

TWO CONCEPTIONS OF ECONOMICS

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As Ronald Coase points out there are two kinds of conceptions of economics: first, the conception that emphasizes the study of specific kinds of human activities; and second, the conception that makes economics the study of a specific approach to all human choices. The paper first shortly reviews the two conceptions. Then, it links them to specific conceptions about rationality. An analysis of the terms involved in the discussion shows which conception of economics corresponds most to its ordinary language meaning. The paper then analyzes and develops Coase's argument for the first and against the second conception, explores the limits of an integration of the two views and assigns them specific roles.

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I. Introduction

Uskali Mäki (2002: 8) has contended that “economics” is a dangerously aggregated notion: “there is no one homogeneous ‘economics’.” Within all the versions of economics two of them have predominated throughout history. The first one refers to a portion of human affairs related with the material condition of the human being. The second one refers to a perspective of analysis of all human actions. Both definitions correspond to different conceptions of rationality. In the paper, first, I introduce those two versions of economics. Second, I link them to specific conceptions of rationality. Third, I present a textual analysis of the words related to economics, i.e., economy, economic, economical and economically. The intention of this analysis is to discover which of the two versions deals better with what is ordinarily understood as “economic” and their possible complementary character. Fourth, I will provide further arguments for the position stemming from the previous analysis. These arguments will also origin a proposal about the tasks of economics. The intention of the paper is to cover not only theoretical economics, but also applied and really practiced economics. It will be highly based on Ronald Coase's position (1978 and 1998). I must warn that the paper is ambitious in its scope: a depiction of a general panorama is privileged

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over a thorough engagement in ‘local discussions’. It can be said that the paper is programmatic: it aims to present and reflect on some basic issues rather than tackling specific problems.

II. Two conceptions of economics

As Coase (1978: 206-7) has pointed out there are two kinds of definitions of economics. Firstly, we can consider the definitions that concentrate on the study of certain kinds of human activities and secondly, the definitions that make economics the study of a certain perspective of all human choices and the subsequent actions. The first group considers that some specific human realities and activities are economic –e.g., wealth, money, consumption, production, and distribution– and that economics must deal with them. The second group stresses the role of scarcity and the consequent need of a decision about how to allocate scarce means among some given ends; this latter decision and activity apply not only to the “economic realities or activities” considered by the first group, but to almost all human actions. Lionel Robbins (1935-1984: 9, 16-17) calls them “materialist” and “scarcity” definitions of economics and considers them as “classificatory” and “analytical” respectively.¹ Israel Kirzner (1976: 17), following Lindley M. Fraser (1938), terms these definitions type A and type B: the first definitions design a particular *department* of human affairs and the second definitions a particular *aspect* of human actions. Phelps Brown (1972: 7) calls these definitions “field-determined” and “discipline-determined”. In a parallel way, Ioannides and Nielsen (2007: 7-12) speak about two alternative answers to the question about what economics is: the first type of answer defines economics as a specific method or approach, and the second sees it as the study of the economy.² Following Hausner and Jessop (2000; see also Hausner 2004), they consider three variants of definition of the second alternative: to consider the economy as an object, as a system or as a field.

The two different versions of economics roughly correspond to Karl Polanyi’s division between the substantive meaning of economics and the formal meaning of economics. He thus defines these meanings (1968: 139—140; see also 1977: 19):

The substantive meaning of economics derives from man’s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, insofar as this results in supplying him with the means of material want-satisfaction. The formal meaning of economics derives

¹ He mentions Adam Smith, Edwin Cannan, Alfred Marshall, J. B. Clark, and Vilfredo Pareto as supporters of the first kind of definition.

² See also the recent articles of Roger Backhouse and Steve Medema (2009) and Adolfo García de la Sienra (2010).

from the logical character of the means-ends relationship (...) It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means (...) The latter derives from logic, the former from fact.

That is, either economics deals with a particular field of human reality or it deals with a particular aspect of every human reality. In this paper, I adopt the labels, “domain-focused” and “scarcity-based” views.³ Historically, the “domain focused” view of economics has prevailed before the “scarcity-based” view.

One big issue behind this distinction is how exactly do we circumscribe the parcel of human choice and action that is “economic”, i.e., the economic domain, as to separate it from the “non-economic”. Is it composed by choices and actions relative to consumption, production, distribution, wealth, and/or finance? The classification of this set of activities or realities under the heading of economic needs an argument. What are the criteria to establish the limits of this domain? In a nutshell: how do we delimitate an economic matter? I think that Polanyi’s definition of the substantive meaning constitutes a first approximation. I recognize that this is a difficult issue. I will come back to it in Section IV. Meanwhile, I will mention some brief examples of authors adopting the domain-focused view.

For Aristotle, “the economic” (*oikonomiké*) is the use of the material resources needed for life –in the sense of mere subsistence– and for the Good Life (*Politics*, I). It is the sector of human life related to material “human” necessities (which are for him subjective and relative, but not arbitrary: *Nicomachean Ethics*, V, 5). According to Adam Smith, political economy is the branch of the science of the statesman which object is to providing a plentiful revenue for people and states (*Wealth of Nations*, Book IV, Introduction). Alfred Marshall asserts:

Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing ([1920] 1962: 1). (...) Economics is, on the one side, a Science of Wealth; and, on the other hand, the part of the Social Science of man’s action in society, which deals with his Efforts to satisfy his Wants, in so far as the efforts and wants are capable of being measured in terms of wealth, or its general representative, *i.e.*, money” ([1920] 1962: 41).

³ The word “domain” was suggested by Wade Hands and Uskali Mäki, and the expression “scarcity-based” by Wade Hands.

In sum, though the above claimed criteria for delimitation of the economic domain may still not be sufficiently clear, the domain results roughly depicted: human activities dealing with wealth or material resources.

The other view of economics overcomes the imprecise character of the domain-focused view. Robbins defines economics as “the science which studies human behavior as a relationship between [given] ends and scarce means which have alternative uses” ([1935] 1984: 16). That is to say, it is the science of a particular view of choice, which concentrates on the decision about the allocation of means that satisfy the ends chosen by the agent. In this way, Robbins creates a well-determined subject. Maintaining the exogeneity and stability of ends or preferences for the sake of a specific analysis allows building a determined scientific subject. Carl Menger titles Appendix VI of his *Untersuchungen*, “The Starting Point and the Goal of All Human Economy Are Strictly Determined”. He asserts that “Economy is really nothing else than the way which we travel from the previously indicated starting point of human activity to the previously indicated goal” ([1883] 1985: 217). It travels a technical path enabling to formulate exact laws, whose “formal nature is no different from that of the laws of all other exact sciences and of the exact natural sciences particularly” ([1883] 1985: 218-9). This perspective is useful to analyze almost every human action. Today, Gary Becker’s research project (1976) follows this approach.

III. The rationalities involved in the two views of economics

We may link these two versions of economics with the specific notions of rationality they involve. Among the different classifications of rationality available, I adopt here one classical since Weber. He distinguished four types of rationalities guiding social actions: instrumental, value-rational, affectual and traditional (Weber 1978: 24-5). Instrumentally rational is the action aiming at allocating means for the attainment of the actor’s ends. Value-rational actions are determined by conscious beliefs in the intrinsic value of some behaviour. Affectual are the actions guided by the actor’s affects and feelings. Traditional actions are determined by ingrained habituation. Weber argued that, although one specific form of rationality might prevail in a specific action, rather all human actions are oriented by various types of rationality. Social phenomena are complex and we may analyze them from different perspectives of rationality such as instrumental or technical, moral, psychological, and sociological.

Which are the types of rationality entailed by each view of economics? Concerning the domain-focused view, in a widely-known passage Marshall maintains that “[economists] deal with man as he is: not with an abstract or

‘economic’ man; but a man of flesh and blood ... a man who is largely influenced by egoistic motives in his business life ... but who is also neither above vanity and recklessness, nor below delight in doing his work well for his own sake” ([1920] 1962: 22). That is to say, he considers the influence of different Weberian rationalities in man’s business life. Phelps Brown, in his advocacy of this view, urges for taking into account “convention, mood, passion or culture,” and to consider “men who are in part gregarious, conventional, suggestible and inconsistent, as well as – also in part– competitive maximizers” (1972: 7). As Keynes puts it in a very well-known passage, human decisions, including those concerning business, cannot be based only on strict mathematical calculation of the best alternative, since the basis for making these calculations hardly exists. There is an innate urge to activity based on some calculations but also on whim, sentiment, chance (1936: 163). In a lesser known letter to Hugh Townshend, he adds (Keynes 1979: 294).

To avoid being in the position of Buridan’s ass, we fall back, therefore and necessarily do so, on motives of another kind, which are not ‘rational’ in the sense of being concerned with the evaluation of consequences, but are decided by habit, instinct, preference, desire, will, etc.

In sum, the domain-focused view concentrate on a sector of human reality and activity, analyzing it from different rational perspectives: instrumental, value-rational, affectual and traditional.

Concerning the scarcity-based view, as Davis (2003: 27) explains, it is about being instrumentally rational. The very definition of the scarce-based economics view may serve as a formulation of instrumental rationality. John Davis defines it in a way resounding of Robbins’ definition of economics: “Instrumental rationality is defined as the choice of actions that best satisfy an individual’s ends or objectives *however* those ends or objectives may happen to be characterized. Instrumental rationality is a rationality of efficient means” (Davis 2003: 27).

As Davis (2004: 401) also affirms: “One reason that instrumental rationality theory has been attractive in economics is that having a single model of analysis makes possible a high degree of logical and mathematical determinacy in economic explanation.” Instrumental rationality allows for an exact calculation because, given the ends, its task is to allocate the means in order to achieve them. In truth, Davis is adding to the notion of instrumental rationality the trait of efficiency: this is the specific type of instrumental rationality that constitutes the traditional version of economic rationality, maximizing. Strictly speaking, however, instrumental rationality does not

necessarily include the “best” way of satisfying ends through means. Technique is not necessarily efficient.⁴ But, as Boudon has noted, there is a *psychological* tendency –not a logical implication– to consider instrumental rationality as a maximizing rationality (Boudon 2004: 47).

These two versions of economics jointly with their rationalities might be captured by Figure 1:

[poner Figure 1 aquí]

The left sphere represents the domain-focused view of economics and the right sphere represents the scarce-based view of economics, i.e., instrumental maximizing rationality applied to the entire human reality. The domain-focused notion includes instrumental maximizing rationality and other types of human rationality to explain the phenomena of the economic domain. The intersection of the spheres belongs to both: it is the instrumental maximizing rationality applied to phenomena pertaining to the economic domain. In conclusion, we can see that the scarce-based view is larger in its domain, but it considers this domain under only one perspective of rationality, while the domain-focused view is smaller in its domain, but it analyzes this restricted domain from all the perspectives of rationality.

Coase (1978: 207) indirectly describes the characteristics of the scarcity-based view of economics when he speaks about two tendencies in operation in current economics:

The first consists of an enlargement of the scope of economist’s interests so far as subject matter is concerned. The second is a narrowing of professional interest to more formal, technical, commonly mathematical, analysis. This more formal analysis tends to have a greater generality. It may say less, or leave much unsaid, about the economic system, but, because of its generality, the analysis becomes applicable to all social systems (...) economics becomes the study of all purposive human behavior and its scope is, therefore, coterminous with all of the social sciences.

At this stage, some questions arise. Given that both spheres discard a sector of the other, should economics discard the domain or the scarcity point of view? Or are they compatible? In this case, what are the most sensible labels for each one? For some economists this does not present a problem. They would only consider it as a semantic problem.

⁴ For example, Herbert Simon’s (e.g., 1979) notion of bounded rationality and satisficing is an instrumental but not maximizing rationality (see González 1997).

I think, however, that the problem is more than semantic. I will begin to answer these questions by regarding the meaning of the words involved in economic affairs.

IV. An analysis of the meaning of the economic terms

I suggest doing an analysis of the terms involved in this discussion, i.e., economy and economics, in order to clarify the scope and compatibility (or not) of the two views of economics described before.

According to Aristotle's criterion, "we ought to use our terms to mean the same things as most people mean by them" (*Topics* II, 2, 110a 16-17). As Ludwig Wittgenstein has put it, thus relating semantics and pragmatics, "the meaning of a word is its use in the language" (& 43, 1958: 20e). Although ordinary language may be supplemented, improved and superseded by technical language, it is the *first* word, as J. L. Austin has affirmed (1970: 185). It is legitimate and useful that science has its technical terminology, but its subject-matter at least should conform to its ordinary meaning.⁵ Hence, it is natural that sociology dealt with society, psychology with psyche and economics with the economy, meaning the things that people consider to be society, psyche and the economy. This is the opinion of Alfred Marshall about economic terms ([1920] 1962: 43), for example:

Our task is difficult. In physical sciences indeed, whenever it is seen that a group of things have a certain set of qualities in common, and will often be spoken of together, they are formed into a class with a special name; and as soon as a new notion emerges, a new technical term is invented to represent it. But economics cannot venture to follow this example. Its reasonings must be expressed in language that is intelligible to the general public; it must therefore endeavour to conform itself to the familiar terms of everyday life, and so far as possible must use them as they are commonly used.⁶

Robbins, however, has affirmed (1935-1984: 5, nt.):

It is often urged that scientific definitions of words used both in ordinary language and in scientific analysis should not depart from the usages of everyday speech. No doubt this is a counsel of

⁵ As Josef Pieper (1998: 73) has suggested, although it is possible and legitimate to use technical terms with specific meanings, we should mistrust all conceptual determination departing with originality from the common language of learned people.

⁶ Hayek also notes this contrast and holds that social science has to take into account the concepts and ideas of the people ([1952] 1979: 27-28, 57-58, 61).

perfection, but in principle the main contention may be accepted. Great confusion is certainly created when a word which is used in one sense in business practice is used in another sense in the analysis of such practice (...) But it is one thing to follow everyday usage when appropriating a term. It is another thing to contend that everyday speech is the final court of appeal when defining a science. For in this case the significant implication of the word *is* the subject-matter of the generalizations of the science.

This is Robbins' argument for departing from the Cannan, Marshall and Pareto definitions of economics, and to propose his scarcity-based view of economics. One may wonder, however, whether economics, following Aristotle, Wittgenstein and Austin's advice, should not deal with the reality signified by the words of ordinary language. Let us analyze, then, the ordinary meaning of the family of words related to economics.

We have the noun "economy", the adjective "economic" and the adverb "economically". Of course, we also have the corresponding science, "economics". We are used to speaking about the "economy" as the system or set of economic interactions of a whole society. We also speak about the economy of a country, a person or a firm, or about economic realities or interactions: to buy, to sell, and so on. This meaning points to the domain-focused view. Besides, these economic interactions may be performed economically, i.e., "as regards the efficient use of income and wealth" (Webster 1996: 618) or non-economically, i.e., wasting resources. This meaning points to the scarcity-based view. Robert Scoon (1943: 312) distinguishes the adjectives "economic" and "economical" (related to "economically") and maintains that Robbins conflates both reducing all the "economic" to "economical". In sum, there is a sense of the words related to economics pointing to the domain-focused view and another pointing to the scarcity-based view. An economic decision or action (in the first view sense) might be non-economic or economical (in the second sense). However, let me remark that the above mentioned Webster's definition of economically limits the scarcity-based view of economics to the domain of "income and wealth" thus restricting it to the intersection area of Figure 1 (and consequently discarding the right side of the right sphere).

To act economically means to instrumentally maximize. This is a sub-set of the possible rationalities guiding the economic domain. In every day life there are a lot of uneconomically performed economic actions. That is, there are a lot of economic actions that are not efficient. If the economic action is not necessarily the most efficient, what is then the meaning of economic? The first meaning for the entry "economic" in Webster's Dictionary is "pertaining to the production, distribution and use of income, wealth and commodities" (618). It does not add the adjective

“efficient”. When I go shopping at the supermarket I cannot know whether I have made the most efficient purchases. I have my list of necessities and I try to satisfy them regardless of efficiency. In addition, we do not only adapt means to ends but also ends to means. Nevertheless, would anybody affirm that going shopping, regardless of efficiency, is not an economic action? Would anybody deny that the decision of buying this or that car, independently of the decision’s logic, is economic? Nobody has spoken yet about aspects such as utility, value and maximization (Scoon 1943: 311).

Webster’s definition, however, is descriptive. Let us try to offer a more essential definition. “The economic” is a portion of human reality which reveals some traits of humanity. Human beings are material, immersed in time and limited, and at the same time rational, reflective, social, and open to the future. Human beings share with other animals some basic needs and the limitations imposed by a material nature. We do not consider, however, that there is an animal economy, but only animal survival. We humans satisfy our needs in a human way, according to the just mentioned characteristics of the human being. Animals may feel pleasure but not utility. According to Edward Spranger utility entails rationality and it is at a “higher mental level” (1928: 130). Given the human material condition, mind is also mediated by the material. Hence, I arrive to Godelier’s definition of the economic domain which, though possible still imperfect, I find convincing: the economy is the set of decisions and actions directed to the satisfaction of the human needs mediated by material means (Godelier 1974: 23).⁷ Within this set, we have economies of subsistence, of barter, of money and markets. We can consider economic activities as consumption, production, distribution and exchange, but also reciprocity and gifts. I am conscious that, given the difficulties involved in the delimitation of the economic domain, this is only a poor sketch. However, I think that I cannot do more in a programmatic paper and that this is sufficient for this first step of the program.

In sum, the ordinary understanding of economy leads to a domain-focused view of economics which includes the scarcity-based view. Let us consider other arguments, the roles of the different views and a proposal of labels.

V. Further arguments

Richard Posner (2006: 406) complains about Coase’s “paradoxical” position. Let me repeat Coase’s appraisal of the scarcity-based view of economics:

⁷ Material means in a broad sense that includes monetary means.

This more formal analysis tends to have a greater generality. It may say less, or leave much unsaid, about the economic system, but, because of its generality, (...) economics becomes the study of all purposive human behavior and its scope is, therefore, coterminous with all of the social sciences (1978: 207).

Thus, according to Coase, we can distinguish two problems stemming from this view. First, it leads to an incomplete analysis of economic affairs. Instrumental maximizing rationality is not the only rationality guiding decisions and actions concerning the economic domain. It does not necessarily preclude irrational (from the point of view of this restricted notion of rational) behavior –passions, emotions, values, traditions and habits. In response to this reality, modern day economics is trying to insert non-strictly rational motives into its formal frame, considering Weberian value-rational, affectual and traditional reasons as forms of instrumental rationality. The argument for this conflation, developed by Mises ([1933] 1960: 82-85), confuses and reduces ends to means: instrumental rationality is a rationality of means while the others are focused on ends.⁸ In another paper I extensively explained the structural differences between instrumental rationality and other kinds of ends-rationalities (see Crespo 2007). In a few words, ends are not homogeneous and consistent, but heterogeneous and often inconsistent.⁹ As Nicholas Georgescu-Roegen (1954: 515) asserts “not all human wants can be reduced to a common basis”.¹⁰ The correct strategy of a rationality of ends is not maximization but a prudential harmonization of ends. This strategy makes formalization difficult: according to David Schmitz (1994: 246, 251) it is not an algorithmic process. George Akerlof complains about this first problem:

The unwritten rules that only *economic phenomena* be considered in economic models, with agents as individualistic, selfish maximizers, restrict the range of economic theory and in some cases even cause the economics profession to appear peculiarly absurd—because, without relaxation of these rules, certain *almost indisputable* economic facts (...) become inconsistent with economic theory (...).

Individualistic maximizing behavior constitutes an assumption that sharply restricts the domain of

⁸ Referring to Gary Becker’s research project, Irene van Staveren maintains that he “turns moral values into an instrument for utility maximization, thereby destroying the very meaning of moral value” (2007: 146).

⁹ To act rationally maximizing jointly supposes 1) to have a well-ordered choice function and 2) to act according to it. Both conditions might fail.

¹⁰ See p. 520 where he considers the possibility of comparable alternatives neither ordinally nor cardinally measurable. On this possibility see also my paper 2007.

possible economic models. It is an assumption that turns out to be surprisingly restrictive (1984: 2, cursive in the original).

Thus maximization is only a part of economic rationality. There may be considerations that even go against maximizing.¹¹ Akerlof then maintains that we should consider the consequences of psychological-anthropological-sociological behaviors for economic results (cf. 1984: 3). I want to clarify that given the limitations of the human being and of the material means mentioned in the previous Section, scarcity is indeed one of the characteristics of the economic domain. Then, the problem of the scarcity-based view of economics is not that it considers scarcity—which is right—but that it reduces the economic problem to an application of instrumental maximizing rationality in order to allocate scarce means to given ends.

The second problem noted by Coase is that the scarcity-based view of economics also leads to an incomplete and confusing analysis of other social affairs. According to him, the purposes that men seek to achieve in other social areas are quite different from “economical” motivations. If the maximizing logic is not enough to explain the facts of the economic domain, it is even less suitable for other social domains: “the analysis developed in economics is not likely to be successfully applied in other subjects without major modifications” (Coase 1978: 209).¹²

Then, far from trying to export and apply the maximizing instrumental rationality to other social sciences, the conclusion is that economists should try to import the other rationalities, “because it is necessary if they are to understand the working of the economic system itself” (Coase 1978: 210). This is especially relevant for the descriptive, explanatory and predictive tasks of economics. If economics wants to deal with the economic domain it should deal with both kinds of economic phenomena, economically and non-economically performed: that is, it should consider those phenomena from the point of view of instrumental maximizing rationality complemented and corrected when needed by the other rational perspectives. If not, it would not describe economic affairs accurately, explain them by the real acting causes, and predict them with some precision. John Stuart Mill considers the desire for wealth and the capacity to judge the most efficacious way of using means as the subject matter of political economy.¹³ By the use of *ceteris paribus* clauses he discounts every other human motive (1874: 97).¹⁴ Obviously, although this abstraction allows for an understanding of economic affairs, given that life is complex, it often has little

¹¹ Maximization (and utility and value), however, are also concepts that have been transformed under the umbrella of the new version of economics. I leave this topic for a future paper.

¹² This has been warned by Robert Scoon at the very birth of the scarcity-based view of economics (1943: 311).

¹³ This conception seems to be placed at the intersection of the spheres of Figure 1.

¹⁴ Mäki (1992: 334) considers the case of the “economic man” as “a strongly idealized and isolated version of ordinary humans”.

empirical relevance. Mill actually maintains that political economy thus conceived is an abstract knowledge that has to consider other motives if it is to apply to real world facts. On the other hand, economics, in its normative (not necessarily ethic) role should probably propose to act economically: this might be the most relevant input that the decider receives from economics.

Thus, the so-called “economic rationality” of the scarcity-based view of economics (the economically performed economic action) is only a part of the whole rationality of economic actions. The correct way of calling what is meant by “economic rationality” would be instead “the rationality of acting economically”. The complete economic rationality would be a mix of rationalities such as “rationality of acting economically”, plus the other rationalities that guide human action. Present day economics is actually increasingly recognizing all these rationalities steering economic actions. If economics wants to describe, explain and predict economic actions it should take into account all these rationalities. If not, it will be as one of the six blind men of the Indian fable who each get a limited idea of the elephant’s nature by feeling only one part of it.

What is then the role of the old economic rationality or the “rationality of acting economically”? It explains or predicts a part of the facts and may have a preceptive task, the task of indicating the most effective way of doing things. As Robert Sugden (1991: 752 and 757) contends, rational-choice theory is a normative theory –in the sense of preceptive or prescriptive.¹⁵ This role has, however, a caveat: to be conscious that this precept is only an economical advice that should often be supplemented by others.

VI. Conclusion

Through the double movement of enlarging the domain and narrowing the perspective (more formal), economics has become a science dealing with something different than what is usually understood by people as the economy. However, this “democratic” argument is not sufficient to revise its new scientific status. Coase and Akerlof think that the logic of maximization is not enough to understand and to do trustable prediction about the economic system because its complexity requires a more sophisticated approach. We should open the doors to other logics in order to fully understand it and to predict more accurately; in Phelps Brown’s words: “The economist’s studies should be field-determined, not discipline-determined” (1972: 7). This does not mean that economics should refrain from using

¹⁵ See also Robert Strotz (1953: 393), who affirms that “the Neumann-von Morgenstern axioms may properly be regarded as precepts of rational choice” (see also 391), and Paul Shoemaker (1982: 537-538).

the maximizing logic because this is one of the rationalities acting within the economic domain. Moreover, economics might do a great service by showing the best way of attaining ends given the means. Nevertheless, is the rationality of acting economically always desirable for humankind?¹⁶ Human beings not always want to act efficiently. The growing field-research on happiness concludes that it does not always consist in efficiency. Then, economic rationality in its normative role should probably also go beyond instrumental maximizing rationality incorporating other reasons.

What is within this framework the role of the sector of the scarcity-based view of economics dealing with the non-economic domain? I want to suggest that this is not economics, but “instrumental maximizing analysis of non-economic choice”, or a “cost-benefit analysis” of non-economic actions, a part of a theory of decision. It is at a higher level, the level of the analysis of social reality, though dealing with it in a specific way. I would say that in this area, at least, the limits are not clear but blurred.

Coase’s suggestion entails that economics should concentrate on a specific sphere of human affairs, given that other social sciences deal with the other spheres: it must be domain-focused. It has to analyze the economic system taking into account all the factors that determine how it works. He asserts (explicitly clarifying that he refers to microeconomics, but leaving the doors open to macroeconomics): “I think economists do have a subject matter: the study of the working of the economic system in which we can earn and spend our incomes” (1998: 73).

Then, the expansion of economics should neither advance as an economic analysis of other social realities nor as a reduction of social rationalities to instrumental maximizing rationality. The way to go is to add other rationalities, logics or points of views, learned from other social sciences, to analyze the economic field. This is especially important for applied economics. The problem with this path is the difficulty in managing it by formal proceedings. Economics must then become less technical and more prudential. This does not mean that it should neglect technique, but that it should increase the attention to social, psychological, and ethical aspects. We must reinsert economics into the context of the social sciences (Ioannides and Nielsen 2007: 2). That is economics, being domain-focused, has a core of scarcity-based analysis of its domain integrated into a broader analysis. At the same time, I suggest that the economical analysis (instrumental maximizing) of realities falls outside the realm of the economy and, consequently, is not part of economics, but of a social science that is at the same time broader in respect to the field but narrower in respect to the analysis and thus partial in its conclusions.

¹⁶ For an analysis of the consequences of a scarcity-based political economy see Llach and Crespo (2006).

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