are the “detonators” for future deficiencies in economic systems. They might not be the only ones, but they do play an essential role.

Returning to the opening remarks of this paper, the attacks against rational choice theory have been countless. Heterodox economics- among others- have been trying to add elements to the understanding of human action and limit the dynamic of the dominant thought. PhD students are recommended to avoid this topic, the topic of rationality, because it has reached the limit of saturation. This could not be truer. The books and academic papers which introduce the deficiencies of rational choice theory as their main subject abound.

Nevertheless, the truthfulness of the suggestion that academics give to their students is the most troubling. Why after so many years of attacks and suggestions towards rationality, is this theory intact and more dominant than ever? Why have economists accepted the naïve simplicity of the term and have not started to give room to other notions that may complete this

puzzle of human action and decision making? Like a child that has to be repeatedly told not to put its finger in its mouth, economic theory must be reminded of the limitations that rationality has reached. It is a parent's duty not to tell a child once and then assume that it has learned its lesson, but to constantly be there in case the child needs reminding, until it does not. In the case of economic theory, it seems as though the lesson has not been learned. As far as ethics is concerned it seems as it has indeed lost its chance to explain behaviours that are understood as departures from the rationality of humankind.

Almost everything in the 21st century can be explained through selfishness, personal interest, utility maximisation and a variety of other similar characteristics that have been attributed to human agents. When one tries to explain a behaviour through altruism, the rational choice theorist will immediately correct this false impression by showing how this seemingly altruistic action was taken for personal gain. Even when the gain cannot always be measured or shown, the feeling that one enjoys after a “good deed”, automatically renders the action as selfish in the eyes of rational theory. Hume brilliantly stated that if we knew that altruism/ benevolence does not exist it would be idiotic for people to pretend to act this way. Approximately a century later Hamlin restated Hume's idea: “Behaving altruistically can build a favourable reputation only if others are unaware of the underlying self-interest. For it to be possible to masquerade as an altruist and gain kudos, it must be the case that genuine altruists exist and that the public cannot distinguish between real and bogus altruism. The possibility of bogus altruism depends on the widespread existence of real altruism and this real altruism is still unexplained” (Hamlin, 1986, p. 36).

Furthermore, to judge an action only by its outcome, whether it is the outcome concerning the transmitter or the outcome concerning the receiver, proves once more that consequentialism and result/outcome-based ethics, if they are accounted for at all, are the only option allowed for in

mainstream economy, to measure the value of actions. It is nothing more than a logical continuity of things. Yet, economists and economics as a result are not the only ones to be blamed for this. It is a mere depiction of opportunity cost, where in order to acquire a certain type of lifestyle, some other elements of human nature must be left unexplored, must be left to perish. Whether virtues and virtue ethics must play a more essential role in the formation of economic theories and in the explanation of human action, is a subject that will be analysed elsewhere. For now, the focus is on how rational choice theory, well disguised as ethical consequentialism, has managed to legitimise the claims that rational choice is proposing. At this point, rational choice theory is rooting for rational choice theory.

As Varoufakis explains: “Even though it may pay to be moral, one cannot become truly moral because it pays. The only genuine way to be good is to be good for nothing” (Varoufakis, 1996, p. 159). In addition and in agreement with Varoufakis’ point, when ethics is perceived separately from economics there is no interpretation of it that resembles a cost-benefit analysis, where the subject rationally chooses the most selfishly beneficial option and that option is considered ethical. To put it simpler, if the motivation is known and that motivation is selfish towards selfish ends and in that process some collective good is produced, nevertheless the action will not be considered moral, at least by most. It might be considered as a custom or as a belief, both of which are included in ethics. In this case there is an evident distinction between ethics and morality. Therefore, this concept of selfish morality or selfishly motivated ethics, only exists when ethics and morality mingle with economics.

As a matter of fact, motives can be well disguised and difficult to penetrate. Yet, motives do indeed matter. Whether they can be identified or not, has nothing to do with the fact that what has so far been described as ethics and has played the role of the ethical consultant for economics, has, intentionally or otherwise, left out of the equation one of the most essential

factors that can lead to ethical characterisation: motives. Whether this absence occurs in order to make theory simpler or in order for the theory to be based on elements whose existence can be shown and measured, this absence probably plays the most crucial role in the deficiency of economic theory.

Acknowledging that a notion, such as motives, is significant concerning the analysis of human action and then ignore it when structuring a theory, cannot lead to desirable outcomes. Its absence is a value statement. The more it is purposely left out of the picture the greater the departure from *Wertfreiheit*. Economics is not a value free science. The discussion about the connection between ethics and economics is itself a value statement. The difference is, that this connection that does suggest to be value free it is in fact not.

Rationality and the Scottish Enlightenment: Hume, Hutcheson, Smith

It is therefore a mystery, at least in my point of view, the reason why economic theory, which so obviously tries to understand human action and help humans understand their decisions and decision process, ignores or avoids friction with the notion of motives. It becomes even more unclear when one examines the bewilderment historically. Adam Smith, the “Great Scot”, published in 1759 the book: *The Theory of Moral Sentiments*. In the first paragraph of this book Smith challenges the notion that humans are only and merely self-centred and initiates a discussion about sympathy and compassion. He analyses these notions of human agents throughout his book. What stands out is the way he depicts them.

It is more as if human agents mirror other humans' emotions on to themselves and then try to imagine how they would feel in a relative situation. Nevertheless, he rejects universality of emotions and thereby universality of ethics early on in his book. We cannot all feel the same way and thus, we cannot have the same understanding of good and bad, ethical, and non-

ethical. Returning to the first part of his book, the weight that he gives to rationality becomes vivid: “Of all the calamities to which the condition of mortality exposes mankind, the loss of reason appears, to those who have the least spark of humanity, by far the most dreadful, and they behold the last stage of human wretchedness with deeper commiseration than any other” (Smith, 2004, p. 15).

For Smith, rationality and reason are more than crucial. Yet, he does not abandon the idea of moral sentiments. Neither does he confuse them with reason. It is the interpretation of these notions by contemporary economics and philosophy that accounts for this fallacy. Furthermore, the analysis of Adam Smith’s work is characterized by cherry picking. Not only has *A Theory of Moral Sentiments* been of minor value for decades, especially in comparison to *An Inquiry into the Nature and Cause of the Wealth of Nations*, but also the fractures that have been selected from the former, in order to strengthen the rationality in Smith’s understanding of moral sentiments, are obviously biased towards that end. It could be argued that this occurred because Adam Smith was not that philosophically inclined and his inclination was towards economics and specifically towards political economy. Therefore, we should not pay so much attention to his moral analysis and contrariwise extract parts from the theory of moral sentiments to the wealth of nations in order to better understand his theory of political economy. There are two possible ways to go against this claim.

Firstly, if this is the case, that philosophically Smith was of limited capacity, the economic theorists and philosophers should not try to adjust his moral theory into his economic one. Since there is such a trend to clearly distinguish normative from positive theory, why should there be an exception for Smith? Academics and others should only be concerned with what Smith was exceptional at and if philosophically he was not, then they should not bother to trouble themselves. This thesis cannot be supported, since Adam Smith was a professor of Logic and Moral Philosophy in University of

Glasgow.

This brings me to the second argument. If Smith is only good for political economy but humanity is also in need of ethical theories and morality, why do other theorists remain in obscurity? Two of the most renowned philosophers come to mind. The selection is not incidental, and it remains within the premises of Scottish philosophy. The first is Adam Smith's teacher, Francis Hutcheson, who is considered to be the father of "Scottish Enlightenment." The second is David Hume, also a great influencer of Scottish philosophy and Smith's personal friend.

An interesting note before entering a brief presentation of Hume's writings is that his book *An Enquiry Concerning the Principles of Morals* was published in 1751, eight years before Adam Smith's TMS. Hume can be thought of, and is often perceived as, a radical thinker. He does not simply imply that emotions and feelings play a role in decision making, alongside rationality and reason; he suggests that emotions and feelings are the ones actually guiding decision making. He does not only criticise the way rationalism has dominated Enlightenment discourses as a method of explaining human activity, but he seeks to reveal and restore the aspect of feelings and emotions which has been presented as reasoning and self-interest.

Hume does not hold back in his abhorrence of the misconception of human affections and tends to gibe this kind of propositions by presenting their arguments with pure solemnity, as if it was his own arguments. He mentions for example that: "There is a principle, supposed to prevail among many, which is utterly incompatible with all virtue or moral sentiment; and as it can proceed from nothing but the most depraved disposition, so in its turn it tends still further to encourage that depravity. This principle is, that all *benevolence* is mere hypocrisy, friendship a cheat, public spirit a farce, fidelity a snare to procure trust and confidence; and that, while all of us, at bottom, pursue only our private interest, we wear these fair disguises, in order to put others off their guard, and expose them the more to our wiles and

machinations.” (Hume, 1983, p. 88).

He continues: “There is another principle, somewhat resembling the former; which has been much insisted on by philosophers, and has been the foundation of many a system; that, whatever affection one may feel, or imagine he feels for others, no passion is, or can be disinterested; that the most generous friendship, however sincere, is a modification of self-love; and that, even unknown to ourselves, we seek only our own gratification, while we appear the most deeply engaged in schemes for the liberty and happiness of mankind. By a turn of imagination, by a refinement of reflection, by an enthusiasm of passion, we seem to take part in the interests of others and imagine ourselves divested of all selfish considerations: But, at bottom, the most generous patriot and most niggardly miser, the bravest hero and most abject coward, have, in every action, an equal regard to their own happiness and welfare.” (Hume, 1983, p. 89). At this point in his book, Hume is provocatively sarcastic towards the notion that self-interest is hidden behind every seemingly altruistic action. Even though he does indeed present this argumentation objectively, he lets the reader know where he stands, through his discreet irony.

Moreover, in 1751 Hume argues against the identification of self-interest as an all explaining theory, with a line of reasoning which seems familiar, since most of it is the line of arguments contemporary thinkers use to attack the notion of rationality and self-interest. The first doubt about the power of self-interest to explain everything comes from the notion of simplicity. In his reference to other philosophers, Hume states that: “they asked, whether it were possible that we could have any general concern for society, or any disinterested resentment of the welfare or injury of others; they found it simpler to consider all these sentiments as modifications of self-love” (Hume, 1983, p. 42).

Yet, one could argue that the attempt to simplify the complexity of human behaviour, through the notion of self-love or self-interest, is not

something to impeach. If answers are what one is looking for, then answers one will find, if he explains everything through the prism of self-interest. Nonetheless, one must be aware that the answers he finds cannot resemble the truth, when he has selected the notion of self-interest, as the core of his analysis for simplicity reasons. Two hundred and forty-five years later, Robert Rowthorn seems to agree with Hume's point of simplicity when examined in the economic sphere and how this simplicity and the marginalisation of ethics could potentially harm the understanding of human behaviour (Rowthorn, 1996, p. 18). I failed, nonetheless, to locate a reference to Hume's work.

After arguing against the simplicity of the term “self-interest” in human behaviour, Hume also attacks the universality of the notion. He suggests that if the true motivation behind action is always and universally selfishly inclined, then it follows that external factors do not matter at all. How then, Hume wonders, do we observe moral standards and ethics so differently expressed by different agents? Even when these notions of morality and ethics are realised only as a mere cloak behind which self-interest is once more hiding, how come we observe so different presentations of this hypocrisy? “Where then is the universal standard of morals, which you talk of? And what rule shall we establish for the many different, nay contrary sentiments of mankind? An experiment, said I, which succeeds in the air, will not always succeed in a vacuum. When men depart from the maxims of common reason, and affect these artificial lives, as you call them, no one can answer for what will please or displease them” (Hume, 1983, p. 119).

Heterodox economics nowadays, present the universality of rationality as one of the main deficiencies of the concept. The correlation with Hume's argument is clear. Nevertheless, Hume is somehow absent from contemporary discussions concerning ethics and economics. Once some arguments of Hutcheson have been presented, I will return to present a possible explanation of why Smith is still- and perhaps more than ever- relevant, and why,

Hume and Hutcheson, notwithstanding the above, only serve as reads for classical philosophy students.

Moving on to Francis Hutcheson, what stands out from his work, is his book that was published in three parts entitled: *A System of Moral Philosophy*. However profoundly extended and frequently incomprehensible his work is, Hutcheson's understanding of the relationship between rationality and ethics has visibly influenced both Smith's and Hume's work. As such, Hutcheson could be perceived as the starting point for both philosophers.

Hutcheson observes a raw, perhaps even a primitive connection between selfishness and benevolence. Yet, his observation is an honest one. "The acts of the will may be again divided into two classes, according as one is pursuing good for himself, and repelling the contrary, or pursuing good for others and repelling evils which threaten them. The former we may call selfish, the later benevolent" (Hutcheson, 1755, p. 8). This dual interpretation of human action is recognised early on in the first of the three books. Hutcheson's observation was characterised as primitive, because no matter how far ahead one reads in the books, there seems to be no attempt either of hierarchy between the two interpretations of human action, or some kind of causality leading from one to the other. Nevertheless, this is also the reason why his observation was characterised as honest.

Hutcheson accepts both the rationality of human agents and their benevolence and inclination towards others, which rests upon certain emotions. "So to the will belong not only the bodily appetites and turbulent passions, but the several calm and extensive affections of a nobler order...There is therefore an immediate sense of honour and shame, often operating where there are no such views of interest, and plainly presupposing a moral sense" (Hutcheson, 1755, pp. 13, 82)

The most interesting part of Hutcheson's work, however, is his treatment of motives. He devotes almost the entire second part of his first book to the

notion of motives and desires. Though he recognises the difficulty of identifying true motives, he does not renounce them. On the contrary he attempts an assessment of actions, their main axis being motives and desires, while virtue is their main outcome. “Here tis agreed by all, that desires of the welfare of others, subordinated to one’s desires of his own worldly advantages, without any other affection, have nothing virtuous in them.” (Hutcheson, 1755, p. 43). At this point, it is clear that Hutcheson has taken an enormous step away from consequentialism and an equally enormous one towards virtue ethics. Although he admits that selfish motives have a strong impact on actions- which he sometimes refers to as turbulent passions- he grants benevolence and compassion a far more virtuous existence. The examples of Hutcheson’s tendency towards virtue ethics are far too many to be presented here and would only serve as a side-track to this thesis main subject.

Going back to the correlation of ethics and economics, three main points must be made. Firstly, it is obvious that Hutcheson was the common denominator for Adam Smith’s and David Hume’s philosophical course. Nonetheless, each of them followed a different path leading to different conclusions about human nature. Adam Smith focused more on the rationality of actions, alongside the moral sentiment of sympathy towards others, at least in TMS. “Sympathy, though its meaning was, perhaps, originally the same, may now, however, without much impropriety, be made use of to denote our fellow-feeling with any passion whatever” (Smith, 2004, p. 13). This looks quite similar to Hutcheson’s argument. “Another important determination of the soul we may call the *sympathetick*, different from all the external senses; by which, when we apprehend the state of others, our hearts naturally have a fellow feeling with them” (Hutcheson, 1755, p. 19). Although Hutcheson’s three books were published only five years before Smith’s TMS, his ideas must have been known to him earlier, through lectures. From the above, it is apparent, that Smith’s views were influenced by Hutcheson. They even use the same word: sympathy.

For Hume on the other hand, the influence was of a different kind. The notions of desire and emotions played a key role in the formation of Hume's understanding of human nature. "To the most careless observer, there appear to be such dispositions as benevolence and generosity; such affections as love, friendship, compassion, gratitude. These sentiments have their causes, effects, objects, and operations, marked by common language and observation, and plainly distinguished from those of the selfish passions" (Hume, 1983, p. 90). Therefore, at least in the typical sense, both Adam Smith's rationality of action, alongside sympathy of others and David Hume's notion of emotions and desires are derived from the man who was Smith's teacher and Hume's mentor; Francis Hutcheson. This point alone is not of great value. Nonetheless, it is a prerequisite for the next two points to be made.

The bond among these three great Scotchmen can lead to the observation of two major gaps. As already mentioned, economic theory seems to be in need of ethics and morality in some of its forms. Smith has played a major role in the formation of the ethical dimension of neoclassical economics, with the notions of sympathy and moral sentiments playing a subordinate part to the rationality of humans and the selfishness of actions, in the "Wealth of Nations" and "TMS" being disregarded or falsely presented by later economic theorists. Hume on the other hand, being a great philosopher himself and having engaged thoroughly in the discussion of ethics and morality, seems to be absent from economic theory when it comes to ethics and morality. While Hume is present when it comes to the discussion about money and international trade, his- more than significant- contribution to the study of ethics and morality has been left unexploited by modern economic theory. Why would Smith's philosophy be considered relevant, while Hume's not? Once more, the answer can be found in the notion of consequentialism.

Choosing a concept of morality that does not allow any space for further

analysis concerning motives or deeper desires —because the “true”, universal reason for action is always self-interest— allows for a more focused analysis on the results of actions, outcomes and consequences. Since the modern notion of self-interest is mainly focused on outcomes, through the examination of the efficiency of actions or the productivity of certain decisions, could Hume’s scepticism about human nature, his belief that virtue exists outside the narrow frame of self-love and his notion of altruism can only be perceived if people want to recognise them as such, be used? This, however, would complicate things, by pulling away the notion of economic interest from outcomes and challenging notions about human nature long embedded into economic theory. Hume’s ethical approach does not serve consequentialism. His deontological understanding of morality is a stranger to neoclassical economics and rightly so, since it cannot be of any use to the teleological nature that ethics and morality are required to play in economic theory. Yet, this is a loss.

Ethics is not the only loser here; the economic sphere is losing as well. Economic sphere losses a chance to provide a more concrete answer to the countless questions regarding irrational human behaviour, economic crises, poverty etc. One can only trace fragments of ethical approaches or, even worse, deformed notions of ethics and morality in order fitting the consequentialist mentality of new age economics. David Hume is one of many that include irrationality as part of their approach to human behaviour or at least as a possible explanation for some actions and decisions. Irrationality cannot play a key role in the formation of the neoclassical theoretical framework since it does not provide a steady ground for a theoretical construction. Yet, the plain assumption that rationality of human agents is the only true explanation and that this rationality is inextricably connected with selfishness and utility maximisation, eradicates not only Hume, but many other philosophers, which could be of some use towards a better configuration of economic theory. “Indeed, it is precisely the narrowing of the broad Smithian

view of human beings, in modern economies, that can be seen as one of the major deficiencies of contemporary economic theory. This impoverishment is closely related to the distancing of economics from ethics” (Sen, 1987, p. 28)

The third and last point regarding the alienation of certain kinds of philosophical approaches from the economic dialogue, has to do with Francis Hutcheson and with his notion of motives. As mentioned above, motives or reasons for one’s actions are as difficult to grasp, as they are difficult to prove. Yet it is an omission to exclude these notions from theories of economic action, claiming that they cannot be of any use due to their obscurity. Interpersonal Comparison of Utility (ICU) has been a central subject of discussion during the last decades.

Broome (Broome, 2004, p. 33) suggests that: “Of course, in actuality different individuals often have very different personal preferences and very different utility functions. But the possibility of meaningful interpersonal utility comparisons will remain, as long as the different individuals’ choice behaviour and preferences are at least governed by the same basic psychological laws.” This discussion about interpersonal comparison takes place with respect to outcomes, whether the outcome is utility, happiness, or a general choice. Broome reference to the concept of “the same basic psychological laws” can be interpreted as referring to the rationality of human mind and selfishness. He suggests that if that is in place, then economists could actually perform ICUs. This recalls the idea of the deontology of actions. If we are to accept that ICUs can be performed, at least sometimes, and can be of some teleological use to economic theories, in comparing agents and ends, could motives be compared similarly?

This idea comes from the interpretation of Hutcheson’s work, as being the common denominator of Smith and Hume and his aversion to consequentialism. Near the end of his first book, he makes the claim that: “Altho’ men cannot accurately judge about the degrees of virtue, or vice, in the

actions of others, because their inward springs are unknown [...] when the good done by two persons is equal, while their abilities are unequal, he shews the better heart, whose abilities were smaller” (Hutcheson, 1755, p. 238). It is not quite clear at first what he is referring to when he mentions abilities. Yet, moving on to the next page his intentions become quite obvious. “And thus tho’ the effects of two actions were equal, that one is more approved which flowed from a calm settled principle of kindness, than another from some turbulent passion” (Hutcheson, 1755, pp. 239-240). Does he use deontology to judge teleology? This was a revelation, especially for the 18th century philosophy and could be a revelation for the 21st century economy. Outcomes cannot be measured equally when motives differ. Granted, what happens to growth for the sake of growth? What happens to inequality as a necessary prerequisite of development? And what about poverty as a necessary side-effect in the quest of greater efficiency? Concepts like these must be re-evaluated by economic theory, on the basis of their deeper structure, their motivation.

Concluding Remarks

Outcomes do indeed matter and will always matter. This, however, should not lead to the conclusion that this is the only thing that economic theory must deal with. Contrariwise, motives and deeper reasons of actions are the ones that can help economic theory understand not only the value of present outcomes and consequences but also the orbit of future outcomes. In simpler terms, an action that has an economically efficient outcome for society, or for a firm, or for an individual—different from the one performing the action—if judged solely by the outcome, it can only provide us with information about the teleology of this one action. If we make predictions about future outcomes from actions by the same person, purely based on the outcome of the first action, our predictions would be deficient, and the expectation of successful predictions would be delusional. Nonetheless, outcomes matter. Precisely because they matter, economics must try to

examine the deeper causes that lead to actions: the motives.

If motives are realized and revealed, economic theory might have a better chance of understanding or even predicting future actions by individual agents, companies or societies. Moreover, economic theory could better evaluate outcomes by understanding the motivation that led to them. Potentially, economic theory could absorb this idea of interpersonal comparison of motives (ICMs) to measure the utility of outcomes in a more complete way. The morality and ethics behind actions of economic interest could be one of the criteria by which we judge the outcomes of these actions; one of the criteria by which we could predict and evaluate future actions.

In conclusion, it is not surprising that moral and ethical aspects in the work of philosophers so closely related to Smith have been left unexploited by economic theory and how these aspects could be of great use for a better understanding of human decision making. In a broader analysis, one could and definitely should include philosophers not only from different eras but from different schools of thought as well. If ethics is to play a role in the formation of economic theory, as it seems to have been happening, the one-dimensional selection and interpretation of ethics and morality by economists could not lead to justified conclusions about the decision making process.

Notions such as motives, feelings and desires should be given the chance to enter the discussion and affect the way economic theory tries to comprehend and explain outcomes. Utility, efficiency, consequences etc. are all outcome-based concepts and are all basic notions of modern economic theory. The proposal here is to allow for great minds that did not endorse consequentialism, to suggest ways that outcomes could be perceived. These great minds could be found in the school of virtue ethics, in the school of moral particularism and in so many other moral philosophers that deny belonging to a school of thought. Ethics has indeed lost so far, yet that does not have to be the end of the story. The re-entrance of multiple theories of moral

philosophy in economic theory can lead to postcapitalist point which would not necessarily be a dystopia.

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