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HOME (HTTPS://WWW.SCOTTISHREVIEW.NET) BECOME A FRIEND (FRIENDSOFSRFORMNEW.HT

Last September, for the first time in my long academic career, I had the opportunity to teach some tutorials to first-year economics students. Given that the University of St Andrews has some of the toughest entry requirements in the country, I was not surprised to discover that my young students were bright, inquisitive and ready to accept intellectual challenges.

What I was not prepared for was the degree of misunderstanding of the meaning and purpose of economics. Irrespective of their secondary-school training (whether A-level, Scottish Highers, or International Baccalaureate), they all viewed economics as a set of formulas and diagrams to be used to answer some 'economic' problems. Their opinion of economics as a scientific enterprise was very low: the foundations of economic theory were ill-defined and even absurd, but they did produce some useful tools and concepts.

Let me explain why this perception of economics (which is shared by most media commentators and by the general public) is fundamentally wrong. Consider as an example the quintessentially economic question of how consumers decide to spend their hard-earned income. The best textbook in pre-university economics introduces students to this problem by asserting that in order to understand consumers' demand for goods and services, they must understand first the mysterious concept of 'utility':

Utility is the satisfaction that consumers gain from consuming something. It is a subjective concept, because satisfaction is something that depends entirely on personal tastes and preferences, which vary from person to person. Utility ***cannot be measured****, but for the purposes of developing the theory, we* ***assume that utility is quantifiable****.* (*Economics for the IB Diploma*, 2020; emphasis added)

(AnthonySeaton646a.html)COMMENT (GerryHassan648a.html)
Gerry Hassan
Scotland after Nicola Sturgeon

DESPATCH (KeithAitken648a.html
Keith Aitken
Sturgeon is held in high regard

UPFRONT (AnthonySeaton648a.htm
Anthony Seaton
Word of the week: Coal (and steel)

REFLECTION (AlanMcIntyre648a.htr
Alan McIntyre
Robin Downie: treasured memories

CARTOONS (BobSmith648a.html)
Bob Smith
Totally topical Wilt...

NOTEBOOK (MaryBrown648a.html
Dr Mary Brown
The planet's revenge?

ECONOMY (ManfredilaManna648a.ht (Cafe597A.html)Manfredi La Mann
There *is* accounting for taste

TECHNOLOGY (BillMagee648a.htm
Bill Magee
The power of classic advertising

CULTURE (CharlieEllis648a.html) (Cafe638A.html)
Charlie Ellis
Water of Leith: rather grand in spate

CAFE 1 (Cafe648A.html)
SR Forum
Thank you Robin Downie

CAFE 2 (Cafe648B.html)
SR Forum
Shed a tear for Canada's writers

CAFE 3 (Cafe648C.html)
SR Forum
Clumsy and unreliable tools

Imagine the mind of a budding economist who is confronted with a basic assumption ('utility is quantifiable') that is verifiably incorrect (because 'utility cannot be measured'). As economics (like any other social and natural science) is based on assumptions, the very idea that a demonstrably false axiom can be used to build up the whole theory of consumer demand can produce only contempt for the discipline.

It gets worse. How can utility be measured, then? In terms of 'utils', of course. 'Utils do not exist in actual fact, however, we assume they exist for the purpose of building the theory'.

The trite joke of the stereotypical economist's answer (let's assume we have a can opener) to the question of how to open a tin of tuna on a desert island now takes a sinister meaning.

This is the caricature of economics taught to young students: make up a concept ('utility'), realise that it cannot be measured, proceed as if it could be, and even create the figment of a unit of measurement ('utils') that actually can never exist.

The theory of consumer demand, needless to say, has no need whatsoever for 'utility' as a building block, being based on the concept of preference. To construct a viable and testable theory of demand, which, let's remind ourselves, is used every day by corporations, policy makers, charities, planners, etc, all over the world, the only assumption required is that consumers be able to rank any items in order of preference. (Obviously no theory of preferences can ever be formulated if consumers cannot express a preference.)

Economists go further and boldly contradict the universally-held view that there is no accounting for taste (*De gustibus non est disputandum*). Specifically, economists require preferences to be transitive: if you prefer A to B and you prefer B to C, you must also prefer A to C.

Is this not an example of intellectual arrogance by economists? If I prefer apricots to bananas and bananas to clementines, why can I not prefer clementines to apricots? After all, there is no accounting for taste, right?

Wrong! Let me show that no rational person would ever act on intransitive preferences. If preference is to have any operational meaning at all, it must imply that the decision-maker is willing to sacrifice something (let's say 50p) to swap a less desirable item for a more desirable one. Let's see how this pans out for our hypothetical consumer who prefers A to B and B to C, but also C to A.

Offered to swap B for C, they gladly part with 50p; tempted to swap B for A, again they pay up 50p; and finally when asked to swap A for C, again they fork out 50p. Now start the cycle again, offering a swap of C for B until our consumer's bank account is totally drained, 50p at a time.

Thus, in a deep sense, there *is* accounting for taste.

Unfortunately, the mathematics of orderings (necessary to find how a consumer with a fixed budget can choose the best possible combination of goods and services) is beyond the grasp of secondary school children. But an intellectually honest account of demand theory is available, thanks to one of the most remarkable and elegant theorems ever devised by economists. It

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15 FEBRUARY 2023 (index150223.ht

8 FEBRUARY 2023 (index080223.htr

31 JANUARY 2023 (index310123.htn

25 JANUARY 2023 (index250123.htn

18 JANUARY 2023 (index180123.htn

11 JANUARY 2023 (index110123.htn

states that the optimal behaviour of consumers who can rank alternatives rationally is identical to the behaviour of consumers who maximise utility, without ever having to specify whether utility can be quantified (no 'utils' required).

My first-year economics students were left somewhat shell-shocked by the realisation that economics is not about applying tools to solve practical problems (that is what accounting is about), but is mainly a way of asking questions first and working out possible answers second.

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Return to homepage (index.html)

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