

THE ENDURING SIGNIFICANCE OF ROBBINS

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In his comprehensive *The Growth of Economic Thought*, Henry William Spiegel identifies (1991, p. 536) Carl Menger's methodological studies as "the beginning of a period in which economic theory was largely identified with microeconomics." Spiegel goes on to claim that Lionel Robbins's *An Essay On The Nature And Significance of Economic Science* (1932) closed the period. The roots of Robbins's definition of economics as (1932, p. 15) "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" Spiegel finds (1991, p. 528) in Philip Wicksteed's view that efficient resource administration is the goal of economics, while the laws it develops are applicable to all choice situations. Spiegel places Robbins's *Essay* at the end of the heyday of microeconomic theory because (1991, pp. 536–37) what he terms "modern economics" took another direction with the advent of Keynesianism. The rise of macroeconomics in the 1930s led to the widespread abandonment of the methodological individualism of microeconomic theorizing in favor of aggregative analysis. This also led to the replacement of cause-and-effect analysis with mutual interdependence and mathematical model-building.

Further, Spiegel goes on to argue that Robbins expanded the scope of methodologically individualistic theorizing beyond the conventional borders of microeconomics. Ludwig von Mises's *Human Action* then continued this expansion; and, Spiegel (1991, p. 543) concludes, "the unyielding tenacity with which Mises adhered to his views place him in an extreme position, remote from the mainstream of economic thought and considered utopian by many of his contemporaries."

This article argues that Spiegel is incorrect in his judgment that Mises's methodology is an extension of Robbins's—in fact, there is evidence that the influence actually ran the other way, although it will be

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argued that there is a significant difference between the methodology of Mises and that of Robbins. Robbins's "Preface" even acknowledges his intellectual debt to both Wicksteed and Mises.¹

I. A SCIENCE OF "ECONOMIZING" OR A SCIENCE OF "HUMAN ACTION"

In *The Economic Point of View*, Israel Kirzner (1960, p. 109) notes that after Robbins's definition was published, it became part of all discussions of the proper subject matter of the discipline. It was consequently criticized by adherents of the newly arisen belief that if resources were unemployed or underemployed as a result of macroeconomic disturbance, then "scarcity" per se was not the problem, and Robbins's definition was only appropriate for the "classical" concept of an economy in a full-employment state. To this argument, Kirzner responds (1960, pp. 143–44) that it is not the level of employment of resources in a particular economy that is the relevant context for this discussion; it is the individual point of view that Robbins adopts. From that point of view, unemployed resources are still scarce means; they are just temporarily withdrawn from decision-making as a result of a breakdown in the economic system, and they are currently being wasted.

Kirzner goes on to classify Robbins's conception of economics as the culmination of a tradition mainly influenced by the thought of Max Weber.² In contrast to Spiegel, Kirzner does not see Mises's conception of human action as the culmination of the Robbins approach; instead Kirzner argues that it was a parallel development and solely the work of Mises. Rather than being a study of "the disposal of scarce means," as Robbins (1932, p. 15) would have it, Mises presents economics as the most developed of the sciences of human action, or "praxeology." Kirzner (1960, p. 161) identifies the crux of the difference between Robbins and Mises as follows: "economizing consists in the allocation of scarce resources among competing ends. Acting, in the praxeological sense, consists in selecting a pattern of behavior designed to further the actor's

¹In his autobiography, Robbins (1971, p. 146) is quite clear about this debt as he remarks, "my formula followed naturally from their explanations." See also O'Brien (1988, pp. 12, 24–27, 39, 49–50) and Blaug (1980, pp. 87–88). Blaug characterizes Robbins's project as a restatement in modern language of the methodological position of Senior, Mill, and Cairnes, with the addition of the Austrian tradition that was imported into Britain by Wicksteed.

²See also O'Brien (1988, pp. 25–26).

purposes.” “Economizing” in Robbins’s sense of the word results in a particular *pattern of resource allocation*; economic behavior as a science of human action is a *pattern of behavior* implied by a selected scale of ends. It is teleological: means only become such after they have been selected as appropriate for certain ends. The concept of “purpose” thus becomes crucial to understanding human action. Consequently, economics as a *science of economizing* is not the same as economics as a *science of human action*, although the former can be included within the latter as a special case.

In *Human Action*, Mises (1966, p. 3) specifies the difference between the general science of human action—“praxeology”—and economics as one of its sub-disciplines. Economics is the science of the human action of choosing to exchange one alternative for another. At the beginning of chapter 4 of his *Epistemological Problems of Economics* (1960), Mises explains that this definition applies to interpersonal exchange, whether direct or indirect (using money); and, it applies as well to the actions of isolated individuals engaged in productive acts. It is the subjective theory of value that makes all rational action “economic.”

II. THE “REAL TIME” DIMENSION OF CHOICE

So far as Mises’s own view of the differences between his approach and that of Robbins is concerned, there is only one reference to Robbins’s *Essay in Human Action* (1966, p. 103, n.7). It concerns the meaning of “rationality.” Mises points out that just because a person is seen to prefer “a” to “b” and also “b” to “c,” he is not inconsistent if he chooses “c” over “a” at some other point in time. The three acts of preferring cannot be synchronous when the context is choice in real time, and judgments of relative value are not immutable through time. The text in Robbins that Mises footnotes is pp. 91ff. of the second edition (1935). There, Robbins argues that if by “rational” one means “consistent,” then *in a state of equilibrium*, if “A” is preferred to “B” and “B” to “C,” then “A” must be preferred to “C.” In actual acts of preference, Robbins admits a possibility of “inconsistency” in the sense just mentioned, if the consumer is inattentive or not fully informed. He also recognizes the importance of “purpose” in human behavior and the possibility of inconsistency in purpose. There is no indication that he recognizes the two elements of the importance of the context of real time and the possible changing judgments of value that are so crucial to Mises’s theory of human action.³

³Rothbard (1956, p. 229) argues that it is not “consistency” in preference, but “constancy” in preference through time that Robbins is assuming—and that Mises is criticizing. O’Brien (1988, p. 27–28) characterizes Robbins’s research methodology

This assessment of Robbins's 1935 view of consistency in actions taken is strengthened by noting that, in *Epistemological Problems of Economics*, Mises differentiates (1960, p. 32) between "primary" ends, such as dispelling hunger or cold or going from "A" to "B," and "proximate" or "intermediate" ends, such as preparing food or gathering firewood or taking care to walk in the shade. One's primary end may be to get from "A" to "B;" however, if the sunshine is especially hot along the way, one might detour in order to walk in the shade. Mises footnotes for comparison the discussion of human ends in the first edition (1932) of Robbins's *Essay*. At the beginning of chapter 2 (1932, p. 23, n.2), Robbins is at pains to distinguish his concern with human ends as "the objectives which are, so to speak, formulated in the various tendencies to action," from a concern with "the metaphysical conception of a unitary end of conduct." This footnote does not appear in Robbins's second edition of the *Essay*. Although it is true that the purpose of Robbins's discussion of ends at the beginning of chapter 2 is to argue that economics does not concern itself with them and that there are none that could be termed "economic," nevertheless, the reader is left with the impression that Robbins considers all ends to be given or fixed, and independent of some teleological directing principle.⁴ Thus, he states that the main problem with which economics is concerned is (1932, pp. 23–24; emphasis added) how the progress of human beings "towards their objectives is conditioned by the scarcity of means—how the disposal of the scarce means is contingent on these *ultimate* valuations."

as a "disaggregated general equilibrium" approach to economic problems, with a consequent inability to incorporate changing information into the context of the theory. Unfortunately, O'Brien restricts the needed information aspect to that provided "maximisers" by entrepreneurs and fails to see that its absence is not just a sign of the exclusion of an entrepreneurial element from the theory, but one of not recognizing the actual context of all action by so-called "maximisers." Entrepreneurs are not the only sources of changing information for decision-makers in human action.

⁴O'Brien points out (1988, p. 23) that "a major purpose of the book was . . . to purge economics of value judgements." Robbins himself says (1971, p. 147) that his view of the subject-matter of economics "disposed of the idea that there were economic ends as such, only economic ways of achieving ends." Kenneth Boulding (1958, pp. 105ff.) interprets Robbins's view that economists do not concern themselves with the ends of individuals to mean that economists are not concerned with the ends of economic systems. He nominates rising per capita income, cultural and institutional progress, income redistribution, and so on, as worthy systemic ends and claims (1958, p. 123) that the economist's "mental picture is that of the economy as a whole." Could any "modern economist" have more completely missed Robbins's point?

Robbins's failure to recognize fully how the real time dimension of choice allows for changing judgments of value, which may result in apparent "inconsistencies" in demonstrated preferences, is puzzling in the light of the development of his view of the subject matter of economics in chapter 1 of both editions of his *Essay*. In section 3 of that chapter in the first edition, Robbins lists three fundamental characteristics of human existence that are important from the economic point of view. They are (1932, pp. 12–13) that human "ends are various" and "the time and the means for achieving these ends are at once limited and capable of alternative application." He adds (1935, p. 12), "at the same time the ends have different importance" as a fourth characteristic in the second edition.⁵ It is notable that Robbins includes "time" and its limitation in the context of human choice among alternatives as he develops his argument over the next few pages. Unfortunately, in section 4 he excludes isolated man from "economic analysis" on the basis that analysis is unnecessary in this case because (1932, p. 17) "the behaviour of a Crusoe" is "*extra-marginal*."

Now, it is true that the exchanges that are made by isolated individuals are different from those made by trading individuals. Every act of an isolated individual has an opportunity cost—the next best alternative act in which the individual might be engaged at that point in time but is not so engaged because the act in which he is engaged is valued more highly. The actions of the isolated individual are guided by subjective, marginal value comparisons and can be seen as isolated exchanges of one act for another. Mises clearly recognizes this (as mentioned earlier), as well as the fact that the actions of trading individuals are different from those of isolated individuals. Trading individuals must take either barter or money prices into account in making decisions. In the context of an exchange economy, interacting individuals with individual purposes use the system of relative prices in conjunction with expected, marginal value tradeoffs to guide their actions so as to minimize their expected

⁵In the second edition of his *Essay* Robbins mentions as one of "the most fundamental propositions of economic analysis" that (1935, p. 75) "the different things that the individual wants to do have a different importance to him and can be arranged therefore in a certain order." Later (1935, pp. 78–79) he claims, "The main postulate of the theory of value is that individuals can arrange their preferences in an order, and in fact do so." Koopmans (1957, p. 136) slightly misstates Robbins as having claimed "that each consumer has a complete preference ordering of all commodity bundles the consumption of which is possible to him." Koopmans then goes on to criticize Robbins's proposition as being in conflict with "our direct knowledge of consumption decisions." It denies the consumer the ability to change his consumption program as his knowledge of his own preferences changes through time.

costs in achieving their respective purposes. Nevertheless, the economic principles involved in rational choice in either context are the same. Isolated man also is choosing among alternatives in real time according to expected marginal value tradeoffs. Contra Robbins (1932, p. 17), Robinson Crusoe's behavior is not "extra-marginal." His decisions are guided by his purpose(s) and they are always made at the margin.

It is also true, as Robbins (1932, p. 18) points out, that individual decisions have implications in a social context that reach beyond the individual, and that the decisions of executives in a communist society would be arbitrary and unreflective of the valuations of individual members of that society. It is not the case that the decisions of the executives in a communist society are analogous to those of Robinson Crusoe, as Robbins also claims. Unlike those of the isolated individual, the production decisions of the executives are not guided by their subjective, marginal value comparisons in attempts to achieve their personal purposes, but more likely by their whims, prejudices or ad hoc pragmatism in attempting to achieve arbitrarily chosen social goals. Their personal purposes are different from the social goals of the economy they direct, as well as differing from the personal goals of individual members of their society; and, their personal, marginal value tradeoffs are different from the quantitative and qualitative tradeoffs involved in planning the economies they direct. As Robbins (1932, pp. 17–18) credits Mises for showing, it is the absence of resource market prices in the social context of the socialist economy that makes economic calculation impossible and thus the planning of the socialist economy entirely arbitrary and *ad hoc*—unlike the planning of a Robinson Crusoe, which is guided by his purposes in light of his subjective value comparisons.

Robbins clearly recognizes (1932, p. 19) the role of the "laws of choice" in explaining the actions of the isolated individual; and, he recognizes as well that the exchange economy cannot be explained without those same laws. Perhaps it was Robbins's failure to see that the isolated individual's context is not one of arbitrariness, but of purposive action, that prevented him from attaining the complete Misesian view of economics as a science of human action rather than a science of economizing.

III. IMPORTANCE OF THE DIFFERENCE IN METHODOLOGICAL PERSPECTIVES

The importance of the difference in perspectives between Robbins and Mises is emphasized in Kirzner's recent book on Mises's life and works. From Robbins, mainstream microeconomics developed its *Logic of Choice* or the concept of the economic actor as optimizer. As Kirzner (2001, pp.

85–86) puts it, “With ends and means taken as given, the agent—whether consumer, producer or factory owner—allocates his given means in such a way as to maximize the achievement of his most valued ends.” But, for Mises, Kirzner (2001, pp. 86–87) continues, “the unit of analysis is human action, a concept which includes the *identification of the very ends-means framework* within which efficient decision making must be exercised.” Kirzner (2001, p. 95) concludes that neoclassical microeconomic theorists, who took their cue from Robbins, became increasingly concerned with equilibrium analysis, rather than a theory of the market process toward equilibrium—a state never reached in the actual social world.⁶

Like that of Spiegel mentioned at the beginning of this article, works by two other intellectual historians may be used to illustrate the result of a failure to recognize the difference in perspectives between Robbins and Austrian School economists. It leads to the uncritical application to Mises and other Austrian School economists of an unfavorable critique of Robbins’s methodological perspective—thus relegating them to the same historical dustbin in which Robbins is tossed. For example, it is Robbins’s *Essay* that Northrup (1959, p. 253) assumes is the expression of “classical Austrian economic theory” in Northrup’s *The Logic of the Sciences and the Humanities*. His analysis of Robbins’s presentation of the basic concepts and method of economics leads Northrup to the conclusion that Robbins’s approach can provide a theory of statics; however, he concludes, “It is impossible to attain a theoretical economic dynamics within the assumptions or by the method of contemporary economic theory.” In his *Main Currents in Modern Economics*, Seligman (1962, pp. 520ff.) also lumps Mises and Hayek with Robbins and deems their [sic] view of economics a “rigorous exercise in economic formalism” that “became a particularly depraved form of scholasticism, a ‘barren dialectic of scarcity,’ utterly devoid of substantive content.” Ironically, if Kirzner is correct in his assessment of the stimulus provided by Robbins to the development of microeconomics as an optimization problem, these same critics are tossing mainstream microeconomics into the bin with Robbins.

Despite critiques such as these, and the related view that “modern economics” moved beyond Robbins as aggregative mathematical model-building supplanted methodological individualism in all but a few corners of consumer choice theory, Robbins’s definition remained the standard

⁶Screpanti and Zamagni (1993, pp. 147–48) see the culmination of the extension of Robbins’s approach in Paul Samuelson’s mathematical optimization principle, although they (1993, p. 197) acknowledge the Austrian influence on Robbins—in particular, the Mengerian roots of his ends-means definition of economic science.

one of undergraduate introductory textbooks until fairly recently. In fact, a new economics principles text by Hubbard and O'Brien defines "economics" as (2007, p. 4) "the study of the choices people make to attain their goals, given their scarce resources." I hasten to point out that use of such a definition is not universal these days. Another new economics principles text by Paul Krugman et al. ignores the central role of scarcity in economic theory and slides around a specific definition of "economics" that ties it to individual decision-making. First, Krugman et al. define an "economy" as (2007, p. 2) "a system for coordinating society's productive activities," and then "economics" as "the study of economies, at the level both of individuals and of society as a whole." This inability of Krugman and his co-authors to recognize that a forest is composed of individual trees, and their resultant failure to define the subject of their book with clarity, is a sad reminder of how deeply some mainstream economists have become mired in aggregative thinking.

IV. CONCLUSION

So, what is "the enduring significance of Robbins"—the title of this article. For me, it is the stimulus given by Robbins's *Essay* for reflection on the uniqueness of the Misesian conception of our subject. Only then can one see its resultant immunity from the critical brickbats hurled Robbins's way since 1932. Mises and Robbins share a methodologically individualistic perspective, but their differences in exploring its implications are crucial. In his own admirable attempt to extend the methodological perspective of Wicksteed and the Austrian School, Robbins goes very far toward a true grasp of the subject matter, but his grasp falls short of his reach in comparison with Mises. Economics as a science of economizing must yield in generality to economics as a science of human action if a theory of the market process is what is sought.

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