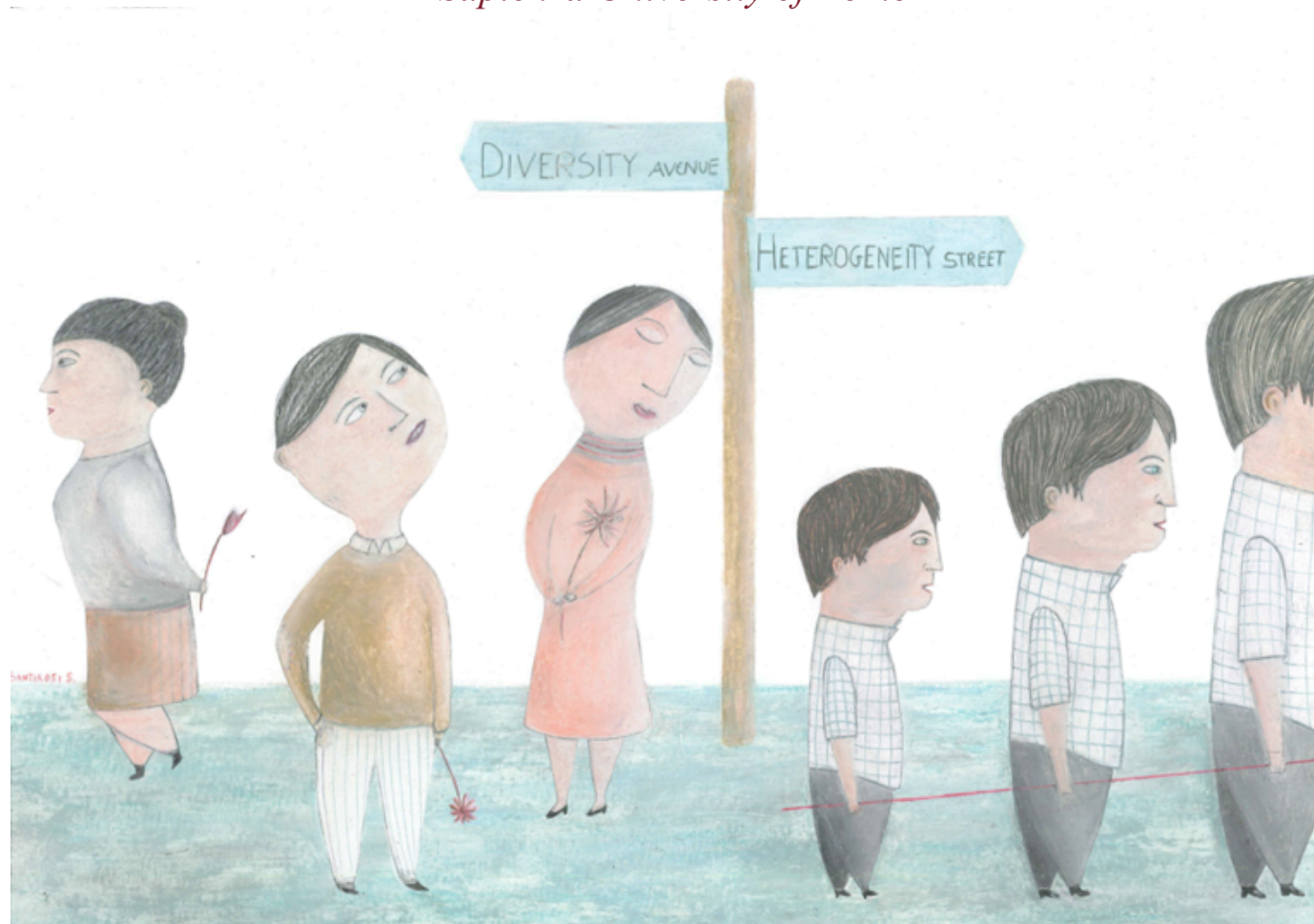


# Gender and the household in the history of economics

## 2 – Individual behaviour

*Carlo D'Ippoliti*  
*Sapienza University of Rome*



# Individual behaviour

- A crucial component of contemporary mainstream economics, due to its reliance on methodological individualism
  - Cf. Mandeville on consumption
- With the British Classics, rationality (or lack thereof) was a relevant topic
  - Cf. women vs. men
- However, the issue often dealt with with respect of legal or political issues (boundaries of economics still very blurred)
  - Cf. Bentham, Mill, ...

# Theories of society

- **Natural Order:** God created the Universe and “natural laws” regulating it (e.g. Newton’s Universal Gravitation)
  - its intervention is not necessary, the universe is self-regulating
  - the universe has a rational structure, it is then accessible to the human mind
- During the Middle Ages, society was regulated by authority and fidelity
  - They were based on the assumption of the existence of God.
  - A (hierarchical) social order is in the "nature of things", the positive law should not regulate against it
- **Social Contract:** with the rise of National States, Hobbes and Machiavelli clarify that in fact there is no need for legitimation: power is based on force
  - Civil societies emerge in order to prevent violence, and the acceptance of power is rational obedience

# The Enlightenment



# Theories of society

- Optimism in the “perfectibility” of man, through rationality
  - The notion of “progress” denotes a historical view
- “Core” Enlightenment: with the emergence of new modes of production and social classes, **natural laws** were invoked to advocate for the reduction of medieval constraints upon individual freedom (laissez-faire)
- “Periphery” Enlightenment: a **spontaneous order** emerges from individual interactions, as an unforeseen outcome (Hume), or as a result of benevolence (Hutcheson)

# the motives of human action

- In the Middle Ages, behaviour contrary to divine ends was deemed sinful, and absurd. Describing “what it is” would have implied providing legitimation
- With Humanism and Renaissance a debate emerged, when it was recognized that patterns of behaviour may be altruistic or egotistic: “passions” and “interests” were recognized
  - “Interests” denotes all rational behaviour, however defined
  - “Passions” denotes all non-rational behaviour, not necessarily irrational
- Libertine literature and chronicles of geographical explorations highlighted the variability of religious, political, moral and sexual habits: ethics is not innate

# Charles Bastiat, Baron de Montesquieu (1689-1755)

- Montesquieu believes that differences and similarities between men and women are the same everywhere => observed differences across societies must depend on the social environment
  - Locke (and others) had discussed of men and women in the abstract
- However, unlike Locke he believed that
  - “The differences of the sexes must also diversify the mind. The periodical revolution that occurs in women has a very extensive effect. It attacks the very mind. [...] Now, as this quantity [of blood in the body] changes every day, her mood, her character must also change” (p. 45)
  - Husbands’ pre-eminence derives from wives’ natural weakness
- Men’s boldness drives them to strive to seduce women. Women’s modesty restraints their extra-marital sexual activity
  - Lack of virtuosity in women (or homosexuality in men) are against Nature
  - Nature reduces the chances of undesired births

# Montesquieu's method

- Montesquieu's contribution is important from a methodological point of view, for his emphasis on laws of cause and effect:

– “It is not chance that rules the world [...] There are general causes, moral and physical [...] And if the chance of one battle – that is, a particular cause – has brought a state of ruin, some general cause made it necessary” (p. 169)



- And on the importance of social dynamics:
  - “The intelligent world is far from being governed as the physical. For though the former has also its laws, which of their nature are invariable, it does not conform to them so exactly as the physical world. This is because, on the one hand, particular intelligent beings are of a finite nature, and consequently liable to error; and on the other, their nature requires them to be free agents.” (p. 2)



# Scotland: the invisible hand

- Hutcheson

- Man is a social animal, driven by self-interest and benevolence. Hence a spontaneous orderly society
- The best moral action is what ensures the maximum happiness to the maximum number of people

- Hume

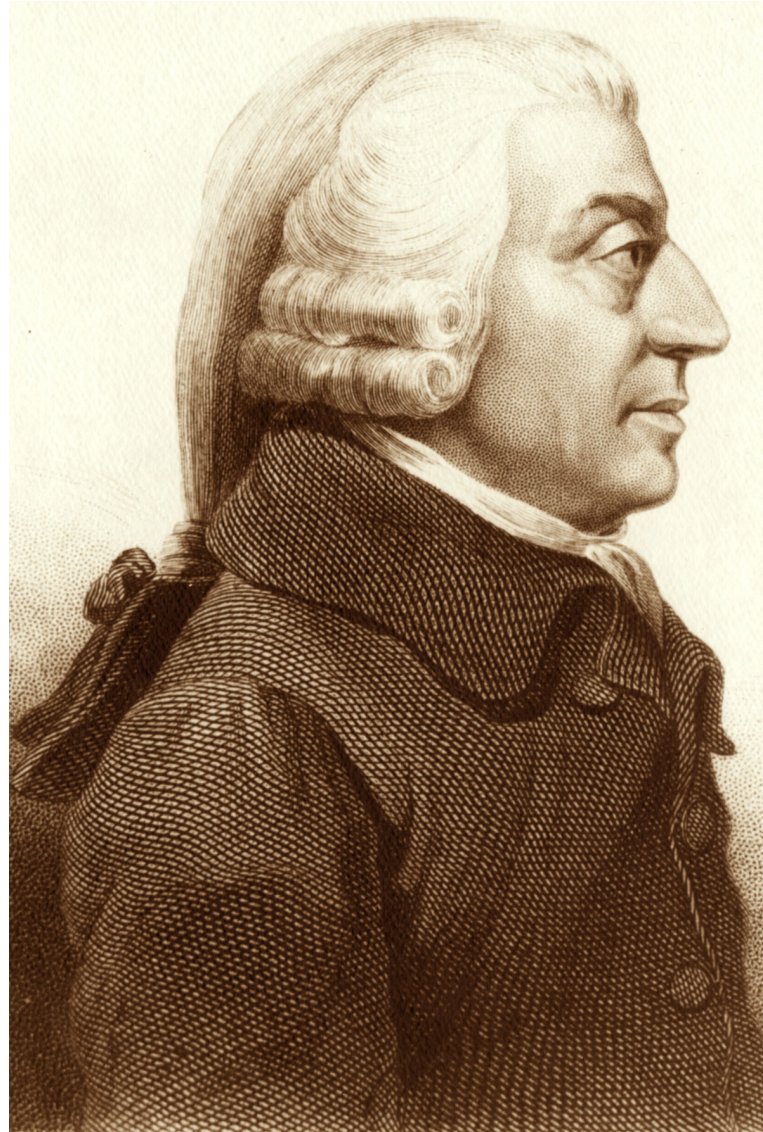
- Institutions emerge from unforeseen individual actions
- Habit, more than reason, drives behaviour
- Luxury goods enhance the mind and stimulate activity
- Free trade:
  - International trade is beneficial to all: BoP has a self-regulating mechanism: if BoP is in surplus, an inflow of gold would raise prices, worsening international competitiveness and the BoP (requires QTM + concept of price elasticity of demand)

# Bernard de Mandeville (1670-1733)

- *The Fable of the Bees; or, Private Vices, Publick Benefits* (1705)
  - Mandeville imagines a prosperous village where everyone exhibit a love of luxury, prodigality, pride, vanity. As soon as everyone turned honest, respectability cut the level of spending, hence of production
  - The natural state of nature is virtuous only in so far as a small society implies a strong social control. However, wealth accumulation requires larger societies (based on the division of labour)
  - Politician should direct individual passions towards the common good, by adequate public management (laws, education, customs): not only a defence of vice and luxury (impossible to limit), but a call to politicians to pay attention to selfishness



# Adam Smith (1723-1790)



# *The Theory of Moral Sentiments and on the Origin of Languages (1759)*

- Refusing the idea of a mathematical structure of Man and society is instrumental to considering a variety of *interests* and *passions*
  - Hence, a complementarity of behaviours, driven by *self-interest* and by *sympathy* → the Adam Smith Problem: “it is not from the benevolence of the butcher ... that we expect our dinner”
- **Sympathy** is the ability to understand and share the feelings of others
  - it induces us to evaluate our actions not only on the basis of their effects on ourselves, but on others too
  - hp: “the chief part of human happiness is the consciousness of being beloved”

# Sympathy

- Private interest becomes opposed to the public interest only if the former is **selfishness**
  - The desire to be loved is an internal limit
  - Social institutions are an external limit (rules of morality, from the observation of proper behaviour; and of justice, determined by law)
  - these restraints to our self-love are necessary for the survival of an orderly society
- **Self-interest:**
  - “Every man is first and principally recommended to his own care; and as he is fitter to take care of himself than any other person, it is fit and right that it should be so”
  - Evaluating from the viewpoint of an **impartial spectator**: “we are not examining on what principles a perfect being would approve of the punishment of bad actions; but upon what principles so weak and imperfect a creature as man actually and in fact” does

# The invisible hand

- Smith criticizes Mandeville on grounds of morality (and for the incitement to spending). However,
  - Smith accepts the idea that not all the behaviours aimed at the pursuit of private interest are opposed to the public interest (Hume: mutual benefit from exchange)
  - Adequate policies and institutions are required for the survival of society, as well as for its civil and economic development.
  - In Book III the rise of commerce and towns is distorted (propelled or hampered) by policy. Policy can affect the division of labour and the accumulation of capital
- The concept of Sympathy allows Smith to identify an **internal limit** to egotistic behaviour, hence reducing the need for external limits
  - These are necessary to sanction anti-social behaviour in those cases in which private interest is pursued against the public interest.
- **Natural Liberty**: policy of removing all those *constraints* that are not imposed by justice
  - Under the adequate social institutions, free interaction of individuals produces not chaos but a rational order

# Man as a social being

- The propensity to enter into relations, and to barter and exchange originates the division of labour (DL)
  - “It is the necessary, though very slow and gradual consequence of a certain propensity in human nature *which has in view no such extensive utility*” (Hume)
  - “Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their *benevolence* only. He will be more likely to prevail if he can *interest* their self-love in his favour, and shew them that it is for their own advantage to do so for him what he requires of them” (Hutcheson, Mandeville)
- In turn, the DL creates differences between people, which compound due to habit formation and education:
  - “The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education” (1776, p. 17-18)

## Division of Labour (DL), the upside

- DL implies a far larger productivity, but also larger production (it is often necessary to employ more specialized workers instead of less)
  - A single worker producing pins makes 10 pins a day, a pin factory with ten workers 50'000
- As a consequence, DL can only develop if there is sufficient demand: DL is limited by the extent of the market
- Whatever is an obstacle to trade, is an obstacle to DL: this is one of the main arguments for economic liberalism



# Division of Labour, the downside

- **DL is the source of social stratification**
  - “The man whose whole life is spent in performing a few simple operations [...] has no occasion to exert his understanding [...]. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become [...] unless government takes some pains to prevent it.” (1776, pp. 267-268)
- **Smith only considers DL in the market:**
  - “But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.” (1776, p. 18)
- **I.e., women are left out, possibly because they belong elsewhere:**
  - “It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures, those household and coarser manufactures excepted which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family.” (1776, p. 346)

# Smith on women

- **Smith echoes the common accusation of women's selfishness**
  - “Generosity is different from humanity. [...] Humanity is the virtue of a woman, generosity of a man. [...] That women rarely make considerable donations is an observation of the civil law. Humanity consists merely in the exquisite fellow-feeling which the spectator entertains with the sentiments of the persons principally concerned, so as to grieve for their sufferings, to resent their injuries, and to rejoice at their good fortune. The most humane actions require no self-denial, no self-command, no great exertion of the sense of propriety. [...] But it is otherwise with generosity. We never are generous except when in some respect we prefer some other person to ourselves, and sacrifice some great and important interest of our own to an equal interest of a friend or of a superior.” (1759, p. 274)
- **Surely, he does presume all differences to be natural**
  - women “are taught what their parents or guardians judge it necessary or useful for them to learn; and they are taught nothing else. Every part of their education tends evidently to some useful purpose; either to improve the natural attractions of their person, or to form their mind to reserve, to modesty, to chastity, and to œconomy; to render them both likely to become the mistresses of a family, and to behave properly when they have become such. In every part of her life a woman feels some conveniency or advantage from every part of her education.” (1776, p. 266)

# The assumption of rationality

- Smith is said to have started the use of assuming individuals' (full) rationality. This may bias his perspective on women:
  - “a fact which I cannot help considering relevant, not for his pure economics of course, but all the more for his understanding of human nature [is] that no woman, excepting his mother, ever played a role in his existence: in this as in other respects the glances and passions of life were just literature to him.” Schumpeter (1954, p. 177)
- However, rationality with the Classics is very different from the neoclassical concept:
  - “The voluntary actions of men may originate in their opinions, but these opinions will be very differently modified in creatures compounded of a rational faculty and corporal propensities from what they would be in beings wholly intellectual [...] A truth may be brought home to his conviction as a rational being, though he may determine to act contrary to it, as a compound being” (Malthus, 1798, ch. 13)
  - The assumption is generally accepted as a first approximation, such as when “calculating the velocity of a falling body in vacuo”, even though “very few general propositions are just in application to a particular subject” (Malthus, 1798)

# On rationality, again

- The assumption is important methodologically: it is useful to understand men as volitional agents
  - “reason, in some degree or other, is as natural to man as passion. On this ground I speak of man as a rational animal, as having a tendency towards the ends, which he pursues through the intervention of forethought, as well as towards those which he pursues at the dictates of passion” (Senior, 1831, p. 77)
- The social sciences cannot ignore perceived ends (Keynes’ apple)

# Human rights



- American Declaration of Independence (1776): everyone is “endowed by the Creator with certain inalienable rights”
- French declaration of the rights of man and citizen (1789): “men are born and remain free and equal in rights”

# Mary Wollstonecraft

- Bentham: human rights are “a rhetorical nonsense”
  - “right, the substantive right, is the child of law; from real laws come real rights; but from imaginary laws, from “law of nature”, imaginary rights” (1792)
- *A Vindication of the Rights of Man* (1790)
  - answering to Burke: the idea of rights is not parasitic of legislation. They are based on what Sen (2005) will call “reasoned morality – to which we would be led by unprejudiced scrutiny”
  - ‘moral rights’ do not always require legislation for their enforcement



# *A Vindication of the Rights of Woman (1792)*

- Admits that women (then) exhibited lower mental abilities:
  - “frankly acknowledging the inferiority of woman, according to the present appearance of things, I shall only insist that men have increased that inferiority till women are almost sunk below the standard of rational creatures. Let their faculties have room to unfold, and their virtues to gain strength, and then determine where the whole sex must stand in the intellectual scale.”
- Identifies education as the main source of this difference
  - “Many are the causes that, in the present corrupt state of society, contribute to enslave women by cramping their understandings and sharpening their senses. One, perhaps, that silently does more mischief than all the rest, is [... that] women [...] generally speaking, receive only a disorderly kind of education”
- Though “education” in a wide sense:
  - “To prevent any misconstruction, I must add, that I do not believe that a private education can work the wonders which some sanguine writers have attributed to it. Men and women must be educated, in a great degree, by the opinions and manners of the society they live in.”

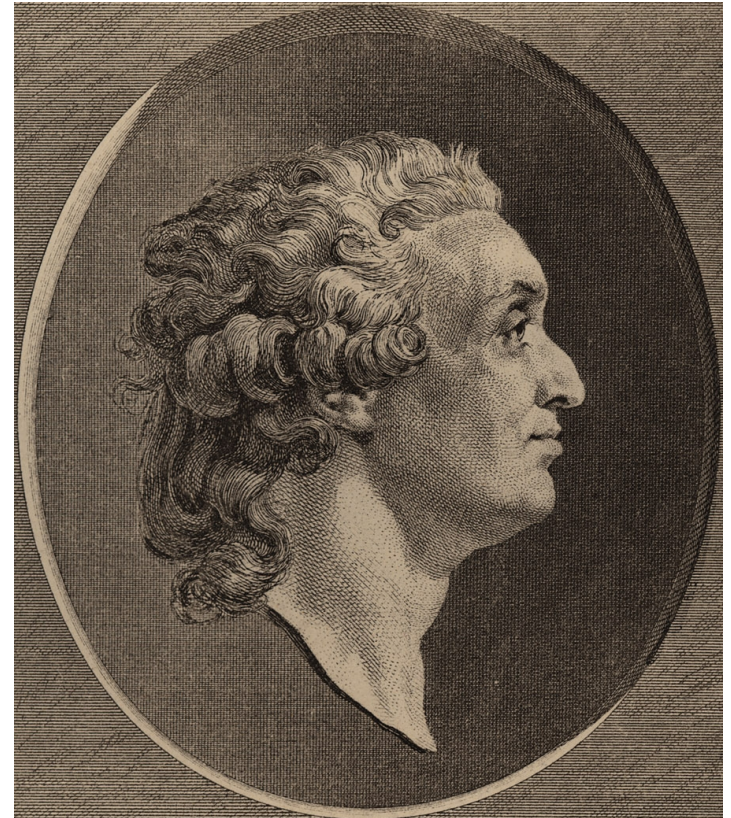
# Faith in education is typical of the Enlightenment

- Condorcet: *On the Admission of Women to the Rights of Citizenship* (1790)
  - “It has been said that women, in spite of much ability, [...] are never governed by what is called “reason”. This observation is not correct. Women are not governed, it is true, by the reason (and experience) of men; they are governed by their own reason (and experience). Their interests not being the same (as those of men) by the fault of the law, the same things not having the same importance for them as for men [...]. It is as reasonable for a woman to concern herself respecting her personal attractions as it was for Demosthenes to cultivate his voice and his gestures.”
  - “It is said that women, although superior in some respects to man—more gentle, more sensitive, less subject to those vices which proceed from egotism and hardness of heart—yet do not really possess the sentiment of justice; that they obey rather their feelings than their conscience. This observation is more correct, but it proves nothing; it is not nature, it is education, it is social existence which produces this difference.”



# On rights and rationality

- “the rights of men result simply from the fact that they are rational, sentient beings, susceptible of acquiring ideas of morality, and of reasoning concerning those ideas. Women having, then, the same qualities, have necessarily the same rights. Either no individual of the human species has any true rights, or all have the same” (Condorcet, 1790)



## ... back to human rights: a major distinction in ethics

- Deontological view: actions are *good* or *bad* in themselves (ex: violence is bad)
  - typically judgements are inspired by religion, strong role for tradition
- Consequentialist view: actions must be judged within the specific context, by looking at their consequences
  - rationalistic approach: Reason can judge without further help, Enlightenment
  - hedonistic approach: the ultimate end of actions is individual worldly welfare

# Jeremy Bentham (1748-1832)



- *Fragment on Government* (1776):
  - The greatest happiness principle (principle of utility): the measure of right and wrong is the greatest happiness of the greatest number
  - Two variables? Bentham in fact considered the greatest **social** happiness
- Felicific calculus: arithmetic summation of the pleasures and pains experienced by all those affected by a certain action
  - Quantitative approach: *right* is what produces a positive sum

# The Amount of Happiness

- The Felicific Calculus implies that pains and pleasures
  - can be measured
  - are but different degrees of a single homogeneous quantity
  - are homogeneous across individuals, so that individuals’ “happineses” can be compared and summed
- However, different feelings of pain and pleasure ‘only’ differ in: intensity, duration, certainty, propinquity, fecundity, purity, and extent
- Bentham’s interest is mainly in the context of legislative and institutional reforms

# Individual Behaviour

- Bentham assumes that individual behaviour is driven by **self-interest**: Pleasure and Pain are the only “springs of action”, i.e. “the seek for pleasure and the avoidance of pain”
- “the calculus of utility aims at supplying the ordinary wants of man at the least cost of labour”
  - However, it must contain all the transactions and productive activities, or there would be a violation of the individual's budget constraint
  - Economics deals with the best use of limited resources
  - Methodological Individualism: preferences are given, and independent of everything else (and of everyone else’s preferences); Social macro-laws can be reduced to the sum of individual micro-behaviours
- Hence, the policymaker can (and should) put in place a set of right incentives (modifications of happiness) as to reconcile self-interest with the collective good (defined by the utility principle)

# Women's Utility

- “Every individual in the country tells for one, no individual for more than one” (1827, p. 334)
  - “In some nations, women [...] have been placed in a situation of perpetual wardship: this has evidently been founded on the notion of a decided inferiority in points of intellect on the part of the female sex [...]. This is not the only instance in which tyranny has taken advantage of its own wrong” (1780, p. 268n)
- Bentham identifies at least four areas in need of reform:
  1. “If pleasure be not a good, neither is anything a good”: sexual liberation (“eccentricities”), including contraception, prostitution and decriminalisation of abortion and infanticide
  2. “A peculiar disadvantage in finding occupation”: especially worrisome, since the main cause of poverty is unemployment
  3. “The nonsensical reasons for absence of legal autonomy”
  4. “Castrated minds”

# “Why admit women to the right of suffrage”?

– “Why exclude them? [...] As to the Negroes and the Women, were they by some strange accident to overcome the body of prejudice which opposes their admission with so much force, there could not be a stronger proof of a degree of merit superior to any that was to be found among the whites and among men”

- The lifetime friend James Mill, wrote in *Essay on Government* (1828):
  - “One thing is clear, that all those individuals whose interests are indisputably included in those of other individuals, may be struck off without inconvenience. In this light may be viewed all children, up to a certain age, whose interests are involved in those of their parents. In this light also, women may be regarded, the interest of almost all of whom is involved, either in that of their fathers or in that of their husbands” (p. 21)
- Which Bentham commented as “Heresy!”
  - “Reasons for the exclusion none”



# Romanticism

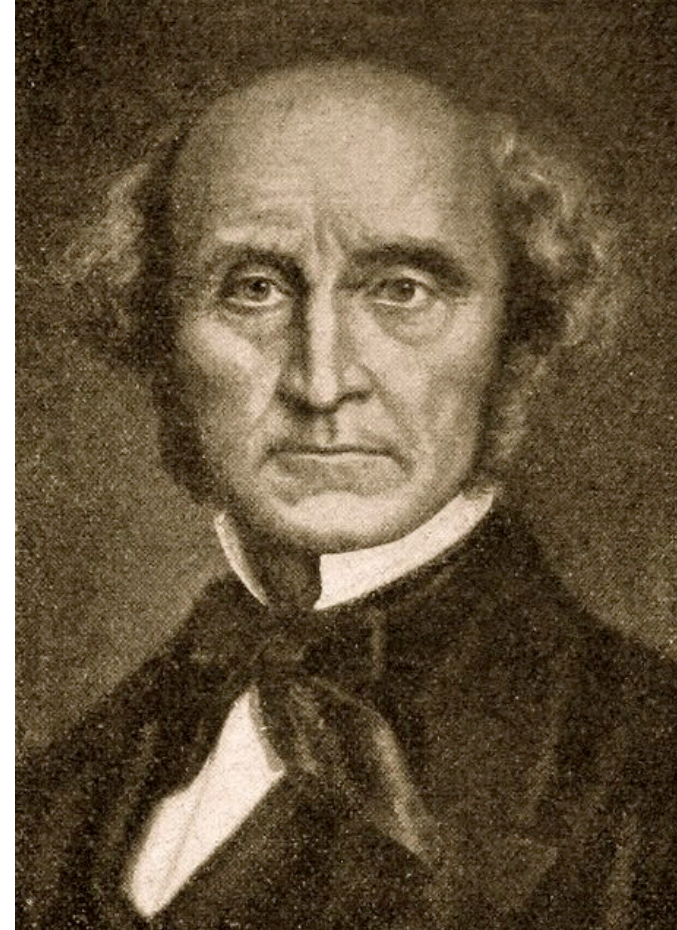
- A reaction to the industrial revolution, the French revolution and the rationalization trends from the Enlightenment
- Growing liberalism, radicalism, and nationalism



*“... but already a person in whom the social feeling is at all developed, cannot bring himself to think of the rest of his fellow creatures as struggling rivals with him for the means of happiness...”*

(Mill, 1861, p. 233)

# John Stuart Mill (1806-1873)



- Young Age: extremely rigorous education by James Mill and Jeremy Bentham
  - shielded from association with children
  - Greek at 3 years old; Latin, History, Mathematics at 6, teacher of his brothers at 8; Logic at 12
  - J.Mill's *Elements of Political Economy* from J.Stuart's notes; taught by Ricardo
- Nervous breakdown at 20, recovers thanks to Romantic literature and poetry
- Refuses to join University, to avoid taking an Anglican oath, and joins the British East India Company; directs the *London and Westminster Review* (1834-40)
- (1865-8): MP for City and Westminster, Lord Rector of the University of S. Andrews

# Major Works

- "Questions of Population", 1823, *Black Dwarf*
- "Essay on Bentham" 1838
- *A System of Logic*, 1843
- *Essays on Some Unsettled Questions of Political Economy*, 1844
- *The Principles of Political Economy*, 1848
- **"The Negro Question", 1850, *Fraser's Magazine***
- *On Liberty*, 1859
- ***Thoughts on Parliamentary Reform*, 1859.**
- ***Considerations on Representative Government*, 1861**
- *Utilitarianism*, 1863
- ***Auguste Comte and Positivism*, 1865.**
- "Thornton on Labor and its Claims", 1869, *Fortnightly Review*
- *The Subjection of Women*, 1869
- ***Chapters and Speeches on the Irish Land Question*, 1870**
- ***Autobiography of John Stuart Mill*, 1873**
- ***Three Essays on Religion*, 1874**



# Harriet Taylor: a life-long co-authorship?

- 21 years of friendship, 7 of marriage
- Women's Question
- the *Principles*: liberal socialism, institutional / historical approach
- *On Liberty*



# General character of Mill's works

- Eclecticism as consensus-building:
  - Political reformism
    - Opposition to violent revolution: parliamentary way
    - There will always be a powerful class of conservatives
  - Theory of development
    - substitution of violence with power and law
    - Intellectuals can affect development if there is quasi-consensus, as their influence is based on Authority
  - Philosophical Positivism
    - We do not know truth but *phenomena* and their relations: analysis is always partial, and the scientist is socially-embedded

# the Principle of Utility

- Bentham, “felicific calculus” (1776):
  - The greatest happiness principle (principle of utility): the measure of right and wrong is the **greatest happiness of the greatest number**
- Mill rejects the uni-dimensional view of man:
  1. introduces a **qualitative distinction of pleasures and pains**. Intellectual and moral pleasures are superior to physical ones: “it is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied”
  2. recognises conflicting considerations: **Rule Utilitarianism**

# *On Liberty*

- in the antiquity, liberty was a struggle of (classes of) subjects against the political authority (*tyranny of the government*)
- in modern times, individuals should claim liberty from societal interference as well (*tyranny of the majority*)
  - “the only part of the conduct of anyone, for which he is amenable to society, is that which concerns others. In the part which merely concerns him, his independence is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign”
- Classical liberals oppose all excessive concentrations of social power, not only political
  - e.g. monopolies, corporations, barriers and limits to free trade
- Individuals’ autonomy requires capacity of self-government
  - e.g. slavery and the Negro question, colonialism and the Irish question, Women’s rights

# the *Principles* (1848)

- Synthesis of English political economy
  - Mill declares his aim is to update the *Wealth of Nations* in the light of Ricardianism and subsequent improvements
- The standard textbook up to 1890, replaced by Marshall
  - Then, only attention to political or methodological aspects
- Two hypotheses:
  - Dobb, Bharadwaj: especially concerning the theory of value, it is a substantial step from Ricardo to Marshall
  - Hollander, Zouboulakis: Mill introduces the *Homo oeconomicus* and many aspects of the marginalist methodology of economics



# The canonical exposition of Classical P.E.

Book I: Production

Book II: Distribution

Book III: Exchange

Book IV: Influence of the Progress of Society on Production and  
Distribution

Book V: On the Influence of Government

# Book I: Production

- **division of labour**, generated and ruled by trade, takes on a central role
- it is simply an aspect of the broader principles of **cooperation**
  - 1) *simple cooperation*: many workers, united to help each other, carry out a series of operations (macro approach)
  - 2) *complex cooperation*: various workers interacting to manufacture a single commodity (micro approach)
- as opposed to Ricardo, in *Principles* Mill recognises the relation between productive capacity of labour and the total amount of surplus
- the “macro” approach highlights the positive social effects: the possibility for the labouring class to better its condition through cooperation and sharing of the product

# Theory of Value

- a single “basic” theory of value, based on the two definitions of *market value* (or temporary price), i.e. the result of supply and demand, and *natural value* (or necessary price), which coincides with cost of production
  - Smith denoted as *effectual demand* the demand of those who are willing and able to pay the natural price, i.e “the price which will enable it to be permanently produced and brought to market”
  - Smith then stated that the market price is affected by the relative pressures of supply and effectual demand
- Mill: competition places the quantity demanded as a function of the effective price of the commodity
  - An apparent paradox follows, whereby the determination of value rests upon the ratio of quantities that are in turn dependent on it
  - mathematical analogy of an **equation**, according to which “the value which a commodity will bring in any market is no other than the value which, in that market, gives a demand just sufficient to carry off the existing or expected supply”

# Method of Political Economy

- Hollander: when dealing with economics, Mill abstracted an *homo oeconomicus* and considered the consequences of such an assumption
  - Methodological Individualism
  - Deductivism
  - *Homo oeconomicus*:
    - Rationality
    - Selfishness
    - Pleasure/Pain as only Motive

# Individual Behaviour

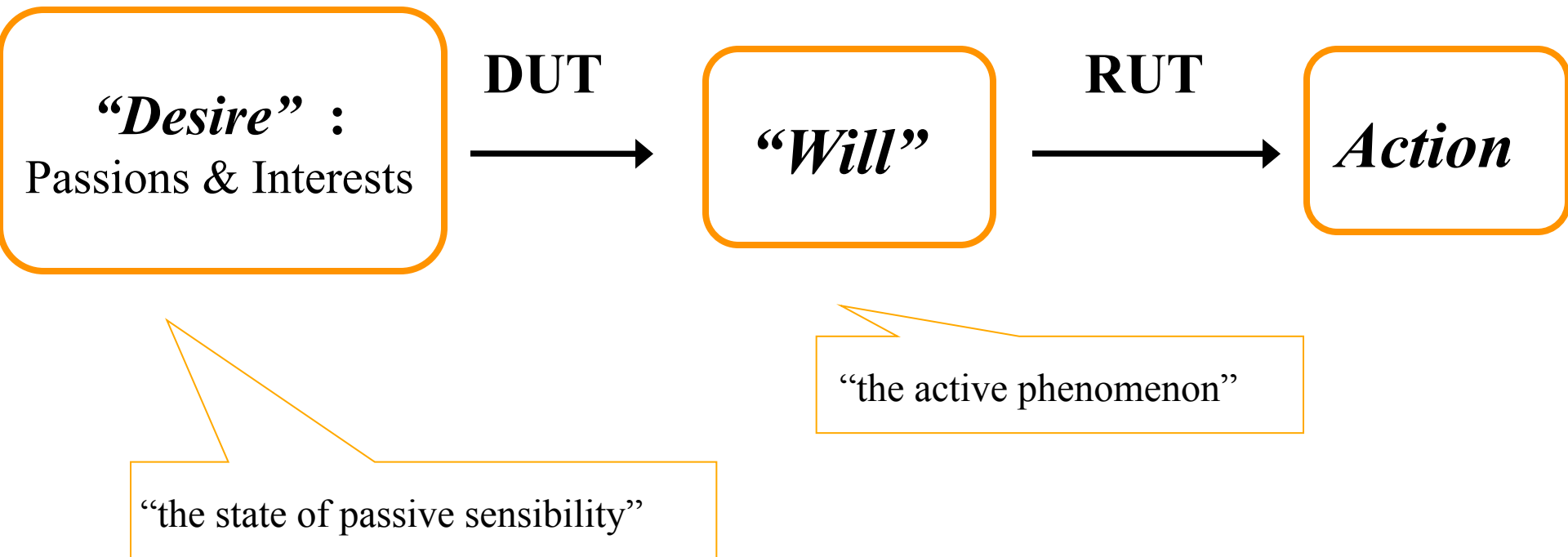
- Sources: no comprehensive essay (James Mill wrote on psychology)
  - *Remarks on Bentham's Philosophy, Bentham, Coleridge, Utilitarianism, August Comte and Positivism, Three Essays on Religion*
- A theory of behaviour is required for ethics: Bentham
  - Difference with modern Utility Theory: anything can cause pain/pleasure, including social rules or altruism

# Mill and the theory of behaviour

- in the *Principles* a crucial role is played by habit formation and routinely behaviour, as well as adaptation of behaviour and preferences
  - these processes will be termed here **Self-Education**
- society affects behaviour, especially religion, law and public opinion. These social norms determine the system of social sanctions, but they also modify preferences
  - these impacts will be termed here **Social Education**

(1.a) all desires are directed towards increasing one's pleasure  
or decreasing one's pain,  
(1.b) this is the only source of Will ("spring of action")

all actions are the result of Will,  
if we accordingly define  
"pleasure"



# DUT, 1 HP: all Desires are aimed at the seek of pleasure and the avoidance of pain

## 1. Old-fashioned:

- Because of its exclusive reference to one's own pleasure and own pain, it is incompatible with Smith's sympathy
- It ignores the philosophical evolution from Natural Law to Mandeville: when a distinction was finally drawn between pious and civic moral behaviour, the road was opened for the recognition of a plurality of Passions and Interests:
  - Mill enumerates at least pride, honour, dignity, self-esteem, the love for power / for beauty, ends in themselves such as spiritual perfection or conformity to abstract standards of behaviour

## 2. Plurality:

- “motives are innumerable: the attempt of enumerate them is in its very conception an error”: they cannot all be reduced to pleasure and pain, because they are sometimes sought in opposition to self-interest (unless we fall back on RUT)



DUT, 1 HP: all Desires are aimed at the seek of pleasure and the avoidance of pain

### 3. Inner conflict:

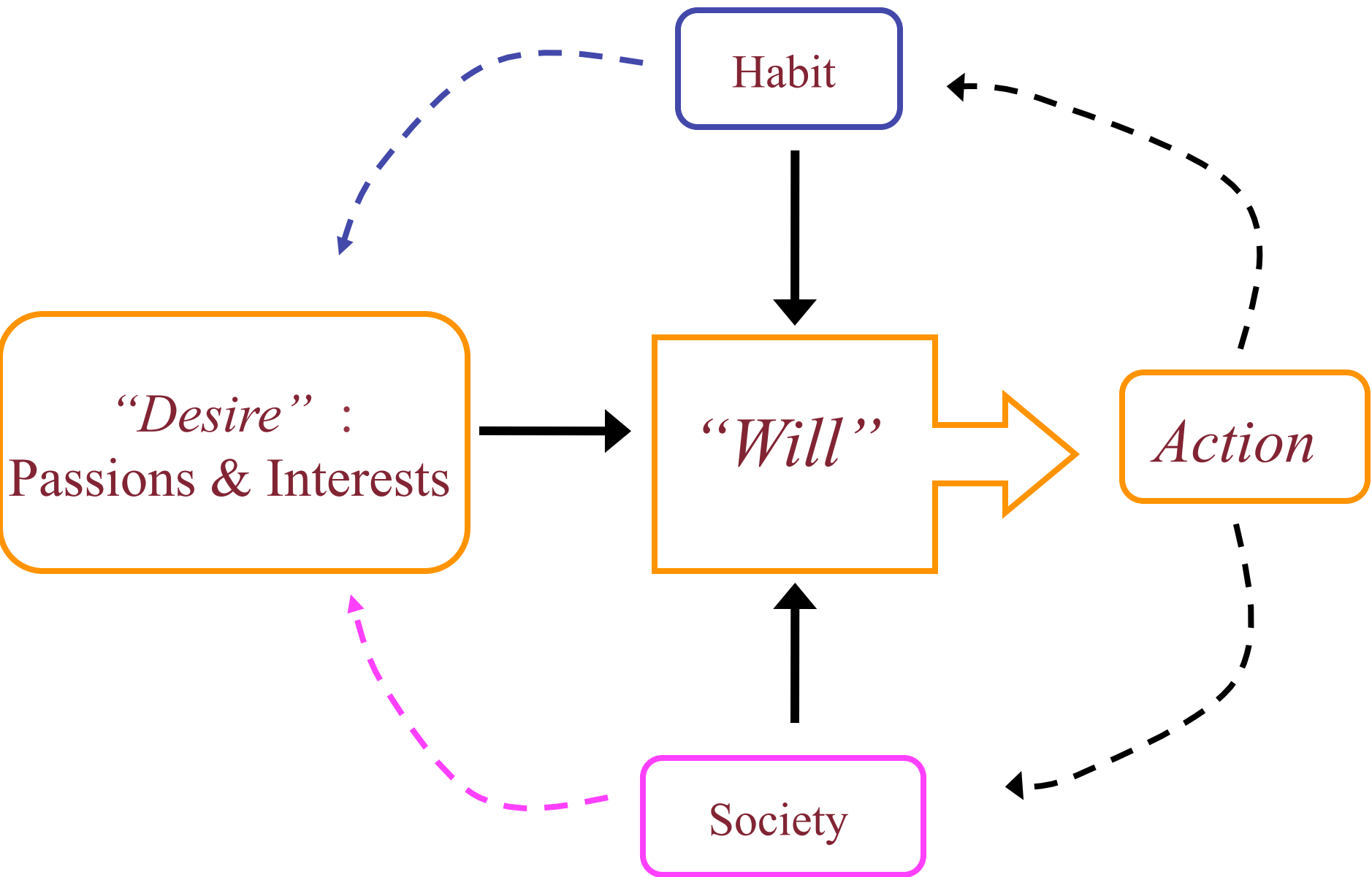
- “Bentham creates a *motive*, and an *interest*, corresponding to each pleasure or pain, and affirms that our actions are determined by our *interests*, by the *preponderant* interest, by the *balance* of of motives”. By so doing, Bentham ignores “the existence of conflicting considerations; which all doctrines do [recognise], that have been believed by sane persons”
- This is also the reason behind the development of his rule-utilitarianism

# DUT, 2<sup>nd</sup> hypothesis: Desire is the only source of Will

- Other sources exist: the first is **habit**: “a force [...] in opposition perhaps to the deliberate *preference*, as often happens”
  - Habit-driven behaviour is not necessarily irrational: “truly the understandings of the majority of mankind would need to be much better cultivated than has ever yet been the case, before they be asked to place such reliance in their own power of estimating arguments, as to give up practical principles in which they have been born and bred, and which are the basis of much existing order of the world”
- The second other source of Will are **social institutions**:
  - Bentham “assumes that mankind are alike in all times and places, that they have the same wants and are exposed to the same evils”
  - Three channels: religion, law, public opinion. However, B. only recognises their influence on self-interest. According to Mill, there are other channels: education, social norms, emulation, class belonging.
  - “the power of education is almost boundless: there is not one natural inclination which it is not strong enough to coerce, and, if needful, to destroy by disuse”

# DUT, final remarks

- Mill criticises the attempt to describe human behaviour independently of social conditions
- Instead, habit and society affect not only Will, but Desire as well:
  - “Men lose their high aspirations as they lose their intellectual tastes, because they have not time or opportunity for indulging in them; and they addict themselves to inferior pleasures, not because they deliberately **prefer** them, but because they are either the only ones to which they have access, or the only ones which they are any longer capable of enjoying.”
  - “it is especially characteristic of the impressions of early education, that they possess [...] command over feelings”
  - “We have now considered two powers, that of authority, and that of early **education**, which operate through men’s **involuntary beliefs, feelings and desires** [...]. Let us now consider a third power [...]. This is the power of public opinion; of the praise and blame, the favour and disfavour, of their yellow creatures”



- To affirm that what is done, it is done because so wanted the individual, is a void tautology:
  - “Mr. Bentham did no more than dress up the very trivial proposition that all persons do what they feel themselves most disposed to do”
- the term “self-interest” is here employed with a different though partially overlapping meaning with the common use of the word. As a result, there is a risk of it being confused with “**purely self-regarding interest**”, i.e. rational and egotistic:
  - “under cover of the obscurer phrase a meaning creeps in, both to the author’s mind and to the reader’s, which goes much farther, and is entirely false: that all our acts are determined by pains and pleasures **in prospect**, pains and pleasures to which we look forward as the **consequences** of our acts. This, as a universal truth, can in no way be maintained” (cf. RR-SUT)

# Foemina Oeconomica?

[as a consequence of] “the **education** given to women – an education of the **sentiments** rather than of the understanding – and the **habit** inculcated by their whole life, of looking to immediate effects on persons, and not to remote effects on classes of persons” [...]

“I am afraid it must be said, that disinterestedness in the general conduct of life – the devotion of energies to purposes which hold out no promise of private advantages to the family – is very seldom encouraged or supported by women’s influence. It is small blame to them that they discourage objects of which they have not **learnt** to see the advantage, and which withdraw their men from them, and from the **interests** of the family”

# *Homo Oeconomicus ?*

- Human motives are innumerable, a complete analysis of behaviour is simply beyond reach. However,
  - Men are volitious agents: it is necessary to exclude “universal idiocy” and consider perceived *ends*, not only *causes* of behaviour: “loose” rationality
  - Science proceeds by isolating regularities, liable of being theorised. It is in the very pursuit of self-interest that men are more similar
  - Social classes are constructed on the basis of sharing common interests: such a regularity emerges by construction of the observer
- “But as society proceeds in its development, its phænomena are determined, more and more, not by the simple tendencies of universal human nature, but by the accumulated influences of past generations over the present. [...] Human beings themselves, are not abstract or universal, but historical human beings, made what they are by human society. This being the case, **no powers of deduction could enable anyone, starting from the mere conception of the Being Man, placed in a world such as the earth might have been before the commencement of human agency, to predict and calculate the phænomena of his development.**”

# *Homo Oeconomicus* ?

- For policy analysis, Mill assumes that customs and institutions remain roughly constant, and ask which interests would be modified:
  - “When an effect depends on several variable conditions, some of which change less, or more slowly, than others, we are often able to determine [...] what would be the law of variation of the effect if its changes depended only on some of the conditions, the remainder being supposed constant. The law so found will be sufficiently near the truth for all times and places in which the latter set of conditions do not vary greatly”
- However, the resulting analysis is *ceteris paribus*: partial by definition and potentially biased. Mill points to the roles of Ethology and Sociology





# Mill on Nature

- Mill denies that the scientific evidence available at his times allowed anyone to have any opinion on “human nature”
  - instead, he notices that the impact of society on individual behaviour could be identified with more certainty
- He adds that, under conditions of uncertainty, policy-making should imply a presumption in favour of the weaker, not to hinder utility-improving reforms on the basis of uncertain evidence
- Finally, Mill’s position is that natural differences should not matter for policy-making: as long as social causes of inequality are found, they should be removed, “not to add to the evils that nature inflicts, by [our] jealous and prejudiced restrictions on one another”

# Mill: *On the Subjection of Women*

- Mill considers gender inequality as a crucial hindrance to human development
  - the Utility principle requires increasing the liberty of a half of society
  - equality is also in men's interest: it would improve the education of children, and it would enlarge “the mass of mental faculties” employed in productive and social activities
- Human history as a process of gradual substitution of brute force for power: women's slavery is a relic of the past
- Policy proposals similar to those for the labouring class:
  - access and participation to political life (suffrage and press; property rights)
  - fair competition, especially in the labour market
  - greater education, and with the same contents for all

# Mill's policy proposals

Mill identifies the different (Self- and Social) Education as the main source of gender inequality



- He advocates for the establishment of a **fair** competition, on equal terms (level field), in order to let the market decide who is fit for a certain activity
- Greater participation to the political debate and to the social life are component parts of the social education, as well as valuable objectives of democracy



MISS MILL JOINS THE LADIES.

# Marginalism: three revolutions ?

- “British School” W.S. Jevons (1871)
  - Methodological Individualism, variable resources
- “Austrian School” C. Menger (1871)
  - Imputation, role of information and time
- “French School” L. Walras (1874)
  - General interdependence, given endowments

# Classical and Marginalist Worlds

<b>Vision</b>	Circular Flow	Unidirectional avenue
<b>Problem</b>	Reproduction of the system	Allocation of scarce resources
<b>Approach</b>	Objective	Subjective
<b>Value</b>	Difficulty of Production + Income Distribution	Scarcity + Utility



<b>Method</b>	Aggregation, Separation of issues	Individualism, General Model
<b>Equilibrium</b>	Uniformity of Profit Rate(s)	Market Clearing
<b>Mechanism</b>	Competition of Capitalists	Competition of Exchangers

# Joseph Alois Schumpeter (1883 - 1950)

*“the greatest lover in Vienna, the best horseman in Europe, and the greatest economist in the world”*

- Mainstream? Heterodox?





# A weberian topic

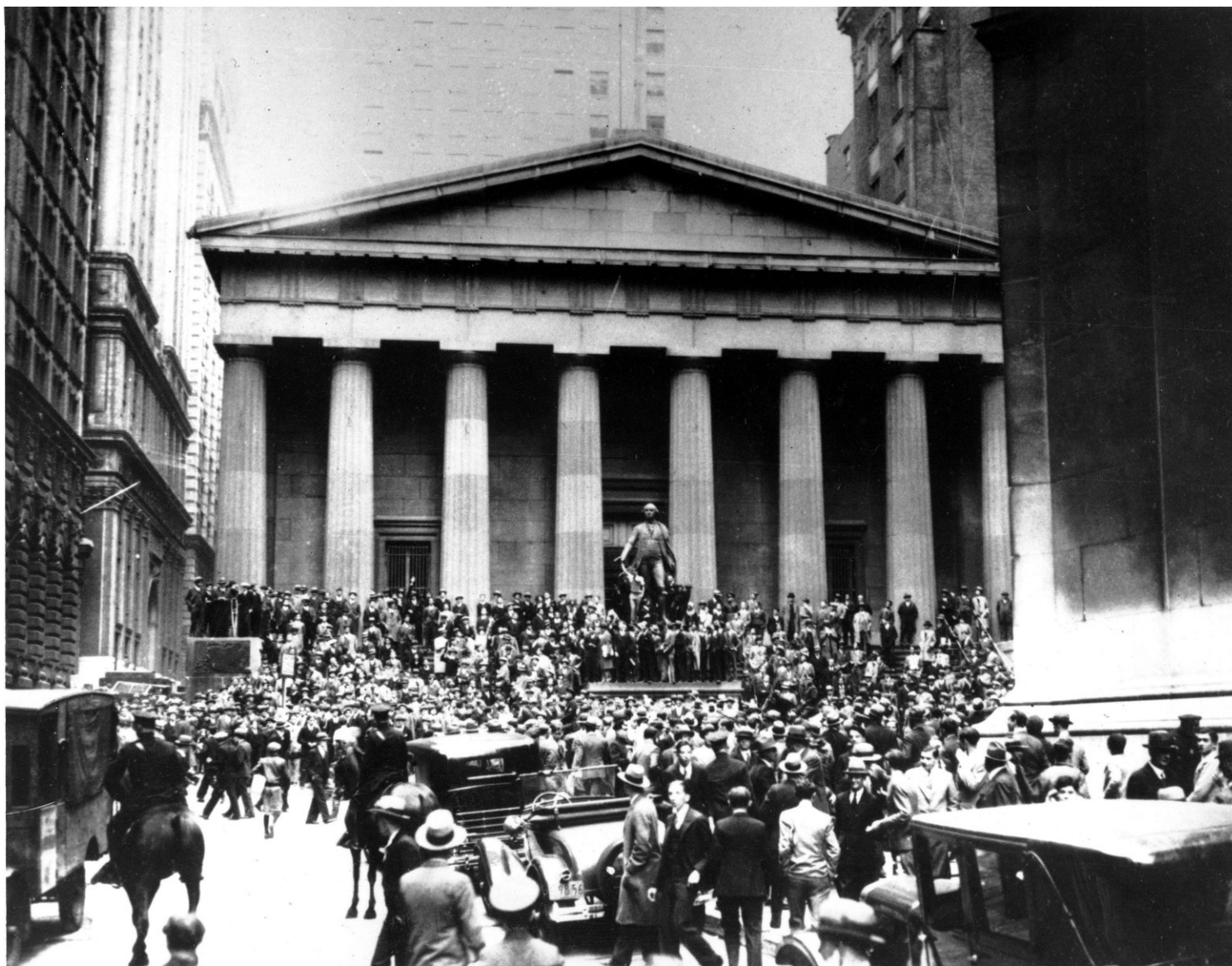
- Human history exhibits a clear trend toward the enlargement of the sphere of rationality
  - which is not always justified, if information and technique are inadequate
- Schumpeter (1942): *Capitalism, Socialism and Democracy*
  - “the rational attitude presumably forced itself on the human mind primarily from economic necessity [...] all logic is derived from the pattern of economic decision” (pp. 122-123)
  - “Once hammered in, the rational habit spreads under the pedagogic influence of favourable experiences [...] this type of logic or attitude or method then starts upon its conqueror’s career subjugating –rationalizing– man’s tools and philosophies, his medical practice, his picture of the cosmos, his outlook of life, everything in fact including his concepts of beauty and justice and his spiritual ambitions” (pp. 123-124)
  - “all the features and achievements of modern civilization are, directly or indirectly, the products of the capitalist process.” (p. 124)

# Rationalization in the capitalist system

- According to Schumpeter, this rationalizing tendency enters the large corporation and changes the mind of “the businessman”, who “acquires something of the psychology of the salaried employee” (p. 156)
- Even innovation becomes a bureaucratic task within large firms – which undermines the very reason of success of capitalism: the process of **creative destruction**
- However, from our point of view it has another interesting consequence:
  - “The capitalist process rationalizes behavior and ideas and by so doing chases from our minds, along with metaphysical belief, mystic and romantic ideas of all sorts. [...] Feminism, an essentially capitalist phenomenon, illustrates the point [...] clearly.” (p. 127)

# Consequences on the family and beyond

- Capitalism thus undermines the traditional family, not mainly by means of an economic trend:
  - “As soon as men and women learn the utilitarian lesson and refuse to take for granted the traditional arrangements that their social environment makes for them [...] they cannot fail to become aware of the heavy personal sacrifices that family ties and especially parenthood entail under modern conditions and of the fact that at the same time, excepting the cases of farmers and peasants, children cease to be economic assets.” (p. 157)
- But this in turn has systemic consequences:
  - “The capitalist order entrusts the long-un interests of society to the upper strata of the bourgeoisie. They are really entrusted to the family motive operative in those strata. [...] it was not so much a standard of consumption as a standard of accumulation that the bourgeoisie struggled for [...] With the decline of the driving power supplied by the family motive, the businessman’s time-horizon shrinks, roughly to his life expectation.
  - [...] He drifts into an anti-saving frame of mind and accepts with an increasing readiness anti-saving *theories* that are indicative of the short-run *philosophy*” (pp. 160-161, italics in original)



# Some conclusions

- Men's and women's behaviour was often considered as significantly different
- However, contrary to feminist analysis, Classical economists considered women more, not less selfish
- Economists differed in their explanation of the sources of this difference
- Long-term societal trends seem to matter, though in a way not fully explained (... till next class)

# questions, comments, ...?

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