

Introduction to Symposium on 'Rationality in the History of Economic Thought' Vol. 12(1-2), 2025

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Rationality and the history of economic thought

There is hardly any topic in the theoretical social sciences that is as ubiquitous as the notion of rationality. It also occupies centre stage in the cognitive sciences and the philosophy of the social sciences, including the philosophy of economics. In both the social and the cognitive sciences rationality is typically identified with means-ends or 'instrumental rationality' (IR): a course of action is rational if it is the most efficient way of attaining a goal or a set of goals given the means available. IR has a long tradition in Western thought that goes as far back as Aristotle. It has been adopted by a heterogeneous group of scholars that includes philosophers (Hume 1888; Russell 1954), mainstream economists (Robbins 1933; Samuelson 1955), critics of mainstream economics (Simon 1983), rational choice theorists (Coleman 1990), behavioural economists (Thaler 1991), neuro-economists (Lowenstein and Prelec 1992; Bleichrodt *et al.* 2013) and most modern heterodox schools of thought. What unites these scholars is a notion of rationality defined as adherence to the rules of logic and Bayesian probability. However, in the opening paper to the Symposium, Tasset (2025) challenges the conventional view that Hume adopts a purely instrumental account of rationality and provides textual evidence which, contrary to conventional wisdom, suggests that he also upheld a non-instrumental conception of rationality. Given the pervasiveness of this conception of rationality in the cognitive and the social sciences, it is often known as the 'Standard Picture of Rationality' (SPR) (Stein 1996). A notable feature of SPR is that it is algorithmic and cybernetic and, hence, not necessarily human since it applies equally to human beings, (non-human) animals, and machines. Although the notion of IR has its roots in the work of Aristotle and Hume, the most direct ancestor of SPR in economics is William Stanley Jevons (Jevons [1871]1970). Jevons' contribution to the 'marginalist revolution' in the late 19th century paved the way for the emergence, in the following century, of a version of neoclassical economics that was devoid of almost all its traces of psychology in the work of Robbins (*ibid.*) and Ramsey ([1931]1978). Arguably, Jevons *dehumanized* rationality by likening the human mind to a 'Logical Abacus'

(Maas 1999). It was dehumanized in the sense that (i) reasoning was reduced to a calculation of pleasure and pain, and (ii) the conception of the mind Jevons (*ibid.*) upholds implicitly denies a separate and independent status to consciousness and condemns central features of rationality like 'freedom of the will' and 'weakness of the will' to oblivion. By contrast, classical political economists like Adam Smith or John Stuart Mill apparently upheld a richer conception of the human mind, one that is closer to Kant's in the sense that it recognizes the existence of both instrumental and non-instrumental reasons for acting and ascribes independent status to consciousness. For example, John Stuart Mill's notion of the moral sciences implicitly recognizes that reasoning cannot not be reduced to the rules of logic and probability. This suggests that Classical Political Economists viewed the human mind in a way that differs markedly from the view of members of the 'marginalist revolution' and their heirs. The contributions in the first part of the Symposium by Rodríguez Braun and Méndez Ibisate (2025) and Cruz Hidalgo (2025) offer new insights into Smith's and Mill's account of rationality respectively. Notably, three contributions to this Symposium implicitly lend support to the notion that the dominant conception of (human) rationality before Jevons was broader than his. First, as noted above, Tasset (*ibid.*) argues that Hume (*ibid.*) also upheld a non-instrumental account of rationality. Second, Cruz Hidalgo (*ibid.*) argues that, despite laying out the methodological foundations for the emergence of 'economic man', Mill recognizes that individual behaviour is shaped by the social and cultural context. Last, Macías Vázquez (2025) argues in the second part of the Symposium that the notion that rationality is historically and socially conditioned is central to Marxian theory: workers act rationally when they act in their class interests but only once they *recognize* those interests (class consciousness). By contrast, the notion of rationality adopted by members of Analytical Marxism does not coincide with Marx's. For example, Roemer (1982) defines rationality as being solely instrumental and argues that class structure can be derived from objective positions in each mode of production, without requiring that individuals be class conscious.

Jevons' formulation of 'calculating man' heralded the emergence of 'economic man' whose activities are determined solely by his desire for maximizing utility. Mill laid out the basis for the emergence of 'economic man' in his essay *On the Definition of Political Economy* (Mill [1836]1967). However, the earliest explicit naming of 'economic man' is in Ingram's *A History of Political Economy* (1888) (Persky, 1995, 222). John Neville Keynes ([1890]1963) then picked up the term and ascribed its origins to Mill and, in the same year, Marshall (1890, 26-27) used it in his *Principles*. According to Persky (ibid.), the first use of the Latin *Homo Economicus* is in Pareto's *Manual* (Pareto 1906, 12-14). However, the notion of *Homo Economicus* cannot be understood without the classical version of utility theory devised by Jeremy Bentham (1789). Utility theory forms the core of mainstream economics and rational choice theory. In these approaches rationality is identified with utility-maximizing behaviour. The contribution by Trincado (2025) in the second part of this Symposium contains a critical survey of the conception of rationality implicit in various versions of utility theory from Bentham's to the latest versions proposed by prominent philosophers and economists. The combination of *Homo Economicus*, a version of utility theory that was devoid of all traces of psychology but the notion of a diminishing marginal rate of substitution between any pair of commodities, and Jevons' 'calculating man' eventually gave birth to a modern version of neo-classical theory in the work of Knight ([1921]1971) and Robbins (1933), among others. The central building blocks of the theory, namely, the perfect competition model and the consumer model, feature economic agents who seek to maximize utility/profits, and exhibit perfect foresight. As Palacio-Vera (2025) argues in the second part of the Symposium, there is no room for consciousness in neoclassical economics and the versions of expected utility theory devised subsequently by decision theorists (von Neumann and Morgenstern 1947; Savage 1954). To be sure, *Homo Economicus* is a soulless calculating machine. With Robbins' (1933) redefinition of economics as the 'Science of Choice' the field was cut off from psychology and philosophy thus paving the way, in the second half of the 20th century, for rational choice theory or the extension of neoclassical utility theory and decision theory to the rest of the social sciences.

However, psychology would return to economics a few decades later, first, with the emergence of an early version of behavioural economics pioneered by Herbert Simon and George Katona and, a couple of decades later, with another version heralded by the work of cognitive psychologists Amos Tversky and Daniel Kahneman. Both versions of behavioural economics assume that rationality is solely instrumental. Likewise, both of them identify rationality with utility-maximizing behaviour and, hence, with adherence to the rules of logic and Bayesian probability. However, an implication of the 'modern' version of behavioural economics is a mounting volume of empirical works based on lab experiments with subjects which suggest that human beings commonly violate the axioms of expected utility theory (Camerer et al. 2005). Cognitive scientists normally interpret these empirical findings as evidence that

the bulk of human behaviour is irrational. Thus, they reject the descriptive or explanatory interpretation of expected utility theory. Their research agenda consists of identifying systematic *deviations* of observed behaviour from the behaviour predicted by expected utility theory and explaining them with the aid of psychology-based theories and methods. However behavioural economists' identification of rationality with utility maximization prompted a reaction by a group of psychologists led by Gerd Gigerenzer who reject the normative interpretation of expected utility theory and propose an alternative conception of rationality they denote as 'ecological rationality' (Todd and Gigerenzer 2007; Gigerenzer 2021). Gigerenzer's project may be viewed as a sequel of Herbert Simon's notion of 'bounded rationality'. 'Ecological rationality' views rationality as the (historical or evolutionary) result of the *adaptive* fit between the human mind, with its limited capacity to collect, store, and process data and information, and the surrounding environment. Evolutionary biologists' conceptual framework and the notion of 'survival of the fittest' has been a source of inspiration for social theorists since the second half of the 19th century. Arguably, the first school of thought in economics which adopted an evolutionary conceptual framework was the American institutionalist school of Veblen, Commons, and Mitchell, among others. As de Arribas Cámara (2025) explains in his contribution to this Symposium, this school of economics viewed rationality as a historically and socially conditioned process and, hence, as the result of adaptation to the surrounding environment. It follows that this account of rationality exhibits similarities to the notion of 'ecological rationality'.

The structure of the Symposium

The Symposium consists of seven papers divided into two numbers in volume 12 of the *Iberian Journal for the History of Economic Thought*. The first number includes, in this order, the contributions by José Luis Tasset, Carlos Rodríguez Braun and Fernando Méndez Ibisate, Esteban Cruz Hidalgo, and Javier de Arribas Cámara. The second number includes, also in this order, the contributions by Alfredo Macías Vázquez, Estrella Trincado, and Alfonso Palacio-Vera. In the remainder of this section I comment briefly on their contributions.

The first paper is Tasset's (University of A Coruña, Spain) exegetical exercise based on David Hume's theory of practical rationality. David Hume is commonly cited as the modern philosopher who provides the clearest formulation of IR when he claims that 'reason is, and ought to be the slave of passions, and can never pretend to any other office than to serve and obey them' (Hume, 1888, II, iii, 3, 415-16). Tasset relies mainly on the work of American philosopher John Rawls to substantiate the conventional wisdom which attributes to Hume a purely instrumental account of rationality and provides textual evidence which, according to him, is compatible with an alternative interpretation whereby Hume upheld a theory of practical and, especially, moral rationality which is not purely instrumental and revolves around the theory of the 'judicious spectator' or 'impartial observer'.

In their joint paper, Carlos Rodríguez Braun (Colegio de Eméritos) and Fernando Méndez Ibasate (Complutense University of Madrid, Spain) explore the relation between the ideas of Bernard Mandeville, Adam Smith, and Spanish writer Wenceslao Fernández Flórez. Although the connection between Mandeville's *Fable of the Bees* and classical liberalism is widely acknowledged, the connection between, on the one hand, the work of Mandeville and Smith and, on the other hand, the work of a Spanish writer and journalist of the early 20th century is little known, especially by Anglo-Saxon scholars. The authors trace the origin of Mandeville's ideas to the liberal tradition of natural jurisprudence and the School of Salamanca and ascribe to him a liberal notion of individual rationality which they seem to contrast with the idea, commonly associated to various branches of socialism, that it is possible to construct a society based on a 'rational plan'. After reviewing the similarities and differences between the ideas of Mandeville and Smith, they discuss the connection between their ideas and those of Fernández Flórez. The latter published in 1926 a novel titled *Las siete columnas* (*The seven columns*), whose plot is remarkably similar to the plot of *The Fable of the Bees*: evil is eradicated from the world and ruin subsequently ensues. The authors stress that, like Mandeville and Smith do, Fernández Flórez insists on the idea that virtue and vice inevitably coexist in social relations due to the imperfection of human nature and this imperfection also extends to the economic field. For this reason, according to them, Mandeville, Smith, and Fernández Flórez would agree that institutions and rules are indispensable in communities of free people, would reject the excesses of economic and political power, and would also caution against the dangers of promoting ideal worlds.

Esteban Cruz Hidalgo (University of Extremadura, Spain) discusses John Stuart Mill's methodological approach to Political Economy which he denotes as pluralistic and evolutionary. He identifies three different intellectual paths derived from Mill's thought. The first one features abstraction, mathematical formalization, and the notion of *Homo Economicus*, and leads directly to neoclassical economics. The second one corresponds to Mill's separation of abstract and formal economic science from its practical applications and a conception of individual rationality as shaped by social and cultural contexts, in contrast to the rational individual who seeks to maximize expected utility. The third and last path, methodological pluralism and historical-institutional analysis, reflects Mill's broader philosophy and interests. Cruz Hidalgo argues that Mill rejected excessive formalism and recognized the evolutionary nature of economic phenomena. For example, Mill recognizes that preferences are shaped through a complex process of mutual interaction and socialization which points towards the adoption of a multidisciplinary approach in the social sciences. Last, the evolutionary outlook of Mill's methodological approach also translates into a need to integrate history and institutions into economic theory.

In the fourth paper included in the first part of the Symposium Javier de Arribas Cámara (2025) (Complutense University of Madrid, Spain) argues that American institutionalism views economic rational-

ity as a historically and socially conditioned process which, in a sense, constitutes an extension of the third intellectual path that Cruz Hidalgo associates to John Stuart Mill. De Arribas Cámara (ibid.) explores some of the ideas of four prominent American institutionalists: Veblen, Commons, Mitchell, and Ely. These scholars were influenced by evolutionary biology, social psychology, and American Pragmatism, the school of philosophy formed by Charles Sanders Pierce, John Dewey, and William James. This resulted in a unique school of thought in economics which dominated American academia during the interwar period. As de Arribas Cámara (ibid.) notes, the quintessence of the institutionalist school is the adoption of an evolutionary approach whereby habits, customs, and institutions shape individual behaviour and this, in turn, shapes the evolution of institutions over time. The exogenous variable in this feedback loop are changes in technology. With regards to rationality he insists that, instead of reducing individual behaviour to a utilitarian calculus, institutionalists emphasize how the ends or goals of individuals are affected by emulation, imitation, and the search for social prestige, and how habits determine the way individuals go about attaining their goals.

The first paper of the second part of the Symposium is Alfredo Macías Vázquez's (University of León, Spain) discussion about the conceptual weaknesses of Analytical Marxism, the school of thought that has attempted since the 1970s to recast Marx's main ideas in terms of the concepts of analytical philosophy and the methodology of rational choice theory. The starting point of his discussion is what he calls the puzzling defence and adoption of rational choice theory by Analytical Marxists. The author then criticizes the attempt to socially stabilize capitalism by means of approaches like Rawls' (1971), which seeks to provide a normative criterion of justice that helps mitigate inequalities, and casts doubts on the usefulness of Habermas' ([1981]1985) communicative action. Last, the author concludes that if the new currents of Marxism do not want to succumb to an egalitarian version of liberalism like Analytical Marxism and Habermas, they must refuse to construct a critical social theory and, like Marx did, continue to develop a critique of political economy.

The sixth contribution to the Symposium is Estrella Trincado's (Complutense University of Madrid, Spain) discussion of the evolution of the utilitarian conception of individual rationality in the history of philosophy and economics. Trincado locates its modern origins in Jeremy Bentham's (1789) classical version of utilitarian theory of human behaviour which he defines as 'hedonistic calculus'. However, she identifies its ancestors in the ideas of Greek Epicurean philosophers, British philosophers John Locke and David Hume, and continental European thinkers Helvétius and Beccaria. She notes that the criterion of rationality in utilitarian theory is logical coherence or consistent means instrumentally connected to happiness defined exclusively in terms of pleasure and pain. Trincado then discusses the evolution of the utilitarian conception of rationality through the versions proposed by John Stuart Mill, Henry Sidgwick, George Moore, and a long list of contemporaneous philosophers and economists,

including Isaiah Berlin, John Rawls, John Harsanyi, Douglas Vickers, and George Shackle.

The last contribution to the Symposium is the paper by Alfonso Palacio-Vera (Complutense University of Madrid, Spain) on the emergence of the conception of rationality in mainstream economics defined as adherence to the rules of logic and Bayesian probability. The author identifies the emergence of the neoclassical account of rationality in Jevons' *Theory of Political Economy* (Jevons [1871]1970). This theory is based on the conflation of the mind with a machine (or computer) and of judgement with calculation. He argues that Jevons' work entailed a profound shift in the status of *Homo Economicus* from being a mere fiction, caricature, abstraction, or idealization which plays a heuristic role (as in John Stuart Mill) to playing also a *normative* role. The author then tra-

ces this shift through the work of Pareto, Hicks, Allen, and Robbins and argues that the adoption of this conception of rationality had deep repercussions for economics, the most important one being its *de-humanization* due to the dissociation of rationality from consciousness. In Classical Political Economy rationality was identified solely with human beings. By contrast, from Robbins onwards, rationality applies equally to human beings, (non-human) animals, and machines. Last, the author characterizes the evolution of the neoclassical account of rationality since the early 20th century as a *de-idealization* process whereby, starting from Pareto's objectivist and parametric notion of 'logical' actions, by the mid-20th century rationality had become subjectivist and strategic.

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