

ECONOMICS, HUMANITIES AND VALUES

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ABSTRACT

This introduction provides a re-reading of Luigi Einaudi's *On Abstract and Historical Hypotheses and on Value Judgments in Economic Sciences*, focusing on how Einaudi conceived the relationship among economics, the humanities and values. In particular, its aim is: (§ 1) to explain the reasons why this essay can be considered a confession of a humanist-economist who constantly stepped "beyond the hedge of the garden reserved to the economist"; (§ 2) to clarify the nature of one of the main doubts that Einaudi had concerning the issue of value judgments, with specific reference to the problem of entanglement of fact and value; (§ 3) to cast further light on why, at the end of his life, Einaudi claimed: "I proudly place economic disciplines within the humanities".

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On Abstract and Historical Hypotheses and on Value Judgments in Economic Sciences (henceforth the 'present essay') is one of Einaudi's (2017) most unique and thoughtful essays. This new version allows us to better understand its crucial relevance from several perspectives: the history and methodology of economic thought; the role of economists in the public sphere, the role of economics and its relation to other disciplines and to social values; an anthropological and humanistic perspective. Overall, it also allows us to understand Einaudi's uniqueness and originality within and beyond the Italian tradition in public finance, thereby also illuminating his attempt to provide an epistemological foundation to his enduring enquiry into the causes of

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good and bad polities. Therefore, it may not be an exaggeration to describe the present essay as Einaudi's "personal *summa*" (Silvestri 2017b: xxv).

In many respects, the commentaries by Francesco Forte, Riccardo Fauci and Raimondo Cubeddu¹ published in this section, further speak to the richness of this essay, as well as to its diverse and possible interpretations.

In this short introduction I will simply provide another possible interpretation or re-reading of the present essay, focusing on Einaudi's way of conceiving the relationship between economics, the humanities and values. In particular, I will try to: (§ 1) explain the reasons why this essay can be thought of as a confession of a humanist-economist who constantly stepped "beyond the hedge of the garden reserved to the economist"; (§ 2) clarify the nature of one the main doubts Einaudi had on the issue of value judgments, with specific reference to the problem of entanglement of fact and value; (§ 3) cast further light on why, to the end of his life, Einaudi claimed: "I proudly place economic disciplines within the humanities" (Einaudi 1959: ix).

1. If the first version [Einaudi 2014a (1942-1943)] of the present essay testifies to the tormented and wavering nature of Einaudi's methodological reflections and debates over the previous years, the second version testifies also to his doubts about the first version as well as to his awareness of the great importance, complexity and difficulty of the problems he was endeavoring to solve. The dubitative way he presented the rewriting of the conclusions of the present essay only partially reflects his own "doubts". These doubts were clearly expressed in the sheets (the first drafts of the rewriting) that he sent to his interlocutors² with the aim of eliciting further comments and critiques. Some of these sheets were significantly titled by Einaudi *Doubts voiced to the economist* (henceforth: DVE).

Perhaps one of the best ways (to begin) to understand both the inner torment that prompted Einaudi's methodological reflection of the 1930s and '40s, as well as the rewriting of the present essay, is to follow the logic of one of his important editorial decisions. It was Einaudi's intention that the present essay be inserted and published as the *concluding* essay of one of the volumes of his *Complete Works*. But why did Einaudi decide to republish an old review-essay on William Smart's *Second Thoughts of an Economist* as the *opening* essay of that same volume?

¹ But see also the review by FOSSATI 2017.

² Gioele Solari, Alesandro Passerin d'Entrèves, Giuseppe Bruguier Pacini and Antonio Giolitti.

Significantly, Einaudi had titled his review-essay (and reinterpreted Smart's work) as *Confessioni di un Economista* [Confessions of an economist] (Einaudi 1917). Since this review-essay had been written many years prior to Einaudi's methodological reflections and 'second thoughts' that led him to the rewriting of the present essay, it can be viewed as Einaudi's concluding confession. In other words, here Einaudi is explicitly talking about Smart, but implicitly speaking about himself.

These pages of Smart's are highly personal and very revealing [...]; they implicitly allow us a glimpse into a confession of his scientific doubts, into his effort to look beyond the hedge of the garden reserved to the economist, so as to see what is happening in the vast world and how economic problems are linked to moral and religious problems, and to the very question of the ends for which life is worth living (Einaudi 1917).

Without doubt, Einaudi was one of the last humanist-economists. In this context, there can also be no doubt that the judgement he gave on Adam Smith's three souls, "moralist", "historian" and "economist" (Einaudi 1938), can rightly be addressed also to Einaudi himself (Forte and Marchionatti 2012: 620). Smith and Einaudi's 'three souls' address the *same problem*, namely the *study of man and society*, from three different perspectives and/or in different moments.

To put it another way: if for Adam Smith political economy was the "science of a statesman or legislator" [Smith 1974 (1774): 428], for Einaudi the "economic sciences" – evoked in the title of the present essay: primarily political economy and the '*Scienza delle finanze*' – were the sciences of good/bad society and good/bad government.

Einaudi's long-lasting enquiry into the causes of good and bad polities reached its peak in *Myths and Paradoxes of Justice in Taxation* [henceforth *MPJT*] [Einaudi 2014c (1940)],³ and was further developed in the second part of the present essay, in terms of the dialectical contrast between "state" and "non-state" (Einaudi 2017: 61-65), along with its epistemological justification in the third part: "On value judgments in economic sciences".

With such an enquiry Einaudi, as humanist-economist and "economist-whole-man" (Einaudi 2017: 38), went well "beyond the hedge of the garden reserved to the economist". But what did he see beyond the hedge?

³ In particular, in the last two chapters added to the 1940 edition [EINAUDI 2014c (1940)]. These two chapters were partly the fruit of the debate with his pupil Fasiani, as recently discovered (see FOSSATI and SILVESTRI 2012). In turn, this debate is at the origin of the first version of the present essay.

2. To answer this last question, I think it important to dwell on one of the methodological “doubts” that Einaudi confessed to the interlocutors to whom he sent the first draft of his rewriting. Both his arguments and his doubts can be related to two main problems: a) the issue of value judgments; b) the distinction between economics and philosophy. These two problems are set within the broader thesis of the *conventional* nature of the divisions between disciplines and the analysis of the alleged separation between the economist *qua* scientist and the whole man.

Einaudi addressed the issue of value judgment from different perspectives: from the issue of values that may be implicit in the selection of the problem or in the choice of the object of study made by the economist,⁴ to the demarcation between theorem and counsels, theoretical and normative language and their reciprocal translatability (Einaudi 2017: 38-40), all the way to the general problem of the demarcation between science and non-science.

Nevertheless, in the third and last part of the present essay the issue of value judgments is analyzed from a more complex perspective. Here, such issue hides two different problems, which, in Einaudi’s discourse, seem to have overlapped and been held together by his reflection on the alleged indifference of the economist *qua* economist towards *ends*: 1) the issue of whether and when to take up a position with regard to the ends pursued by ruling powers; 2) the difficulty of separating rigorously, in the analysis of society, the study of means and the *understanding* of ends of human action.⁵

The first problem could not be resolved entirely through a ‘methodological’ reflection because, in some respects, it concealed not (only) a methodological problem but also a *deontological* problem. Such a problem has to do with two conflicting values: remaining *super partes* or taking a stand?

As to the second problem, which, for our purposes, is more interesting, Einaudi introduces his main thesis with the following argument:

There is no plausible reason why scientific research should come to a halt when faced with good and evil, or when beholding the ideals and reasons of life, almost as if these were *untouchable* concepts. [...] Perhaps, the idea could be voiced

⁴ In this regard, Einaudi claimed that these kind of implicit value judgments are at the source of the scientific enterprise: the “passions” of the economist guide him in “feeling” the “relevance” of a “problem” (EINAUDI 1941, 1942), that is to say, in Weberian terms, of the problem that the economist deems *worthy* of study. In some respects, Einaudi’s reflection can also be paralleled to that of MYRDAL (1953, 1958), or to what we today call “methodological value judgments”. On this see BOUMANS and DAVIS 2015: 170-171.

⁵ These two points were already mentioned in EINAUDI 2014b [1942]. With regard to this essay, Hayek declared that his position had become similar to that of Einaudi, with specific reference to the “false belief that science has nothing to do with values” [HAYEK 2014 (1970): 355].

that the specific task of the economist begins, in accordance with the legitimate canons of the division of labor, only from the moment when decisions have been actually made and recorded. It is then that the economist has to take stock of the situation, starting out by acknowledging that men have made this or that decision, with all that follows. But if *what follows* turns out to influence choices that have already been made, if the results of such choices and the choices themselves have an effect on the actual reasons for the choices, then how can one say: this is where science starts; and before this there is ... what? (Einaudi 2017: 68).

This point was further explained and developed in some of the following sections of the third part through (at least) two major thesis, which can be summarized as follows (Silvestri 2017d: 122):

a) the economist's "indifference towards the reasons underlying choices" mainly depends on his decision to fictionally put into brackets (or consider as exogenous) the ends of human choices and/or the institutional or moral context within which those choices take place (Einaudi 2017: 68-69). Nevertheless, such an indifference is not always possible if the economist wants to gain a better understanding of some economic phenomena as well as of society as a whole: to this purpose the economist have at least to have an *understanding* of those ends⁶, and, sometimes, is forced to "re-enact the entire causal chain [of means and ends] which, for reasons of the division of labor, we severed at a particular point" (Einaudi 2017: 69). As Einaudi stated in the summary of the last paragraph (§ 27) of the first edition: "it is impossible to study choices while pretending to be unaware of the ends from which they sprang".

b) The division among disciplines, as well as that between science and non-science, are merely "conventional" and have no more than a "practical utility" (Einaudi 2017: 70), and in any case it does not give any scholar the "right to excommunicate" other scholars (Einaudi 2017: 70-71).⁷ This thesis, connected to the general claim stated in the old Abstract ("the economist's decision to refrain from value judgments [...] is legitimate if motivated by the scientific division of labor, but illogical in the perspective of the more general quest for truth"), was further extended to the reflection on the division between Economics and Philosophy.

In the letters he sent his interlocutors and in part of his rewriting of the present essay, Einaudi reformulated his own example of the analysis of the

⁶ On this see HAUSMAN and MCPHERSON (2006: 293-294).

⁷ Einaudi had a clear perception that the debates on so-called demarcation problem (Science/non-science) may turn into normative, dogmatic-excommunicating wrangles among disciplines, schools or scholars. On this see SILVESTRI 2016.

policy of tax exemption of a social minimum of existence (Einaudi 2017: 74-76) to better explain and further develop this point.

In these letters he refers critically to the Paretian separation between economics and sociology as well as to his logico-experimental “method”. In Pareto’s view, this last was the only true ‘scientific’ method, where ‘science’ stands for: a) that which investigates facts and only facts; b) the reign of measurable and of factual knowledge (ascertained through the logical-experimental method itself). In Pareto’s view, all the rest is non-science or *non-sense*.

Einaudi’s main objection is that the instrumental reasoning and the possibility of taking values as mere facts can work only till a certain point of the analysis. As soon as the analysis is expanded to consider other data and, above all, the social consequences of such a fiscal policy, the economist may end up analysing concepts, “idea”, “sentiments” and “passions” – such as oligarchic-plutocratic or demagogic regimes, “strong or weak polity”, “prosperous or decadent states” (DVE: 18-19), “economic relations of massive fortunes and political-social relations of hatred and envy, on the one hand, or of fear and scorn on the other” (Einaudi 2017: 76), as well as “social, political and religious ideas” forming a chain of ‘reciprocal reactions and counteractions’ (DVE: 19) – which are not easily treatable from a “scientific” point of view (Silvestri 2017d: 125).⁸

Einaudi’s doubts concerning the economist’s reasoning when facing these concepts and ideas are extremely relevant since he seems to discover that they lie *on the threshold between fact and value*. As he further explains, and (rhetorically) asks his interlocutors:

a) such concepts and ideas do not belong to the reign of “measurable” and “calculable”, nor can they be subject to a “cost-benefit” analysis; b) if the analysis leads to the conclusion that the ruling class is “‘leading the state towards its own ruin’, isn’t it an implicit value judgment?”; c) “What does the philosopher [but also the historian, the politician, the moralist, etc.] add so that the judgment [on value] exists?” (DVE: 18-19, in Silvestri 2017d: 126).

In the final draft of the present essay, Einaudi did not develop the first two issues, (a) and (b), even though he continued to believe that these kinds of implicit value judgments are sometimes unavoidable. Nevertheless, the relevance of this intuition cannot be overlooked.

⁸ It is likely, in this regard, that Einaudi held an “anti-Robbinsian position” (FORTE and MARCHIONATTI 2012: 594), even though he did not state it explicitly. Nevertheless, it is also true that, spurred by the debate with Fasiani, Einaudi was forced to develop an anti-Paretian position with specific reference to the demarcation issue, the theory of choice and the separation between Economics and Sociology (as he explicitly stated in his DVE sheets).

What Einaudi seems to discover, or at least to guess, is that in his reasoning the economist may find himself face to face with concepts on the borderline between fact and value, where the ‘purely’ descriptive and the ‘purely’ evaluative parts of these concepts cannot be separated so easily. Although Einaudi did not analyse this issue further, his intuition can be paralleled to Putnam’s idea of the “entanglement” of fact and value, where such entanglement is particularly evident in the case of “thick ethical concepts” [Putnam 2002, 2012 (2003): 112].

3. In his *Preface* to the 1959 edition of *MPJT*, Einaudi puts forward two basic claims that seem intimately connected. On the one hand, he “proudly placed” economics, and himself as an economist, within the “humanities” (Einaudi 1959: ix). On the other, he dwelt on the developments of welfare economics, although this reflection seems a pretext for providing an admirable re-interpretation and synthesis of some of the ideas that had led his enquiry into the causes of good and bad politics and prosperous and decadent societies.

Although Einaudi recognized the theoretical progress and concrete results of welfare economics, he pointed out that prosperity, i.e. ‘welfare’, means first and foremost “well-being”. Accordingly:

[Welfare] is not composed only of the wealth that is measurable and summable, mentally translatable into money. ‘Welfare’ is different and it is something more than wealth; it is a composite of wealth, contentment, good social relations, good government, solid – even if small – families, lack of envy and hatred among different classes, which is replaced by emulation which elevates the mediocre and does not morally abase the great. [...].

[Just as] taxation is not a purely economic fact [...] the well-being of a political body is not composed only of material goods. Nations, kingdoms, empires, grow and decay for primarily moral and spiritual reasons. Tax too is a factor of stability or decline; and the moment in which tax by a factor of stability becomes a factor of decadence is decisive for the future of the state [...].

We are still far from the critical point; and it is worth expressing the hope that scholars’ impassioned aspiration towards the creation of increasing wellbeing for all peoples does not restrict itself to material wellbeing, for this could signify and provoke envy, hatred and decadence. What is truly required is above all moral and spiritual wellbeing, such as will signify the emulation of individuals, cohesion within families, and the solid ordering of social classes and orders, for these are the sentiments from which there arise great states. (Einaudi 1959: XVI-XIX).

For Einaudi, ‘economics’ has never provided a privileged point of view on society and man; it has always been just one among many others ‘humanistic’ points of views on man and society. His claim that the separation

between disciplines is merely conventional, his ‘humanistic’ understanding of the economist as a “whole man” who, in turn, tries to understand and explain “whole men”’s “passions”, “sentiments”, “social, political and religious ideas” and their social consequences not always belonging to the “reign of calculable and measurable”, as well as his intuition of the problem of entanglement of fact and value, deserve the greatest attention. In any case, there is still much work to do “beyond the hedge of the garden reserved to the economist”.

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