

ECONOMICS, VALUE JUDGMENTS  
AND INTERDISCIPLINARITY

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ABSTRACT

The paper deals with the methodological issues that Einaudi addressed in his rewritten version of *On Abstract and Historical Hypotheses and on Value Judgments in Economic Sciences*, by placing them within the framework of his broad and deep understanding of the ethical foundations of a good polity. In particular, the paper focuses on the role of value judgments in economic science in general and in the science of public finance in particular, and on the intrinsic interdisciplinary character of these disciplines as 'human' sciences and not as mere 'scientific' sciences.

**Keywords:** Economics, Value Judgments, Interdisciplinarity, Luigi Einaudi.  
JEL codes: A12, A13, B31, B41.

1. The critical edition of the rewritten and unpublished version of Luigi Einaudi's (2017) *On Abstract and Historical Hypotheses and on Value judgments in Economic Sciences* shows that Einaudi did not change his position, as has been commonly thought until now, from the defence of economics as a 'pure science' to an approach of a passionate economist in which matter both the value judgements and the interaction between economics and other social sciences.

Luigi Einaudi, in regard to the Italian science of public finances and public economics of the last century, is known as the leading figure of the 'economic school' in contraposition to Benvenuto Griziotti, leader of the 'political school': on the one hand Einaudi with a 'pure science' economic approach; on the other, Griziotti with an 'impure' interdisciplinary approach combining economics, law, and political science. The fact that

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Einaudi, in the last period of his life, maintained that economists cannot abstain from value judgments, according to the dominant opinion, merely means that he justified this impurity for applied economics at normative level. The same would apply to the interdisciplinary approach. This opinion appears incorrect when reading the essay by Einaudi commented on by Silvestri, and other writings by Einaudi to which Silvestri directs attention.

The interdisciplinary approach and the relevance of value judgements in these works by Einaudi are important at both the theoretical and applied levels.

As Silvestri shows, in the last two chapters added to the second edition of “Myths and Paradoxes of Tax Justice” (Einaudi 1940), Einaudi outlines his economic theory of good government as a ‘good rules’ government: this theorization is not a ‘pure economics’ one, because it concerns the ‘goodness’ of the rules, i.e. of the institutions, primarily from the point of view of ethical values and because individuals interact in the community as ‘entire persons’ or ‘whole men’, not merely as ‘economic men’.<sup>1</sup>

The two themes of the rules as institutions and of communities of ‘entire persons’ in a perspective that includes human values beyond the economic ones, reappear in Einaudi’s review-articles (Einaudi 1937a, 1942b) on two books by Röpke, respectively *Crises and cycles* (Röpke 1936) and *Die Gesellschaftskrisis der Gegenwart* (Röpke 1942),<sup>2</sup> as well as in the preface [Einaudi 2014a (1942)] to the handbook of Costantino Bresciani Turrone, *Introduzione alla Politica economica (Introduction to Economic Policy)*.

The second version of Einaudi’s essay edited by Silvestri does not deal solely with the above-mentioned methodological issues. It presents examples of interdisciplinary models that illustrate them: the model of the citizens who, acting in accordance with good agreed rules, give origin to the good government of their community; that of the élite as a dominant or ‘élitarian’ class; and that of the fiscal illusion.

These models now have a central role in the theorizations of the public choice school of public economics in its interdisciplinary approach to law, politics, sociology, and ethics.<sup>3</sup>

2. Here, however, I shall deal with the methodological themes that Einaudi addresses and which form the core of Silvestri’s analysis: i.e. the role

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<sup>1</sup> On Einaudi’s notion of good government see the essays collected in HERITIER and SILVESTRI 2012 and, in particular, FORTE 2012 and SILVESTRI 2012.

<sup>2</sup> On Einaudi and Röpke see FORTE 2009b.

<sup>3</sup> See BUCHANAN 1960. Allow me to cite two papers of mine: FORTE 2016, FORTE and BRADY 2017.

of value judgements in economic science in general and in the science of public finance in particular, and the intrinsic interdisciplinary character of economic science and the science of public finance as human sciences and not as mere 'scientific' sciences. I begin with the first theme.

Einaudi's theory on the unavoidable role of value judgements in the economic sciences is grounded on 'de facto' observation of a positive economic nature:<sup>4</sup> individuals, in their behaviour, are driven, to various extents, by non-ephemeral value judgements. Therefore, consideration of them, in positive economic analysis, makes it possible to understand the causal factors behind what happens in the society considered.

Through recognition of the ethical values that motivate the behaviour of individuals, one may ascertain the ends of the members of the community and the choices which, in relation to these ends and value judgements, if free to choose, they would make directly, or indirectly through their representatives and the government.<sup>5</sup> What are the consequences of a socio-political organization that adopts the values prevailing in the community, and what are those of one that does not?

If the values to which persons tend and the ends that, consequently, they pursue through private actions – individual and collective – and public ones are advantageous to many people and do not damage anybody, the society obtains a general benefit (in the current expression, the society realizes a positive sum game), achieves equilibrium, flourishes, and advances. If the values to which the persons tend and the ends that they consequently pursue through their private and public actions systematically give advantages to some individuals and losses to the others, the result is a complex disequilibrium situation.

The 'passionate' economist moved by the value judgement that the ultimate purpose of economic science is not scientific knowledge as such, but rather the practical end of the advantage for some individuals or for society as a whole, cannot be indifferent to the two diverse results described above, which, in turn, were driven by diverse value judgments in society. A passionate economist, therefore, must take account of these value judgements and of their diverse results in the institutional models and/or in policy proposals that s/he presents for economic policy. However, observation of society shows that the values which are shared to different extents may

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<sup>4</sup> Empirical observation of the value judgements to which Einaudi refers, however, is not easy and, at the beginning, it is often replaced by an anthropological view of the reality which is subsequently strengthened by repeated observations. See on this point FORTE 1961, especially §§ 3.2-3.5.

<sup>5</sup> The description of value judgements and the passage from them to the ends and their description involves delicate problems of language. See FORTE 1961, §§ 5.2.-5.8.

not be respected. The laws of the human behaviour are imperfect, unlike those of physics or biology, and it is very difficult to take account of their complexity.

In this way, value judgements are taken as anthropological data of the society studied, which are relevant for both normative economics and the formulation of an appropriate normative apparatus.

3. Einaudi's thesis of the relevance of value judgements as anthropological data of the society studied for the economist and the other social science scholars, entails recognition that the laws of positive economics and of public economics do not have the same degree of certainty possessed by the laws of physics or chemistry or biology as sciences of nature. Einaudi's view that positive economics as a 'human science' differs from the 'natural sciences' has been re-asserted by James Buchanan, who adds that the social scientist shares with the artist the need to imagine alternatives to what s/he observes (Buchanan 1992: 151). One of the main reasons for this is that human behaviours change depending on the rules or institutions within which behaviour takes place (Buchanan 1992: 153). If different rules of the game change the result, this entails that it is possible to devise models of normative economics which have features of 'pure science' not very dissimilar from those of the natural sciences of physics, chemistry, biology when applied to obtain given practical ends. Of course, there is a variable degree of imprecision between the abstract results of a model of normative economics with given rules of the game and its specific results when applied to a given real situation. On the other hand, the applications of the knowledge of the natural sciences also have some degrees of indeterminacy due to the complexity of real-life situations. In the case of medicine, even when applied to animals and not only when applied to human beings, there is a twilight area of lack of precision similar to that of the policy suggestions of the social sciences due to the complexity of real-life cases.

4. For Einaudi the main source of empirical knowledge relevant to devising the optimal public economy institutions is historical research with an interdisciplinary approach comprising economics, law, political science and sociology which is the task of the ideal historian. Indeed, he propounded the "ideal schemata" of good government, discussed in chapter XII of his *Myths and Paradoxes of Tax Justice*, by studying the Athens of Pericles [Einaudi 2014b (1940)]. He devoted very limited space to the other fields of interdisciplinary research in law and economics; however, he did not deny their 'scientific' value or their importance for economic science. Precisely

on the basis of historical observation, he believed that there is no clear-cut boundary between economics and the other social sciences. Actually, the chief difference between historical and theoretical hypotheses relating to economic laws derives from the fact that the freedom and the will to choose pertaining to humans make their coincidence impossible, rendering them different from the scientific laws of natural sciences relating to mere objects or to subjects without freedom of voluntary choice.

The continuous interaction among the various economic, ethical, political, institutional and legal factors emerging from analysis of the sequence of events of economic history characterizes the difference between the historical hypotheses relating to economic laws and the abstract hypotheses which are at the basis of pure economics. By using the positivist method of successive approximations to reality, it is possible to move from the abstract models of pure economics to examination of concrete cases by means of the historical laws of political economy in which elements of interdisciplinarity are inevitably present.

However, according to Einaudi, because the reality is so complex, in historical economic research the scholars of economic history normally cannot examine all the political, legal, institutional, sociological, ethical components like the perfect 'full historian', because they do not have enough time and the systematic knowledge to do so. Broadening the interdisciplinary horizon and, at the same time, deepening the economic analysis is difficult, and there is the risk of doing superficial work in each of these field.

However, let me recall Luigi Einaudi's "Preface" to the essays on "Science of public finance and tax law" by Benvenuto Griziotti (1956). In expressing his appreciation for the interdisciplinary studies by Griziotti and his pupils (the so-called School of Pavia), Einaudi maintains that economists and scholars of law may fruitfully cooperate in the search for the reasons that justify the fiscal institutions, to reduce them to a system, an order. In this context he praises Griziotti's fundamental contribution to the economic analysis of tax laws with his distinction between causal taxes and non-causal ones: i.e. on the one hand the taxes which have a relation with public expenditure, which give a return to the taxpayer, and which may be classified as imposts (taxes in the narrow sense), contributions, fees, according to their relation with the public expenditures that justifies them; on the other hand, the taxes which are required from the taxpayer without a rational justification, thus without direct or indirect benefits to the taxpayers and the community. The causal taxes should be conceived as a system; the non-causal ones should be considered arbitrary and abolished or subject to the narrowest application (Einaudi 1956a: VII-VIII).

The ethical component has a central place in Einaudi's thought. Indeed, saving, which is at the centre of his economics, both for the good govern-

ment of the household's economy and the market system and for the good government of the public economy, is a primary 'virtue', as one may deduce from the reasons why it is done: providence, link among generations, basis for the independence of the person and the family, to start and develop an enterprise [Einaudi 1924 (1919)]. The respect for private property, the freedom of contracting, the freedom to choose one's work imply an ethical value judgement because they imply the choice of a free competitive market economic system. They, together with the right to save and the safeguarding of savings and investments, and the right to do business, assure both the welfare and dignity of persons and families (Einaudi 1949, 1988).<sup>6</sup>

In creating and developing an enterprise, there is the ethics of creativity not only for oneself but also for the society. In the care and increment of individual property and personal investments, too, there is a component of creativity with an ethical value as concerns realization of the person and the family.

Labour with its retribution based on its economic value has an ethical value both because it contributes to the realization of personal autonomy and dignity and because it implies and develops the formation of 'human capital'. The satisfaction for a work well done and for the accomplishment of the duty of providing for the welfare and dignity of the family has an ethical meaning (Einaudi 1932).

In the spontaneous respect of the contract there is an ethical value mixed with the Smithian principle that 'it pays' to behave correctly in society.

The political class as an 'elite' of public servants as distinct from the political and bureaucratic élite as administrators endowed with superior powers pursue the ethical principle of serving the public interest (Einaudi 1936b).<sup>7</sup>

However, Einaudi did not examine the ethical themes of economics except in the debate with Benedetto Croce (Einaudi 1937b) because he humbly thought that he did not have adequate philosophical competence.

But he did believe in the scientific value of interdisciplinary work. This, in my view, is one of the main reasons why he chose myself as his successor to the chair of public finance at the University of Torino and, consequently, as likely chairman of the "Laboratorio di Economia": at that time I was nothing but a young economist, even though I had already developed a marked interdisciplinary approach to law and economics of public finance and belonged to the new interdisciplinary Virginia public choice school.

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<sup>6</sup> See also FORTE (2012).

<sup>7</sup> See also FORTE and SILVESTRI 2013, and SILVESTRI 2012.

5. In conclusion, one may now resolve the apparent contradiction between the position Einaudi took in this essay and the position that he took, in his controversy with Giorgio del Vecchio, in defence of pure economics as free from any particular value judgment, as in the methodological formulation of Lionel Robbins, according to which (pure) economics is the science of the choice of maximization between given ends with given means (Einaudi 1936a). If the models of pure economics are to be relevant to positive economics, they need to choose ends and means that may have a place in real-life societies, abstaining from value judgements about whether these ends and means are moral or immoral from the point of view of the economist. Thus, to provide an example of what Einaudi had in mind, the economist might study the theoretical model of maximization of the collectivist economy, as Enrico Barone did, showing that to maximize its income, the Ministry of Production, for the collectivist enterprises, should adopt the same prices that emerge in the market economy in situations of competition. In comparing different economic systems with different public finances and public sectors, and different solutions to their problems, the economist must be 'impartial', i.e. as far as possible free from his/her preferences for given values, and given legislations and political choices.<sup>8</sup> Of course, scientific knowledge requires impartial, objective reasoning. But the economist has also the professional duty to explain which solutions are good and which are damaging for the welfare – economic and non-economic – of the members of the community, on the basis of the values which s/he believes to be the best.

This stance, which we find in the manuscript of the second version of the essay by Einaudi, was forcefully asserted in a preface of 1914, republished in all the successive editions of his textbook on public finance and in the final one of 1956. The economist and more generally the social scientist – claims Einaudi – cannot be professionally indifferent to the values assumed at the 'pure science' hypothetical level [Einaudi 1956b (1914): 498-501].

In 1961, in one of his last writings, published posthumously, Einaudi reasserted the thesis exposed in the pages of 1914 as follow:

The task of the economist who is not only a mere expert [...] consists also in seeing the linkages between economic performance and political, moral and spiritual performance [...]. I say that the separation of the means from the ends is unreal and must be firmly rejected. The study of the means [...] is inseparable from the study of the ends. Adequate means react on the ends. The means of freedom are incompatible with illiberal ends (Einaudi 1962).

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<sup>8</sup> Complete objectivity, however, is impossible because the subjects differ: see EINAUDI 1942a, 1942c.

Clearly, Einaudi did not at all change his approach to economics as ‘political economy’; he worked on expressing it better in general and in relation to his own belief in freedom as the guiding value of a passionate economist.

Indeed, from 1943 on, free from dictatorial controls, he set ‘pure theory’ aside and devoted his assiduous intellectual enterprise – as a “moralist, economist, historian” (Forte and Marchionatti 2010) – to designing and discussing the principles of good government – at the supranational, national and local level – of a community of free persons.

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