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## **The eclipse of value-free economics: The concept of multiple self versus homo economicus**

doctoral thesis in the field of economic sciences, written under the supervision of professor Bogusław Fiedor

### **Abstract**

The goal of this Ph.D. thesis was to check whether the paradigm of value-free economics should be changed. To answer this question, the main assumptions of value-free economics were analyzed from the methodological perspective. The author also presented the main criticisms of value-free economics. Moreover, the author checked whether normative approaches are better in explaining some problems than axiomatic value-free economics. The main focus was put on choices over time because in that context the assumptions of value-free economics have led to significant problems both theoretical and practical.

### **1 Chapter.**

The author made a rational reconstruction of value-free economics. The process of dismissing ethics, psychology, and analysis of human goals and motivations by economists was presented. The zenith of that process was the revealed preference theory. The axiomatic system which does not need to explain reality but it makes economic models work. The author examined a significant influence of logical positivism on economics at the beginning of the 20<sup>th</sup> century. As a result, value-free economics emerged with the conviction of many economists that normative approaches are inferior to positive ones. The main goal of the first chapter was to analyze the economic approach which is perceived as the extension of value-free economics. It was analyzed from the perspective of Lakatosian ‘scientific research programme’. The author indicated and scrutinized ‘hard cores’ (maximization of utility, instrumental rationality) together with ‘protective belt’ and ‘heuristics’. The conclusion of this analysis is that both economic approach and value-free economics are degenerative programmes. Their assumptions are created not to explain new facts better but to defend ‘hard cores’ from criticism. To answer criticism, value-free economics had to extend the meaning of utility and rationality which resulted in tautologies. Choices over time are presented as the most problematic issue in the context of value-free economics and the assumptions of revealed preference theory (e.g., due to hyperbolic discounting people have different preferences over time). The conclusion that value-free economics is degenerative programme implies the need for a new paradigm.

### **2 Chapter.**

The author checked whether economics of happiness with subjective well-being measure is a step in the right direction for economics in terms of explanatory and predictive power. The analysis is done in the context of the revealed preferences theory which assumes that people choose the best option. The author used the economics of happiness literature and came to the conclusion that the revealed preference theory is not always a good indicator of well-being and economists should use insights from economics of happiness. Although the measures used in economics of happiness have many advantages, they lead to crucial problems. For example, the subjectivity of happiness and taking no account of other values than happiness. Values are qualitatively different from the all-encompassing notion of utility (e.g., freedom). The problems with happiness approaches indicate that objective theories of happiness which are not based on subjective well-being should be analyzed (e.g., capabilities approach).

### **3 Chapter.**

The author was concentrated on choices over time and checked how they are perceived in value-free economics. The analysis started with a philosophical discussion about personal identity. It is concluded that it is impossible to distinguish one self with stable preferences over time. It means that the assumptions of value-free economics (one self with well-defined preferences) are unrealistic and methodologically

problematic. Next, the author presented and analyzed the multiple self conceptions in which it is argued that because of hyperbolic discounting people have so different preferences over time that it seems that choices are made by different people. Because of that, it is impossible to compare choices over time by using the discounted utility model (Samuelson) which assumes stable preferences over time. Moreover, the very conception of utility used in value-free economics is questioned as a method by which choices over time are compared. The example of J.S Mill is used to demonstrate that. Next, the author moved towards the axiomatic assumption of revealed preference theory (people choose what is best for them). The limitations of this approach were analyzed on the example of weakness of will (*akrasia*). It was concluded that economists need to take these kinds of behaviors into consideration. The author proposed a framework to decide between different selves over time ('short-term' and 'long-term human') which have not been done by the supporters of multiple self conceptions.

The author is well aware that it is not enough to demonstrate unrealisticness of value-free economics to question this paradigm because many economists believe that economics is positive and objective science which is not a subject of descriptive criticism. This is the reason why the methodology of value-free economics was investigated from the perspective of the contemporary philosophy of science. The conclusion is that economists are not free from values and their axiomatic assumptions do not provide economics with the steadfast and objective methodology which distinguishes economics from the other social sciences. Economists cannot escape from values. It means that they need to analyze them, even the values which are perceived as positive and are the axiomatic assumptions of most important theories in economics (e.g., rational choice theory, welfare, rationality). The author presented an analysis of values on the example of deontological approach which stands in the opposition to consequentialism which is used in value-free economics. The capabilities approach is presented as one of the deontological approaches. It highlights the weaknesses of revealed preference theory.

#### **4. Chapter.**

The previous conclusions concerning the revealed preference theory were analyzed in this chapter in the context of their influence on reality. In this regard, libertarian paternalism was used. Its creators argued that government will nudge people toward choices which would be chosen if it was not for cognitive biases. Moreover, at the same time freedom will be sustained. The author used previous conclusions from the Ph.D. thesis and concluded that it is a consistent theory which supports freedom and well-being. However, the reception of this conclusion depends on whether freedom is perceived as an absolute value or not. The criticism of libertarian paternalism which concerns the danger of manipulating people's choices seems to be justified. This is why paternalism should be only used in a limited scope.

#### **Conclusion**

The conclusion from this Ph.D. thesis is that the paradigm of value-free economics should be changed concerning the number and significance of the problems it generates. Of course, the scope of this Ph.D. thesis is limited. The focus was put on choices over time and revealed preference theory. It means that value-free economics were not analyzed from every perspective. Therefore, the author does not claim that this paradigm does not have any advantages and is useless. However, when looking at the problems presented through this thesis, it seems justified to search for a new and better paradigm. Firstly, value-free economics was assessed as a degenerative programme from the perspective of 'scientific research programme'. Secondly, the axiomatic assumptions of revealed preference theory cause methodological problems and they also have an adverse effect on reality (e.g., well-being, weakness of will, choices over time, human values). The author believes that normative approaches can be a 'paradigm shift' in economics. In spite of their relativity and complexity, these approaches try to resolve problems which have not been investigated by value-free economics. It is a case because normative issues such as human happiness, goals, and freedom create many questions to which it is difficult to find the answers. Therefore value-free economics prefer to use its axiomatic assumptions. They end the discussion before it starts. On the other hand, if we want normative approaches to become a real alternative to value-free economics, a lot of work must be done, and they need to be improved. This analysis could be a further scientific area for the author.