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## BOOK REVIEW

**Economic Justice**, E. S. Phelps (editor). Penquin Modern Economic Readings, 1973. Pp. 479. \$3.45. (Author and subject indexes, list of further reading).

Despite the great changes in economics since the 1930's, the economics profession still appears—in spirit, if not in deed—to pay homage to Robbins ideal of economics as a value-free science. Although the “positivistic” battle has apparently ended (did it result in a Pyrrhic victory? if so, to whom?), coherent theses expounding the ethical nature of economics do not appear to have achieved wide currency.

In place of an original contribution to the subject, E. S. Phelps has collected a set of readings which examines the ethical nature of economics from a number of different angles. In his introduction and choice of readings, Phelps places himself firmly in the camp of those to whom value-free economics is either a myth or a dream.

The first reading is Vickrey's examination of the reasons that ethical questions inevitably intrude into economics. Of almost journalistic style, this paper examines the myriad occasions that ethical questions are met in everyday economic analyses.

Phelps' second and third groups of readings comprise four classics of welfare economics—Samuelson, Graaff, Arrow and Little. The readings by Samuelson and Graaff more or less conclude the great economics retreat from utilitarianism into “value-free” economics. (Phelps' survey of this retreat in his Introduction, pp. 11–16, is masterly. While not exhaustive, it broadly outlines the progression of a complex argument in which the uninitiated reader otherwise rapidly loses the coherent thread. The one unforgivable blunder of Phelps survey—indeed, of this volume—is his attempt to explain the Kaldor-Hicks-Scitovsky-Samuelson welfare criteria debate without reference to appropriate diagrams.)

The articles by Arrow and Little examine the former's contention that it is not possible to develop a consistent “democratic” social choice mechanism which could produce a Bergsonian Social Welfare Function.

The reader cannot fail to note the many ethical implications which arise in the contributions of Samuelson, Graaff, Arrow and Little. For example, given Arrow's contention that a social welfare function arises from a social choice mechanism, he requires of this choice mechanism that it have two ethical axioms—the weak Paretian postulate and a non-dictatorship condition. The implication of Arrow's conclusion for economics (if true) is devastating—economists simply cannot say what is best for society (hence the increasingly fashionable and morally repugnant practice of substituting politicians' utility functions for social welfare functions).

Having set up the problem of the intrusive nature of ethics, Phelps turns to a series of readings in moral philosophy to elucidate a better understanding of the meaning of "just distribution". The readings consider four types of justice—the doctrine of natural rights (Kant); utilitarianism (Viner on Bentham and J. S. Mill; Sidgwick; Fleming; Harsanyi; Vickrey; and Pattanaik); maximin (Rawls' conception of maximizing the benefits of the underprivileged); and neo-anarchism (Rand's latter-day statement of the doctrine that might is right).

As Phelps himself admits, the above four philosophies by no means exhaust the range of possible philosophies for social and economic systems. He mentions in passing the Greek Sophists' social contract, idealism, and Marxism. However these philosophies are substantially outside the mainstream of philosophies in contemporary favour in European countries.

In the final section, Phelps has a group of readings which examine basic ethical problems in an important applied fields of economics—taxation. Utilitarian economists such as Edgeworth plumped for minimum aggregate sacrifice which implied progressive tax scales. In a more recent reading, Arrow conducts a mathematical appraisal beginning from the same utilitarian base. Sheshinski, Atkinson, Rawls and Phelps extend the use of utilitarian concepts to the case for negative taxation. Finally, Tobin defends the use of income redistribution rather than redistribution in kind.

In a not-too-large volume, Phelps has succeeded in neatly summarizing the fundamental importance of ethics to economics. *Economic Justice* is not a guide to ethics for economic novitiates, since the scene-setting readings (Samuelson, Graaff, Arrow and Little) are not beginner's material. Vickrey however is certainly useful undergraduate material. For the economically literate however the volume provides an interesting and useful survey of an area over which the dabbings of incompetent dilettantes have held an unfortunate mortgage.

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