

**Robbins as Innovator:
the Contribution of
*An Essay on the Nature and Significance
of Economic Science***

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Outline

- Robbins' definition
- Economics as value-free
- The impossibility of interpersonal welfare comparisons
- Quantitative and Qualitative aspects of economic methodology

Robbins' definition

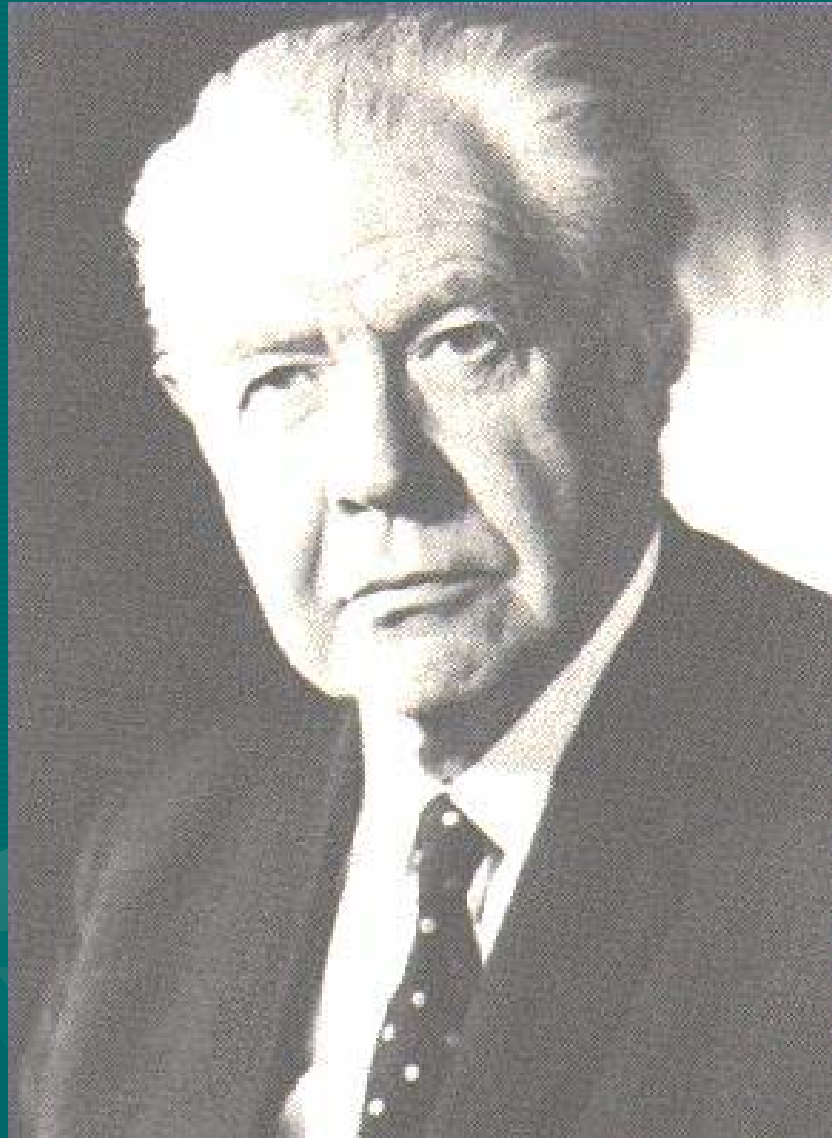
- "the science which studies human behaviour as a relationship between end and scarce means which have alternative uses."
 - Economics is a science
 - of the relationships between freely-chosen ends and the means used for their attainment
 - manifested in human behavior
 - including choice of ends and means
 - scarcity a precondition for economizing
 - means must have alternative uses
 - or no choice is possible or required

Kirzner's (2000) restatement

Robbins identified the perspective of the economist as that which focuses on the allocative aspect of human behavior. Because man desires many goals, and because he possesses only limited resources with which to achieve these goals, it is necessary for him to economize, that is, to apportion his scarce means among his multiple ends in such a way as to reflect faithfully his own ranking of the importance of these ends...Earlier definitions had held that it was possible to identify certain acts and activities as being "economic." Robbins, however, saw this adjective not as describing specific kinds of activity, but as identifying a particular point of view from which actions (and their social consequences) could be examined.

Kirzner's critique

- “decision presumes the prior awareness by the decision maker of both the means at his disposal and his preference ranking among relevant (already identified) ends.”
- “For Mises the notion of human action itself includes the agent's determination of the facts of the ends-means framework relevant to his action.”



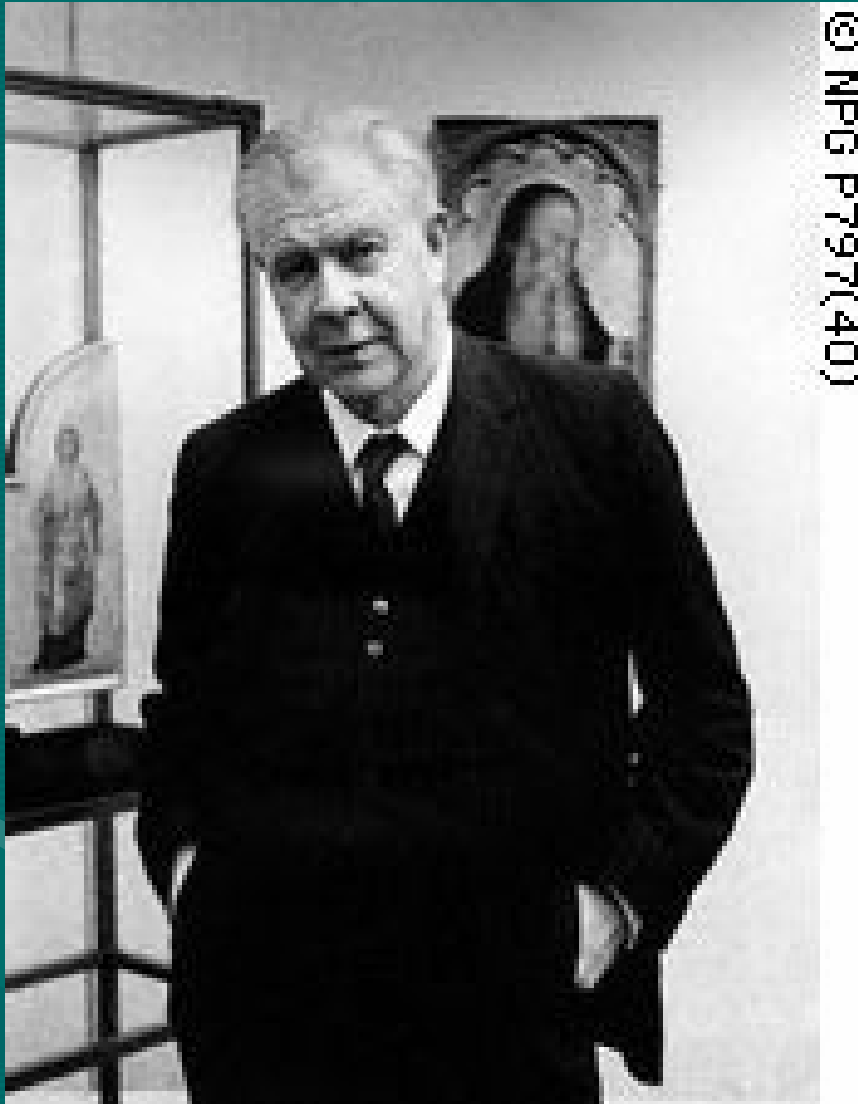
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Economics as value-free (*wertfreiheit*)

- Economics studies relation of means to ends
- Says nothing about choice of ends

Interpersonal Welfare Comparisons

- Rich have very low marginal utility from income
- Poor have very high marginal utility from income
- Redistribution will cost the rich very little in terms of total utility
- But will raise the poor's total utility a relatively large amount
- **Redistribution becomes an efficiency measure**



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Robbins' critique

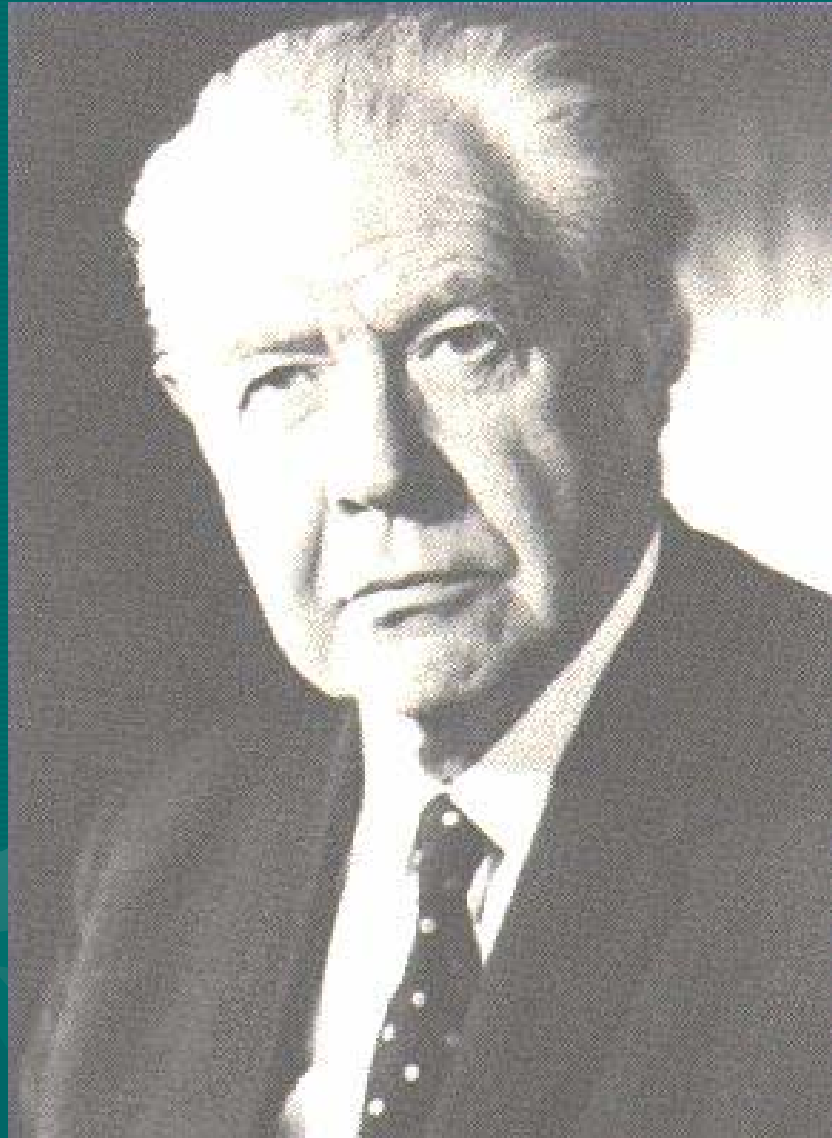
- Cannot observe or measure subjective valuation at the individual level
- Therefore cannot compare marginal utility across individuals
- No justification for redistribution in this widely-accepted argument
- Offers no efficiency criterion

Economic Methodology

- *Quantitative* methodology circumscribed in its potential applications
 - Some things cannot be measured
 - Some measurements cannot be transferred across individuals
- *Qualitative* methodology not so circumscribed

Conclusion

- Contributed modern definition of discipline
- Neglected entrepreneurial response to uncertainty
- Ends distinct from means and economics only relates ends to means, does not choose ends
- Impossibility of interpersonal welfare comparisons renders standard justification for redistribution moot
- Economics relies on both deductive (a priori) and inductive (empirical or a posteriori) logic



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