IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

Economics and Ethics: A Historical Perspective

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Abstract

Economics has evolved from two distinct origins, one from ethics and the other from engineering. Ethics-based economics is concerned with understanding the economy's impact on society, while engineering-based economics aims to develop mathematical models and tools to analyze and solve economic problems. The connection between Economics and Ethics has been discussed since the time of Adam Smith. Thomas Malthus (the inaugural Professor of Political Economy in England), followed the tradition of Adam Smith and regarded Economics as a moral Science. However, later on Classical Economists (David Ricardo, John Stuart Mill) considered Moral Science a backward science and incorporated more Mathematics in Economics. Following them, Neo Classical and Modern Economists (William Stanley Jevons, Alfred Marshall etc) gave more emphasis on Econometrics in Economics and separated Ethics completely from Economics and made it Economics Science. At the close of the nineteenth century, there was censure of the detachment of Economics from Ethics, due in part to a rise in corporate scandals. However, many prominent economists of the twentieth century, such as Amartya Sen, Keynes, Boulding, Young, and Temple Smith, worked to restore Economics as a Moral Science by integrating ethical considerations into economic theory and practice, with the goal of promoting sustainable development for society.

Keywords: Economics and Ethics, Adam Smith, Amartya Sen, William Stanley Jevons

A Historical Perspective

Economics is recognized as being embedded in the values of homo economicus (rational economics individual), who calculates and uses the most effective means available for the pursuit of a desired end (Hollis and Nell, (1975): pp. 47-64). The concept of homo economicus is central to the rational choice theory in economics, which assumes that individuals act rationally and are motivated by self-interest. This assumption has been a cornerstone of modern economics, and it has been used to explain many economic phenomena. Neoclassical economics assumes that homo economicus, the rational economic actor, always acts in their own self-interest and makes decisions based on a cost-benefit analysis. This concept is widely accepted in neoclassical economic theory and is often used as a simplifying assumption in economic models and analyses (Ferraro et al., 2005). The assumption of rationality allows economists to use mathematical models and equations to predict behavior and outcomes. However, this focus on technical analysis and prediction often results in the separation of economics from ethical considerations (Alvey, (1999): p.2). As a result, some people have raised concerns that economics has become excessively fixated on efficiency and personal profit, without adequately taking into account the wider societal and ethical consequences of economic choices. In light of the recent financial crises caused by decisions made about the allocation of limited resources, there is a growing need to comprehend the normative foundations of economic rationality. Social scientists have long been concerned with the voluntary consequences of economic behavior (Racko, (2010): p.1). According to Alvey (1999: p.2), this view of considering economics as a technical subject arose only in the twentieth century. The field of economics, which had its roots in Moral Philosophy and was formerly regarded as a branch of the moral sciences, gradually became disconnected from the moral sciences and eventually from ethics altogether. It's important to note that this disconnection of economics from moral considerations does not align with the traditional values of economics. It has got separated from ethics only in the twentieth century. Two reasons can be cited behind the separation of Economics from Ethics. Firstly, according to Mirowski (1989) cited in (Alvey, 1999), during a certain period of time, natural science achieved great success, which led to attempts to replicate this success in economics through the application of natural science methodologies such as econometrics and mathematics to economic phenomena (p.3). Secondly, according to Davis and Rothchild, (1991;1993) cited in (Alvey, 1999), Economics as a discipline adopted positivism, which excluded ethical considerations from the scientific framework entirely (p.3).

Contemporary economics places a strong emphasis on rational calculation, materialistic objectives, and scientific impartiality regarding moral issues (Alvey, (1999): p.4). It's worth noting that these emphases can potentially shift to different perspectives. For instance, according to Yezer, Goldfarb, and Poppen (1996) cited in Alvey (1999) argued that the fundamental principles of introductory microeconomics rest on the premise of self-interested, rational behavior (p.4). However, this emphasis on self-interest has often been interpreted as selfish behavior. If we consider the perspective of contemporary leading microeconomists such as David Kreps, we can see a shift in emphasis. Kreps (1997: p. 59) has stated that: "a sparse set of canonical hypotheses – greed, rationality and equilibrium became the maintained hypothesis in almost all branches of economics". It seems that in this case, the concept of selfishness has been replaced with greed. This idea of greed has been adopted by many economists (Alvey, (1999): p.4). Researchers have conducted numerous experiments to study whether people tend to exhibit free-riding or cooperative behavior in different situations. A study found that, with the exception of first-year graduate economics students, individuals tended to exhibit cooperative behavior in group settings. However, first-year graduate economics students were less cooperative and contributed less to the group. Moreover, they seemed less familiar with the concept of fairness compared to other participants. Marwell and Ames (1981) discovered that students of economics showed a greater tendency towards free-riding behavior compared to students from other academic disciplines. Hausman has suggested that studying economics may contribute to an increase in selfishness, citing Marwell and Ames' (1981) research, which found that students of economics showed a greater tendency towards free-riding behavior compared to students from other academic disciplines (Marwell and Ames, (1981): p. 306). Frank, Gilovich, and Regan (1993) conducted experiments that showed that the behavior of economics students tended to align with the model of rational self-interest that they were taught in economics education. They also observed that exposure to the self-interest model in economics education actually promotes self-interested behavior. The researchers argued that differences in cooperativeness among individuals were due to their training in economics (Frank, Gilovich, and Regan, (1993): pp. 159, 170). Frank and Yezer conducted a study that found a correlation between economics education and an increase in instrumentally rational behavior in hypothetical scenarios where participants were required to report a billing mistake. Frank's research on "Does Studying Economics Inhibit Cooperation" highlighted that many economists recognize the importance of perspectives beyond just rational self-interest. Frank and his colleagues conducted experiments that revealed a significant difference in the behavior of economists and non-economists with respect to self-interest behaviors. Their survey on charitable giving and prisoner's dilemma supported the hypothesis that economists are more likely to engage in free-riding behavior than others. They also found evidence that differences in cooperativeness are indeed due to training in economics (Frank et al., 1993).

Yes, given the increasingly interdependent world, social cooperation has become more crucial than ever before. In this context, economists have a crucial role to play in ensuring that their analyses and recommendations are not solely focused on individual gain but also take into account the broader social implications of their policy proposals. Additionally, it is essential for economics educators to consider the impact of their training on students' behavior and attitudes towards cooperation and social responsibility. By doing so, they can help create a new generation of economists who are not only skilled in their field but also committed to advancing the social good and the well-being of their communities. Racko (2011: p.1) conducted a study on the "Normative Consequences of Economic Rationality" of the Swedish Economics school in Latvia. He used a longitudinal research design to examine changes in values among economics students. In Racko's study, he found that economic education had a normative consequence on the values of economics students. He conducted a longitudinal research design and discovered that during the two years of economic education, students placed more importance on status-oriented values. Racko argued that these changes in values were not due to self-selection into the economics program, but were rather a result of the education itself.

Yes, there have been studies that suggest that business students, like economics students, may be more likely to justify unethical behavior or to exhibit a focus on self-interest. For example, a study by Huehn (2014) found that business students tend to be more instrumentally rational when it comes to ethical decision-making, meaning that they are more likely to make decisions based on self-interest rather than ethical principles. Another study by Lynette and Davis (2004) found that business students were more likely to engage in academic dishonesty than students in other majors. However, it is worth noting that not all studies have found these types of differences, and there is ongoing debate about the extent to which business education may influence students' behavior and values. Wang et al. (2011), added that, the financial crisis and corporate frauds that occurred in recent years have raised concerns about whether business school education encourages or fosters greed and unethical behavior among future business leaders. The dominance of economics-related courses in MBA curricula has led to several studies investigating the potential effects of economics education on greed and unethical behavior. Numerous studies have been conducted to explore the possible impact of economics education on unethical conduct and the prevalence of greed, as the predominance of economics-focused courses in MBA programs has been observed. Wang et al.'s (2011) studies suggest that economics education may have unintended consequences on students' attitudes towards greed. The findings of the three studies conducted by the researchers indicate that economics education may promote a more self-interested mindset and a greater acceptance of greed among MBA students. The first study, which used a Dictator game, found that economics majors kept more money for themselves compared to non-economics majors. This suggests that economics education may encourage a focus on individual gain and self-interest, which could contribute to a greater willingness to act in a greedy manner. The second study found that economics education was more likely to promote greedy behavior among participants. This could be due to the fact that economic concepts and theories often emphasize the importance of individual decision-making and maximizing one's own utility. According to the third study, even individuals who did not major in economics had a more favorable perception of the morality of greed after being exposed to economics education. This suggests that economics education may influence individuals' moral judgments and attitudes towards greed, potentially leading them to view it as a more acceptable behavior. Overall, these findings highlight the need for further research to fully understand the impact of economics education on ethical decision-making and attitudes towards greed and unethical behavior. Students in academic programs that place significant emphasis on game theory and industrial organization principles, and which are structured around the values of homo economicus, tend to adopt goals and behaviors that are instrumentally rational in nature. Frank et al. (1993) and Racko et al. (2016) have found that this tendency is particularly pronounced when these programs provide fewer courses in the social sciences and humanities. Observing self-interested and uncooperative individuals may lead one to infer that there is empirical support for the disconnect between economics and ethics.

While the topic of economics has been discussed throughout human history, the idea of economics as a distinct area of study only emerged in the mid-eighteenth century. Prior to this time, economics was viewed as a subcategory of a larger inquiry into moral, political, and theological matters. Aristotle, for instance, wrote about economics in both his Nichomachean Ethics and Politics. Aristotle viewed economics as a means to an end and focused on the acquisition and management of wealth. He believed that politics was the supreme art as it encompassed knowledge from various fields, including economics. As Politics guides us regarding what is right to do and from what one needs to abstain from, so Politics is concerned with the ends which is good for all men. While the study of economics may initially seem to be focused solely on the pursuit of material wealth, it is ultimately linked to broader considerations and assessments of fundamental goals beyond just financial gain. As Aristotle argued, wealth should not be seen as an ultimate end in itself, but rather as a tool to reach other objectives. Thus, economics is intimately intertwined with both ethics and politics, which provide a broader framework for evaluating and directing economic activities.

Aristotle's Politics elaborates on this idea further. Starting from around 1240 AD, Aristotle's works were rediscovered in Western Europe, and his Nichomachean Ethics was used as one of the primary textbooks during that time period. Scholastic economics emerged through the study of moral philosophy. At that time, scholars viewed economics as a subset of wider theological and moral concerns, as Gordon noted in 1975. Scholasticism, which emphasized the integration of Christian theology and Aristotelian philosophy, was the primary academic philosophy in European universities for many centuries. In the eighteenth century, economics was taught as a branch of moral philosophy in European universities. It was considered a field that operated under the laws of nature or jurisprudence, which were themselves components of moral philosophy. According to Alvey (1999: p.6), the mercantilists are a group that has been largely neglected in the history of economic thought. Although they played a significant role in shaping economic policy during their era, it remains uncertain whether they had a substantial impact on academic perspectives on economics within universities. Economics was considered a moral science in universities and this perspective persisted for a considerable period of time. However, the inception of modern economics is often attributed to Adam Smith, who was a moral philosopher and made significant contributions to the field between 1750 and 1790. Smith's work addressed both sympathy and self-interest, which were considered crucial factors in economic behavior. Adam Smith's work illustrates how the study of political science can combine ethics and economics. He is renowned for his two influential publications: The Wealth of Nations (1776) and The Theory of Moral Sentiments (1759). Despite appearing to be in opposition to each other, some scholars have identified connections between the two works, such as Amartya Sen. In The Wealth of Nations, Adam Smith stresses that relying solely on the benevolence of others is insufficient for survival and prosperity. Rather, we prosper because others are constantly striving to better themselves. Adam Smith is indeed well-known for the statement in The Wealth of Nations: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages". In The Theory of Moral Sentiments, Smith argues that people seek to understand and connect with others on an emotional level, and that we derive satisfaction from being understood and approved of by others. In this way, we seek to establish a sense of moral order and mutual understanding in our social interactions. Further he argues that, we seek out the approval and praise of others, but that this desire is not just based on a desire for flattery or superficial validation. Instead, he suggests that we have a natural desire to be seen as praiseworthy by others because it confirms our own sense of moral worth and goodness. In other words, we want to be seen as good people because it helps us feel good about ourselves, and this desire for moral recognition is a fundamental part of human nature. In other words, we seek not just external validation, but also internal validation, based on our own sense of what is right and good.

Smith argues that we have a natural tendency to look at ourselves from the perspective of an impartial spectator. This spectator, according to Smith, is like an imaginary person within ourselves who judges our actions from an objective point of view, without being influenced by personal biases or emotions. By doing so, we are able to evaluate our own behavior and determine whether it is praiseworthy or not. Smith argues that this process is essential for developing our moral sense and becoming virtuous individuals. This impartial spectator allows us to step outside of our own subjective feelings and biases, and to evaluate our actions from a more objective standpoint. By doing so, we can better understand how our actions appear to others, and whether they are truly praiseworthy or not. This process of self-reflection and self-evaluation is essential for developing a sense of moral order and mutual understanding in society. According to Smith, we have two competing desires: the desire for self-improvement, and the desire for approval and praise from others. These two forces shape our social interactions, and our moral sentiments arise from the tension between them. On the one hand, we seek to better ourselves and strive to behave in ways that serve our personal interests. On the other hand, we also want to be accepted and approved of by others, and we are motivated to act in ways that will earn us praise and approval from the people around us. This dynamic tension between self-interest and social approval is an important part of Smith's moral philosophy, and it helps to explain many of the complex social interactions that we observe in everyday life.

In his work "The Wealth of Nations," Adam Smith puts forth the argument that markets and the division of labor have played a vital role in driving social progress. The division of labor involves breaking down tasks into smaller, specialized tasks. For example, the production of a pin requires the collective effort of many individuals, from gathering raw materials to selling the final product. This specialization occurs throughout the economy, not just in manufacturing. The division of labor increases worker productivity and enhances their skills in specific areas. Smith identifies three factors that contribute to the increase in the quantity of work resulting from the division of labor: improvements in worker skill, time savings, and the discovery of new machines. Improved worker skills and reduced switching costs enhance productivity during work hours, while labor-saving inventions reduce their workload. Automation and technological advancements have played a significant role in simplifying tasks and increasing productivity in various industries. This has allowed workers to focus on more complex tasks and take on additional responsibilities, leading to overall improvements in efficiency and output. Smith asserts that, “this diverse and intricate nature of the market is not only found in the cities where we live, but stretches across nations. We shop for groceries at our local supermarket which employs dozens of local residents and whose inventory comes from all over the world”. the market is impersonal and does not discriminate based on personal characteristics such as race, gender, or social status. Smith believed that this impartiality of the market was a positive feature and allowed individuals to interact freely and exchange goods and services for mutual benefit. Members of the society receive an advantage from the development of the market, not because of benevolence of their neighbours but when everyone is trying to improve themselves and their life, then it leads to social progress (Muller 1993; Otteson 2002; Rasmussen 2008; Rothschild 2001). In simple words, achieving one’s self interest leads to social progress automatically without looking for sympathy or benevolence from others.

Additionally, achievement of our own goals depends upon our transactions, interaction and dependence on others in the society. Smith argues that the market is not based on sympathy or altruism, but rather on self-interest. In a market transaction, each party seeks to fulfill their own wants and needs by exchanging something they have for something they value more. This mutually beneficial exchange allows both parties to benefit and is the fundamental principle of market economy. Smith believed that the pursuit of self-interest leads to greater prosperity for all, as individuals are motivated to manufacture goods and services that others value and are willing to pay for. The motivation behind economic transactions is not driven by benevolence or sympathy, but rather by self-interest. It is the pursuit of self-interest that drives individuals to produce and exchange goods and services in the market, leading to the creation of wealth and economic progress. Smith believed that the division of labor, specialization, and innovation that occur in the market not only benefit individuals, but society as a whole. The increasing productivity and efficiency that comes with specialization and innovation leads to economic growth, which raises the standard of living for everyone in society, even the poorest members. The spread of knowledge and ideas through the market leads to further innovation and progress, creating a virtuous cycle of growth and development. Smith's theory of ethics differs from that of his educator Francis Hutcheson and his contemporary and friend David Hume in several ways. While Hutcheson and Hume focused on the moral sentiments of sympathy and compassion, Smith's theory of ethics emphasizes the role of impartiality and reason in moral judgment. Smith believed that the moral sense is not innate, but rather developed through the process of socialization and education. He argued that individuals have an innate sense of self-interest, which they balance against the interests of others in order to make moral decisions. This balancing act is guided by an impartial spectator, which is an imaginary figure that represents an objective standard of moral judgment. In contrast, Hutcheson and Hume emphasized the role of sympathy and compassion in moral judgment. They believed that moral decisions are based on our emotional response to the suffering of others, rather than on a rational calculation of self-interest and impartiality. Despite these differences, Smith was deeply influenced by Hutcheson and Hume, and their work laid the groundwork for his own ethical theory.

Smith believed that humans are social animals and that our social interactions are essential to our survival and progress. He recognized the importance of cooperation, trust, and mutual assistance in human society, and believed that these virtues were necessary for a well-functioning market. In addition to the virtues mentioned by McCloskey, Smith also emphasized the importance of sympathy and benevolence in human behavior, which he believed were necessary for a just and harmonious society. In Theory of Moral Sentiments, Smith added that, humans have a natural inclination towards empathy and that we are social creatures who seek the approval and understanding of others. When we receive empathy from others, it can enhance our happiness and give us the courage and support we need to overcome challenges in life. Smith believed that this tendency towards empathy is an essential part of human nature and is necessary for building strong social bonds and creating a well-functioning society. The interconnection between economics and ethics is crucial to have a comprehensive understanding of how the economy works and how it impacts people's lives. Smith’s work highlights the importance of both economic efficiency and ethical behavior, and how they can work together to promote social progress. Economic students can benefit from adopting a Smithian strategy and exploring the ethical implications of economic decisions and policies, as well as the economic consequences of ethical behavior. Gaining knowledge of the relationship between economics and ethics can enable individuals to form a comprehensive comprehension of the economy and its effects on society.

Thomas Malthus was indeed an influential figure in the history of economics after Adam Smith who wrote extensively on political economy. Malthus believed that agriculture was the foundation of society and that the wealth of a nation depended on the productivity of its agricultural sector. He argued that the population would grow faster than the food supply and that this would inevitably lead to poverty, unless population growth was checked through moral restraint or other means. Malthus also believed that the poor should be encouraged to work hard and live frugally in order to improve their economic situation, rather than relying on charity or government support. Overall, Malthus saw economics as a means of promoting the moral and material welfare of society. Malthus was concerned with the well-being of society and believed that economic growth should not come at the cost of social and moral degradation. He believed that the pursuit of wealth and economic growth should be tempered by ethical considerations and social responsibility. Malthus also emphasized the importance of population growth in economic development, arguing that unchecked population growth could lead to resource depletion and social unrest. David Ricardo was a contemporary of Malthus and a fellow economist who had a different view on some of the key issues in political economy. While Malthus was concerned with the limits to economic growth and the potential for overpopulation to cause poverty and misery, Ricardo's primary focus was on topics such as international trade, income distribution, and the government's role in the economy. His concepts had a significant impact on the development of classical economics, and he is now widely regarded as one of the most significant economists of the nineteenth century. Ricardo believed that economic laws were independent of ethics or morality and could be described and analyzed scientifically. David Ricardo's economic theory was focused on the concept of comparative advantage, which argues that countries can benefit from specializing in the production of goods in which they have a comparative advantage, even if they are less efficient at producing those goods compared to other countries. This theory became a cornerstone of international trade theory. In addition, Ricardo believed that it was not the role of a political economist to suggest whether people should prioritize wealth or indolence, but rather to provide guidance on how to become rich.

Later on, John Stuart Mill became next leading political economist. Mill believed that applying the methods of physical science to moral sciences would help in advancing the field. However, he also acknowledged that the study of political economy involves moral and social considerations, and therefore cannot be completely detached from ethics. He was the first to use the term “economic man”. John Stuart Mill's concept of the "economic man" pertains to the idea that individuals act rationally and strive to maximize their own utility or wealth, which is a fundamental assumption in classical economics. Mill's ideas on economics and ethics played a significant role in the development of classical economics, which came to a close with his passing.

William Stanley Jevons was a prominent figure in the development of modern economics in the late nineteenth century. His notable contributions include the development of the theory of marginal utility, which suggests that the value of a good or service is not determined by its absolute worth but by its marginal utility or the additional satisfaction it provides. Jevons believed that the study of economics should be grounded in empirical observation and mathematical analysis, and he sought to develop a rigorous mathematical framework for economic analysis. Jevons was also a proponent of the "marginal revolution," which marked a shift away from the classical political economy of Smith, Ricardo, and Mill towards a more individualistic and subjective approach to economics. In addition to his work on marginal utility, Jevons made significant contributions to the study of business cycles, money and banking, and the theory of exchange. His work laid the foundation for much of the modern economic theory that is still in use today. Jevons believed that economics could become an exact science, similar to physics or chemistry, by relying on statistical analysis and mathematical modeling. Jevons believed that economics should not just be an abstract, theoretical study, but should also be applied to real-world issues. He believed that economic analysis could be used to help solve problems related to public policy, such as taxation, public goods provision, and regulation. Jevons was also interested in the use of statistics and empirical data in economics, and he developed new statistical methods to study economic phenomena. His work helped pave the way for the development of modern, empirical economics. His ideas helped to usher in a new era of economic thinking, known as the Marginal Revolution, which focused on how individuals make decisions based on the margins, or the incremental changes in costs and benefits. In 1879, Jevons was one of the proponents of the idea that economics should be recognized as a separate and distinct scientific discipline, and he believed that changing the name of the field from political economy to economics would help to solidify its scientific status. The name change was eventually accepted and adopted by economists worldwide.

Alfred Marshall became a prominent economist after Jevons, but he had many criticisms of Jevons' ideas. Marshall agreed with Jevons' suggestion to give the discipline a new name. He views economics as a distinct field that incorporates both theoretical and practical elements, and he believes that it is more accurately characterized as "Political Economy." According to him, the process of separating economics from the Moral Science Tripos and History Tripos at his university in Cambridge was a significant struggle, as he believed it involved a major shift in the field's identity. ("Tripos" refers to the system of undergraduate degrees at Cambridge University). Marshall argued that economics shared similarities with the natural sciences and could potentially be classified as one of them (Marshall, 1920). Marshall desired for individuals with a scientific background, like Jevons, to enter the field of economics directly. However, he expressed disappointment that qualified candidates may be deterred from doing so because of the metaphysical studies required in the Moral Science Tripos (Marshall, 1925). According to Keynes (1973-89, vol. 10, p. 222), Marshall successfully achieved his objective in 1903 when he founded a distinct school and Tripos specifically dedicated to economics and related fields in Political Science. However, Marshall believed that disciplines that pertain to human behavior, such as economics, are less precise compared to the natural sciences (Marshall, 1920). The debates between prominent economists such as Malthus and Ricardo, Jevons and Mill, and Marshall and Jevons highlighted the ambiguity of economics as a moral science.

Marshall's leadership during the latter part of the nineteenth century was commendable, but there were still challenges faced by economics as a discipline during that time. Mainstream economics faced criticism from humanists for its lack of ethical considerations. According to Coats (1996) and Marshall (1920), economics during that time was widely regarded as reflecting humanity's mistreatment of one another, and there was a continuous theme in the literature of that era calling for a more humanistic approach to economic and social issues that fully acknowledged ethical considerations. Solow argued that from 1940 to 1990, economics underwent a transformation into a technical discipline, leading to economists being seen as technicians (1997, p.42). Over time, there was a shift in microeconomic assumptions, starting from the assumption of utility maximization to wealth maximization, selfish behavior, and eventually the acceptance of greed as a microeconomic assumption. Mathematics has played a significant role in economics, and its usage has increased considerably, with econometrics becoming a prominent part of most economics Ph.D. dissertations (Solow, (1997): pp. 40-7). In contrast to Marshall's vision, mathematics has become a tool for inquiry, and economists such as Nobel Prize winner Frisch have used statistics in their work, following Jevons' advice. The significant development of econometrics played a crucial role in making economics more akin to a natural science. As a result, mathematical economics emerged as an alternative to the moral science approach to economics.

It seems like the discussion has highlighted the fact that economics has evolved from two distinct origins, one from ethics and the other from engineering. Ethics-based economics is concerned with understanding the economy's impact on society, while engineering-based economics aims to develop mathematical models and tools to analyze and solve economic problems. Amartya Sen argues that there is no reason to dissociate economics from politics and ethics. He suggests that there are two fundamental issues that form the foundation of economics under this approach: the ethical view of motivation and the ethical view of social achievement. The ethical view of motivation in economics is concerned with the question of "how should one live," or what kind of life is worth living. Meanwhile, the ethical view of social achievement focuses on the evaluation of social achievements and asks questions like, "What constitutes a good life for all members of society?". Aristotle believed that social achievement is connected to achieving what is good for human beings in the end. He also emphasized that it is important to strive for the common good of society as a whole, not just for individual good. Aristotle believed that achieving the greater good for the entire nation or city-states is even more important than achieving good for individuals. The engineering approach in economics is primarily concerned with rationality and the means to achieve desired outcomes, rather than the broader ethical considerations related to the ends or the ultimate goals of human life. In other words, it focuses on the efficient allocation of resources and achieving the best outcomes given the available resources and constraints.

The engineering approach in economics also drew inspiration from the scientific method and the use of mathematical modeling to study economic phenomena. This approach emphasizes the use of quantitative methods and empirical analysis to test economic theories and make predictions about economic behavior. Some notable economists who contributed to the development of the engineering approach in economics include Alfred Marshall, John Maynard Keynes, Milton Friedman, French Economist Leon Walras, Sir William Petty etc. According to Amartya Sen, the separation of economics and ethics has substantially weakened the character of modern economics. He does not reject the engineering approach to economics as being unfruitful; rather, he believes that this approach can be very productive. The engineering approach in economics has led to many important technical advances, including the development of formal models like the general equilibrium theory. These models have provided valuable insights into how markets function and how different economic actors interact with each other. However, as Amartya Sen (1987) has argued, it is important to also consider ethical issues and questions of social welfare in economic analysis, as these are essential for understanding the impact of economic policies and decisions on human well-being. Amartya Sen states that, "while the engineering approach to economics has been productive, economics can become even more productive by giving greater attention to ethical considerations that shape human behavior and judgment". By incorporating ethical considerations, economists can gain a better understanding of how people make decisions and what values they prioritize, which can ultimately lead to more effective policies that promote human well-being. Amartya Sen argued that ethical considerations have lost their significance in modern economics and that positive economics has neglected many complex ethical factors that affect individual behavior. He did not propose to remove the achievements made by positive economics but rather demanded more attention to ethical considerations in economics. Sen believed that the study of actual human behavior is a matter of fact rather than normative judgment and that economics must take into account ethical concerns to provide a more complete understanding of human behavior and decision-making. Indeed, the assumption of rational behavior is a fundamental concept in modern economics. However, this assumption has been criticized for not reflecting the complexity of human behavior in real life situations. Human beings are not always rational decision-makers and often behave in ways that are driven by emotions, biases, and social norms, among other factors. Critics argue that by assuming rationality, economists ignore the fact that individuals are embedded in social contexts and their decisions are influenced by a range of ethical, cultural, and institutional factors. Therefore, to better understand human behavior and decision-making, it is important to incorporate ethical concerns into economic analysis. It is worth noting that some economists have attempted to address these criticisms by developing behavioral economics, which takes into account the psychological and social factors that influence individual decision-making. This approach has gained significant attention in recent years and has resulted in new insights into human behavior and decision-making, but it is still in the nascent stage and is yet to become a mainstream approach in economics.

The rationality may fill our literature textbooks but the reality is different. So, it's no doubt a criticism of modern or standard economics but this criticism has not been forcefully presented. While it is true that the assumption of rational behavior has been criticized in economics, there are also defenders of this assumption who argue that it is a useful tool for making predictions and understanding economic behavior. It is important to note that the assumption of rationality does not require individuals to always make the best possible decision, but rather to make choices that are consistent with their preferences and available information. Furthermore, while it is true that individuals may make mistakes and be influenced by emotions, feelings, and other factors, it is also important to recognize that many economic decisions are made in a context where individuals have limited time and information to make choices. In such situations, relying on simplified models of rational behavior may be a useful approximation for understanding economic behavior. Overall, while the assumption of rational behavior may have limitations, it remains a widely used tool in economics for making predictions and understanding human decision-making. It is up to economists to continue to explore the validity and limitations of this assumption, and to incorporate ethical considerations into their analysis in order to provide a more complete understanding of economic behavior.

Indeed, the success of the Japan's economy challenges the notion that self-interest is the sole motivator of economic behavior. The concept of "keiretsu," or a group of interconnected businesses and suppliers that work together based on mutual trust and long-term relationships, is a prime example of how non-self-interested values like duty and loyalty can play a crucial role in economic success. Moreover, studies have shown that Japanese workers tend to place a strong emphasis on the collective good and the well-being of the organization, rather than just their individual gain. It is noteworthy to mention that the success of the Japanese economy cannot be attributed solely to the departure from self-interested behavior. Other factors such as government policies, technological advancements, and cultural values also played a significant role. Nevertheless, the example of Japan does challenge the assumption that self-interest is the only motivator in economic behavior and highlights the importance of considering cultural and ethical values in understanding economic systems.

Amartya Sen's view is that a balanced approach of both ethical and engineering concepts is necessary to fully understand economics. The ethical approach provides an understanding of the values, norms, and moral principles that guide human behavior and decision-making, while the engineering approach provides the technical tools and methods to analyze economic phenomena. Sen also emphasizes that self-interest plays a role in economic transactions, but it is not the only motivation for human behavior, and ethical considerations should be taken into account to provide a more complete understanding of economic behavior

Conclusion

Ethics and economics have been interconnected since the beginning of modern economic thought. Adam Smith, who is widely recognized as the originator of contemporary economics, was a moral philosopher, and his work in economics was closely linked to his views on ethics and morality. In his book "The Wealth of Nations," he emphasized the significance of moral sentiments and sympathy in economic behavior, which shows that economics cannot be studied in isolation from ethics. Economics has evolved into a separate discipline, and its focus has shifted from morality to maximizing utility. However, this narrow focus has resulted in a limited understanding of economic behavior and has led to many corporate scandals. Therefore, it is essential to reintegrate ethics into economics to create a more comprehensive understanding of economic behavior. Moreover, economists should also consider the ethical implications of their policy recommendations. Economic policies can have significant impacts on society, and it is essential to evaluate these impacts from an ethical perspective. In this way, economics can play a vital role in promoting social welfare and justice.

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