

The Reasoner

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Editorial

'The Reasoner' is the one who reasons - but about what? About its own reasoning! Many readers of The Reasoner will indeed share a self-reflective approach to science. Such an approach always starts afresh by questioning its own paradigms and principles and trying to uncover its hidden premises. Routine is the enemy of The (Self-Reflective) Reasoner; it tempts our lazy minds in several ways, works preferably through our sub-consciousness, and wants us to lose track of the purpose and meaning of our research.

The goal of understanding human beings and their behaviour is at the heart of the motivation of many of us as scientists and as curious men and women. Despite sharing this goal, scientists by no means agree on how to approach it. Different academic disciplines seem to follow entirely different paradigms, and even within a discipline consensus is rare. And when we cross the border of science and open a book of poems, we realise that poetry too claims to describe and explain the human, by yet other means. A poet once even claimed that poetry is the only precise language for talking about the human. Not having an obvious reply to this poet, and in order to feel safe again, let us quickly close the book of poems and restrict attention to science.

The extent of these inter and intradisciplinary differences when it comes to studying human beings is just as puzzling as it is fascinating. Are people actually talking of the same 'thing'? Are the discrepancies worrying, or are they rather required given the complexity of human nature? A fruitful way to critically question an approach is to contrast it with another. Interdisciplinarity is often said to help us combine approaches; but perhaps its more important role is to help us understand and challenge each paradigm in the light of the others.

Accordingly, this month's edition features an interview with a truly interdisciplinary scholar, Nick Baigent. Among social choice theorists and decision theorists, Nick is highly recognized as an intellectual who always asks the deeper questions and likes to go back to first principles. When I approached Nick about the interview, he said that many of his views about rationality, preference and utility "strictly follow Amartya Sen and are not the views of a typical economist, despite my huge admiration for economics as a discipline." And he suggested that I alternatively interview Sen directly. Needless to say, this was Nick's usual modesty.

Franz Dietrich
London School of Economics

Interview with Nick Baigent

Nick Baigent is professor of economics at Graz University, Austria, and a visiting professor at the Department of Philosophy, Logic and Scientific Method at the London School of Economics. Franz Dietrich (interviewer) is Ludwig Lachmann Fellow at the same department of the London School of Economics.



FD Welcome to a little interview, Nick! I'd like you to share some of your experiences and ideas with the audience of *The Reasoner*. Let us talk about different approaches to studying and modeling humans, and about the contrasting views on this matter across academic disciplines and schools of thought. But before jumping into the heart of the matter, I'm curious to learn more about your academic trajectory. You are someone with broad interdisciplinary interests, starting as a teenager already. Could you tell us something about your motivation? What made you study economics?

NB In my mid teens I wanted to be a politician and realized I needed to know some economics. So, I went to the local town library and, by chance, found Samuelson's famous textbook. From that moment, I was hooked, and I still am. I struggled with,

rather than read, many economics books while still at High School (eg Hayeck's *Pure Theory of Capital* and Hick's magisterial *Value and Capital*). While still a teenager, I was blissfully ignorant of disciplinary boundaries, and so I also read John Stuart Mill's *Representative Government*. I still have my teenage attitude towards arbitrary disciplinary boundaries. Sorry, I think I have overrun your question.

FD No, you haven't. Today you are commuting on a weekly basis between Graz University, where you hold a chair in economics, and the LSE, where you are an active member of the Choice Group at the Centre for Philosophy of Natural and Social Science. Your friend, Amartya Sen, once said of himself that he wouldn't like to be known as a 'philosophical economist', and even less as an 'economical philosopher', but preferably as an 'economist and philosopher'. As what should we see you? (Please forget your modesty for a moment.)

NB Amartya Sen has been a huge intellectual role model and source of inspiration for me in very many different ways. However, I do not really think much about how I would like to be known, but more about how I would not like to be known. For example, I would not like to be known as a 'half baked philosopher', or a half baked anything else, and I am very happy if anyone finds anything I do interesting however they wish to classify me.

FD Each of the disciplines in which you are in some sense involved - economics, philosophy, political science - has its own established paradigms of the human. I'd like to start with economics. How would you define the *homo oeconomicus* in a few words?

NB Some common slang expressions give good partial insights into homo oeconomicus such as "all mouth and no trousers" and "empty barrels make most noise". The point is that, at least in mainstream economics, the concept of homo oeconomicus has structure (maximization of a complete and transitive preference) and no substance (no restrictions on what must be preferred to what). This has great merit for addressing some important, even foundational, issues in economics. For example: Is it possible that value (prices) could be determined only by resources, technology and preferences? Results on the existence of a general equilibrium originally by Arrow and Debrue and McKenzie in the early 1950 were important in addressing this

issue, and it is difficult to see how such results would be improved by adding substance to the form of homo oeconomicus and later work showed that by no means all of the structure is required either. However, both the form and the lack of substance are open to criticism when addressing other sorts of issues such as the boundaries of rationality and the relationship between choice and wellbeing. What does amaze me is the use of homo oeconomicus in addressing so many issues for which it is ill suited.

FD Is a rational agent necessarily selfish? Is utility maximisation 'evil'?

NB “No” and “No”. At least if ‘rational’ is taken in the sense of homo oeconomicus, and some other forms as well, since the substance of preferences is not specified.

FD That’s what I wanted to hear. What does 'utility' actually mean? (For various people and for yourself.)

NB For Bentham, it meant something that can be measured and compared for different agents. If I ever see an actual case of this being done convincingly, I might be persuaded by Benthamite usage, though I doubt this will happen. But let me turn to its use in mainstream choice theory. Consider the following: “My utility of x is 10”. It seems to me that this is not a well formed proposition, given the definition of utility, it is neither true nor false. Now consider, “My utility of x is higher than that of y”. This is equivalent to “I strictly prefer x to y” or “I rank x above y”. All these are equivalent. So, utility statements are no more nor less than statements of preference. Note however, that further restrictions on preferences are required for the use of a utility function since, for example, preferences that are not transitive cannot be represented by a utility function.

FD What are the main dangers and shortcomings of the economic perspective on the human?

NB As Amartya Sen made clear in his famous “Rational Fools” paper (*Philosophy and Public Affairs*, 1977), preference does too many distinct jobs in mainstream economics including the following. It is taken to rank alternatives according to desire fulfillment, wellbeing and to describe choice. Since these are logically independent concepts, it is too much for a single preference relation to do.

FD Turning to philosophy and sociology, what are for you the important insights there when it comes to modeling human agents?

NB For 20 years or so, I have thought that a theory of Agent Identity is crucial in Political Philosophy and Economics, and both philosophy and sociology have interesting and important things to say about Identity. I don't see how questions such as 'What should an agent rationally do?' and 'What is an agent's wellbeing in some situation?', can be sensibly addressed without first saying something about the question, What is an Agent? I have found the views of philosophers including Harry Frankfurt and Charles Taylor very useful in thinking about this. As for sociology, I am intrigued by the attempt of George Akerlof and Rachele Kranton in the *Quarterly Journal of Economics*, 2000, to develop and apply rational choice models in which agents have identities in ways that owe much to sociology. Dzenana Pupic, a graduate student in Graz is doing interesting applied work on this and I am working on a rigorous foundations for Akerlof and Kranton's sociologically inspired economic model.

FD So-called 'political economy' makes extensive use of rational choice theory to explain the behaviour of political players. How does the modelling practice in political economy differ from that in economics - if at all?

NB The problem is that even if "Political Economy" does not quite mean all things to all people, it does mean a lot of different things, sometimes to the same person. For example, it is used in "Public Choice Theory" an area founded mainly by Buchanan. This area applies rational choice theory not just to consumers but to voters, workers in government agencies and politicians. Political Economy as it has been taught in Graz University has little or nothing in common with Public Choice theory, since preference and utility play no substantial role at all. I think the most that be said is that most usages of "Political Economy" involve some economics in some loose sense and something more or less Political and I don't think I can say anything more. By the way, when I studied economics at University College, London, it was in the Department of Political Economy, there being no Economics Department then. It was renamed as the "Department of Economics" a few years ago. Still, it is interesting that UCL was founded by Bentham and Stanley Jevons, who certainly used utility maximization in his economics, held an appointment there.

FD What role can philosophy play when it comes to understanding human beings

NB As I said already, the area of Personal Identity is very important, leading on to clarifying relevant concepts of rationality, wellbeing and also deontological concepts as well such as duty, not to mention responsibility and justice. One of the skills that many subjects can learn from philosophers is “conceptual clarification” and the need for a deeper and richer conceptual analysis.

FD How closely should our models stick to strictly observable aspects of human beings?

NB I hate to sound like a stereotypical economist, but: “It all depends”. Some questions not only do not require observable aspects of human beings, but would be damaged by it. I have already given an example, namely the issue of the existence of a general equilibrium. But other issues do require observable aspects of human beings. I see no reason for extremism on this question and my attitude is thoroughly pragmatic: Use observable aspects if this is required for the issue at hand.

FD I’m glad to hear you do not follow a narrowly behaviourist revealed-preference approach. Do you believe that future progress in understanding human beings will come through further specialization or through more holistic thinking?

NB Let a thousand flowers bloom, hopefully with a great diversity of blossom. I am struck by the way that diversity cross stimulates research, especially in the long run. I have never wanted to be in a department in which there is too much uniformity. Surely highly specialized research and holistic research each creatively challenge the other, and that is to be welcomed rather than debated in terms of which is better. A very close friend and a major role model for me, Howie Petith, and economist at Autònoma University, Barcelona, likes what I call grand models, his attention having been directed towards general equilibrium theory, then to Rawls and eventually to Marx. We argue constantly and seldom agree since I usually criticize such grand theorizing. However, my thinking has benefited hugely from his challenges, and I hope some benefit has travelled in the other direction.

FD Are there aspects of human beings that cannot or should not be modeled formally?

NB Pragmatism again seems the most reasonable stance. The reason for the value I put on rigorous formal modeling is simple and arose from reading the English economist, Alfred Marshall. He simply thought mathematics in economics is useful in checking the correctness of reasoning. I think mathematics is good at that and when students ask about this, often resenting the burden they think it imposes on them, I argue that much, probably most, of what we do is deductive and, just like Italian is a good language for opera, mathematics is a good language for deductive reasoning. However, I also tell them to be aware of its dangers. I like what the Austrian economist, Fritz Machlup, said about this. It was something like: “Mathematics gives us a firm hand with which to do economics, and a firm hand is a wonderful thing as long as it is not gripping your throat”.

FD Who understands human beings best: the man on the street, the artist, or the scientist?

NB I think understanding of humans, particularly their rationality, is highly context dependent. I did a number of tough jobs during the long vacations when I was a student, including laboring on construction sites, mowing the grass on Farnborough airfield during a heat wave, working night shifts in a bakery, and railway line maintenance. Indeed, my father was an unskilled manual worker. I certainly gained huge understanding from those with whom I worked in these jobs, most of it very different from the understanding I have encountered in academia. As for artists, I often work in the café of the National Gallery, where I learn much from the great painters. But I cannot rank these and I do not see any reason to try.

FD Nick, thank you very much for sharing your time and giving us insights into your thinking. It was a pleasure. It would be nice to have you as a contributor to *The Reasoner* from time to time in the future. Let me also take the opportunity to thank Jon Williamson and his team for their work on the current issue.