

# Economics and Ethics: A Quick Inquiry

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## Abstract

This paper is an outcome of a quick inquiry about economics and ethics. It covers mainly three aspects: Kautilyan view, post autistic economists' view, and Sen's view. People like to call neoclassical economics as 'mainstream economics' because most universities offer mainly neoclassical axiomatic courses. Over time, the neoclassical economists exercised "uncontrollable use" and treatment of mathematics as "an end in itself" due to which economics had become "an autistic science" that lost in "imaginary worlds" and hardly can explain the reality. This compilation concludes with an urge to develop skills of the scholars that are transferable to multiple fields of inquiry and that encourages a critical frame of mind help locate the big questions.

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## KEYWORDS

Ethics, neoclassical economics, post autistic economics, *Kautilyan* economics, Sen's view

## Introduction<sup>1</sup>

"Economics is about people and the society" is a popular statement about the subject matter of economics that emphasizes the direct goal of economics as a systematic accumulation of knowledge (Onyimadu, 2015). Basically, economics focuses 'its analysis on the problems centering distribution and production in societies. Onyimadu (2015) further shares the process of addressing societal problems as follows:

Economics - economist and policy makers – subscribe to a preferred theoretical frame work to form a base for such analysis and a method of study to elicit possible relationships and inferences that will aid in making postulates about the characteristics of the society and in specific, address societal problems.

Over time, the mainstream economics popularly referred to as neoclassical economics (synonymous with neoliberalism). It dictates with regard to the philosophy of science has dominated this systematic accumulation of knowledge. The dominance of the neoclassical economics methodology in the field of economics and the resulting monopoly of policy prescriptions has led to a rather precarious state of affairs in the course of achieving the original goal of economics – being a study about people and the society (Hodgson, 2001).

## What is ethics?

There are many ways to define what is meant by ethics. One working definition is: Ethics is the study of one's proper interactions with others: it is the analysis of right and wrong (Wight, 2007).

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<sup>1</sup> The work of this paper is still in progress; please do not copy, paste or refer.

Ethical beliefs and practices make up the formal and informal rules that generate trust, promote interdependencies, and spur work productivity in a myriad of ways. In everyday economic life there is a vast grey area in which economic behavior is shaped by these social instincts and unconscious moral constructs.

In this book *The Theory of Moral Sentiments* written in 1759, Adam Smith, the founder of modern economics, wrote (1759) to model the process by which instinctive human nature is socialized for cooperation. He also wrote in *The Wealth of Nations* (1776) about the ‘invisible hand’ of the market; few realize that trust and ethical norms—derived from moral sentiments—were essential components for making trade work without the heavy hand of government<sup>2</sup>.

The study of ethics in economics offers a ‘complementary understanding’ of hidden currents and tides that also move actors on the commercial stage—workers, suppliers, managers, and customers. Ethics provides the “institutional framework” within which economic activity unfolds. The biographies of great entrepreneurs show that they often hold complex motives and inspire others for a variety of reasons. Many technological breakthroughs of the 20th century, for example—relativity, computing, DNA, television, and the Internet – were driven by entrepreneurs with non-pecuniary motives<sup>3</sup>. Non pecuniary motives may relate to internal intentions or they may relate to social rewards of esteem and fame. In either case, ethical behavior is intertwined with concepts of personal meaning and social acceptance.

Ethical considerations are often avoided by economists who are concerned about introducing ambiguity into the seemingly objective predictions and recommendations of economics. But again in the words of Amartya Sen:

An economic analyst ultimately has to juggle many balls, even if a little clumsily, rather than giving a superb display of virtuosity with one little ball [e.g., efficiency].<sup>4</sup>

The complexities of ethics in markets cannot be introduced all at once. Rather, teaching about ethics in economics is analogous to making a sandwich (Bain, p. 126). Supply and demand are the bread that builds the foundation. Self-interest provides the meat. Human sociability, which gives rise to considerations of fairness and morals, is the mayonnaise that holds

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<sup>2</sup> For elaboration, see Jonathan B. Wight, “The Treatment of Smith’s Invisible Hand,” *The Journal of Economic Education* 39(3)(2007): 341-358.

<sup>3</sup> John Kay, *Culture and Prosperity: The Truth About Markets—Why Some Nations Are Rich But Most Remain Poor* (New York: HarperBusiness, 2004).

<sup>4</sup> Amartya Sen, in Arjo Klamer, “A Conversation with Amartya Sen,” *Journal of Economic Perspectives* 3(1)(1989): 141.

everything together. A dry sandwich without the spread is hard to swallow. Integrating ethics into economics enhances the critical thinking process and can presumably better prepare students for the complex world of life.<sup>5</sup>

However, Galbraith (2001) gives reminder that the neoclassical economic theory which explains only a limited facet of economics and the society has been able to dominate theorizing in economics to the extent that other theories as well as ideologies have become rather limited and futile. The subject matter 'Economics' is now often interpreted and substituted for 'Neoclassical economics'. This is a very serious problem because it limits critical thinking in the field of economics and forces the economist to view theorizing and policy prescriptions through the limited lens of the neoclassical economics concepts which represents an unrealistic fraction of today's world reality (Galbraith, 2001). Before narrating this aspect, the next section deals with ethics-based *Kautilyan* economics

### ***Kautilya's* ethics-based economics**

Both *Kautilya* and his masterwork the *Arthashastra* are much misunderstood. Popularly known as Chanakya, he is maligned and often ridiculed as a teacher of unethical, not to say immoral, practices and as an advocate of the theory that 'the ends justify the means.' 'Chanakyan' has entered Indian vocabulary as the equivalent of 'Machiavellian'<sup>6</sup>.

*Kautilya* was a learned, ethical, wise, experienced, secular, progressive, independent and original thinker (Shihag, 2017). His *Arthashastra* is considered as a 'peaceful enjoyment of prosperity' for everyone. He understood the economic system as an 'organic whole' with 'interdependent parts'. He believed in the power of persuasion, moral and material incentives and not in coercion or force to elicit efforts. He relied on both the invisible hand (market) and direct hand (principle, policies and procedures) to enrich the people.

At the time of *Kautilya*, 'genuine trust' was an 'ethics-incentive' concept since non-violence, truthfulness, honesty, and benevolence were the foundation for trust. *Kautilya* accepted that insight wholeheartedly. In order to trust to have been flourished, it was believed that an ethical environment is required. For making sure that the children grow up to be ethical adults, *Kautilya* suggested teaching ethical values at an early age as he believed that *dharmic* (ethical) conduct paved the way to bliss and also to prosperity.

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<sup>5</sup> Milton Friedman, "The Social Responsibility of Business Is To Increase Its Profits," New York Times Sunday Magazine, September 13, 1970, at p. 32.

<sup>6</sup> In the Foreword of *The Arthashastra* edited and translated by Rangarajan L N (1987)

According to *Kautilya*, a society based on contracts alone is less productive and more anxiety-prone than the one based on conscience and compassion. If the social environment is predominantly ethical, less defensive measures are required to fight opportunism. He emphasized ethical lessons for the children to replace the ‘culture of suspicion’ with a harmonious and trusting one.

Shihag (2017) indicated that trust played a critical role in knowledge based economy: trust may be an intangible asset but has the most tangible role in creating and sustaining the social, economic, cultural and political structures. In an industrial economy, trust (a) reduces transaction costs by reducing opportunism, and enhances a feeling of wellness by reducing anxiety and (b) also might increase GDP by reducing the demand for lawyers and turning them into engineers.

Trust is the most valuable asset in a knowledge-based economy. Both creation and sharing of ideas depend on trust. The distinguishing characteristic of a knowledge based economy is a frequent sharing of ‘tacit’ knowledge and exchange of information among the cognitive labor. As soon as a person codifies his tacit knowledge everyone has access to it. Knowing this fact, a person will share ‘tacit’ knowledge only if s/he is sure of not getting fired. Creating ethical-based trust is the key to realizing all the potential gains from creating and sharing of knowledge.

Since mid 1990s, a considerable amount of intellectual effort has been devoted to study the nature of relationship between institutions, good governance, and economic growth. One group of economists argues that institutions are the most important determinant of economic growth. In fact these economists call institutions as the ‘deep determinants’ of growth. For example, Rodrik, Subramaniam and Trebbi (2004) claim, “This exercise yields some sharp and striking results. Most importantly, we find that the quality of institutions trumps everything else.

The other group of economists gives primary importance to good governance and only secondary to institutions. Glaeser *et al.* (2004, p298) conclude, “But institutional outcomes also get better as the society grows richer, because institutional opportunities improve. Importantly, in that framework, institutions have only a second order effect on economic performance. Importantly, in that framework, institutions have only a second order effect on economic performance. The first order effect human and social capital, which shape both institutional and productive capacities of a society.”

*Kautilya* considers the state or government has a crucial role to play in maintaining the material well-being of the nation and its people. Therefore, an important part of

*Arthashastras* is 'the science of economics', including starting productive enterprises, taxation, revenue collection, budget and accounts. The aim of pursuing successful economic policies, particularly through productive enterprises, is also to increase the revenues of the state and appropriate the surpluses for the state treasury. *Kosha* (treasury) is an essential constituent of the state, 'A King with a depleted treasury eats into the very vitality of the citizens and the country' says *Kautilya*. At the same time, a King who impoverishes his own people or angers them by unjust exactions will also lose their loyalty. A balance has to be maintained between the welfare of the people and augmenting the resources of the state. Nowhere, this paper shares about the post autistic economists' movement that was run against the monopolizing nature of neoclassical economics.

### **Post Autistic Economists' (PAE) Movement**

*What is PAE movement?*

The post-autistic economics movement or movement of students for the reform of economics teaching is a political movement, which criticizes neoclassical economics and advocates for pluralism in economics (Keen, 2001, Fullbrook, Undated).

The protesters found the lack of 'realism' in economics teaching (Fullbrook, 2004). They identified three, out of many, prominent factors that deserve protests against domination of this (neoclassical) school.

These are:

1. Over-reliance on mathematics to explain the real world. In other words, they were more dependent on symbolization that led them deviate from reality.
2. Instead of considering their theory as a tool in the pursuit of knowledge, the neo-classical economists considered that as the most essential viewpoint to explain all economic phenomenon
3. Over time, neoclassical economists contain more myopic view due to which the students remained in the dark as economic history and history of economics were eliminated from the curriculum that made them unable to deal with newly emerged economic reality such as, consumer societies, corporate globalization, economic induced environmental disasters and impending ecological ones, the accelerating gap between the rich and poor, and the movement for equal-opportunity economies etc.

More clearly, neoclassical economists exercised "uncontrollable use" and treatment of mathematics as "an end in itself" due to which economics had become "an autistic science" that lost in "imaginary worlds". Over time, the university economics curriculum got

submerged with the repressive domination of neoclassical theory and approaches (PAE Petition, 2000). As a result, these days people like to call neoclassical economics as ‘mainstream economics’ because most universities offer nothing else other than neoclassical axiomatic courses (PAE Network, Undated). More alarmingly, the “dogmatic teaching style” in economics leaves no place for “critical and reflective thought”.

### *Origin of neoclassical thought*

The origin of neoclassical thoughts is not what an outsider might think. Although today neoclassical economics cavorts with neoliberalism, it began as an honest intellectual and would-be scientific endeavor. Its patron saint was neither an ideologue nor a political philosopher nor even an economist, but Sir Isaac Newton. The founding fathers of neoclassical economics and their descendents living today hoped to achieve for the economic universe what Newton had achieved for the physical universe.

But this required the “treatment of human desires” as fundamental data, which, like the ‘masses of physical bodies in classical mechanics, are not affected by the relations being modeled’. Under this light, at the dead end of 19th century, Thorstein Veblen sums up the core metaphysic as follows:

the human material with which the inquiry is concerned is conceived in hedonistic terms; that is to say, in terms of a passive and substantially inert and immutably given human nature. . . The hedonistic conception of man is that of a lightning calculator of pleasure and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated definitive human datum . . . <sup>7</sup>

With this understanding, the model to determine the economic universe came into being in the 1870s by William Stanley Jevons and, especially, by Leon Walras, both of whom had training on Physics. Known as the model of general equilibrium, this ‘elaborate mechanistic metaphor, proudly devoid of empirical content’, was remaining the “grand narrative” of economic theory for students and economists everywhere. The model was expressed ‘in a language so metaphorical’ with a set of axioms given below:

1. The economic universe is determinate.
2. It exists in a void rather than in an ecosystem.
3. All relations in an economy are self-regulating, in the sense that any disturbance sets in motion forces tending to restore the balance.
4. These forces result exclusively from the behaviour of isolated individual agents.

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<sup>7</sup> Thorstein Veblen, "Why is Economics not an Evolutionary Science?" Quarterly Journal of Economics, vol. 12, 1898, p373

5. The behavior of these agents conforms to certain mathematical properties (such as, transitivity, completeness and independence).

Over time, the neoclassical economics concentrates to an economic model that follows Newtonian mechanics in which economic agents could be treated as if they were particles that obey mechanical laws, and the overall behavior could be described simultaneously through a solvable system of equations.

Because a 'macro mass' is *in fact* an additive function of its 'micro masses', neoclassical economics *defines* market demand as the additive function of the demands for any commodity (say, X) of individual agents. But this assumes that everyone's demand for a product is independent of everyone else's demand for that product. Without this independence (that is, the absence of all inter subjective effects)

Market demand considered in the mainstream economics does not exist without this characteristic (*i.e.* independence). But all of us know that 'strong inter subjective effects in markets are the rule rather than the exception in the consumer societies'.

#### *Importance of this debate*

The PA economists considered this debate as an important one because in their view the status quo is harmful in at least four respects.

- Students are taught the 'tools' of mainstream economics without learning their domain of applicability; as a result, the source and evolution of these ideas remained ignored
- Although economics is a social science with enormous potential for making a difference through its impact on policy debates, but in its present form its effectiveness in this arena is limited by the uncritical application of mainstream methods
- Research in economics is being done based on one approach only that holds back deeper understanding of many important aspects of economic life that hampers the development of competing research programs is seriously hampered or prevented altogether
- In the practical field, the economists who are not taught in the prescribed way finds it very difficult to get recognition for their research

PAE protesters identified that the most introductory economics textbooks present a "sanitized", "uncritical rendition" of conventional economic theory, and the courses in which these textbooks are used do little to counter this "mendacious" presentation (Keen, 2001).

Nearly everyone thinks efficiency is a good idea and the neoclassical economists adore using this word to express positive trait. But the meaning of efficiency should differ with the ways it is looked at.

For example, suppose all five firms manage to lower by the same amounts the production cost and selling price of a standard product that they all produce (summarized in Table 1 below).

**Table 1:** *Efficiency of producing goods by different firms*

SITUATION	FIRM	METHOD	CONCLUSION
Five firms all manage to lower by the same amounts the production cost and selling price of a standard product that they all produce	A	By cutting its workers pay	Efficient
	B	By working them longer hours	Efficient
	C	By getting materials at lower prices from a poorer country	Efficient
	D	By replacing some of its workers with robots	Efficient
	E	By inventing machinery improvements that allow it to cut work hours with no loss of output, profit, jobs or pay	Efficient

Adapted from PAE Network (Undated)

Table 1 suggests each firms follows different method to arrive at the same destination (i.e. *efficiency*). Firm A does it by cutting its workers pay, firm B by working them longer hours, firm C by getting materials at lower prices from a poorer country, firm D by replacing some of its workers with robots, and finally, firm E by inventing machinery improvements that allow it to cut work hours with no loss of output, profit, jobs or pay. Now the question is: are all of these changes made to be considered equally efficient?

For a neoclassical economist, the answer is yes and for them that is all that matters. But surely the consequence should not be the same for each firm. In reality, hardly any ‘efficiency claim’ is ever based on an identification of all the consequences. Similarly, students are taught that “externalities” cause reduction in market efficiency but they do not learn that the ‘proof’ that the ‘markets are efficient’ is itself flawed.

Under any market system, the neoclassical economists deal with acutely ideological ‘economic man’ emphasizing some specific roles and relationships. As a result, it allows decisions based only on utility maximization, overruling other forms of ethics. In reality, an economic agent or each individual performs not just the roles centering a market system but many other roles as her orientation may not be only on utilitarianism but on social or environmental ethics as well.

PA economists do not believe that economists have the right to select one ethics as the correct one for framing economic analysis.



Basically, the neoclassical insistence upon the 'utilitarian ideology' legitimizes a kind of 'market ideology' and 'consumerism', which appears to be conflicting to a society that sidelines the debate about sustainable development.

All these indicate a flawed, self-centered economics education system being functional all over that have been producing 'ill-informed' scholars, many of whom used to get involved with as academic economists, and then repeat the process. As a result, the ignorance is perpetuated. This triggered the post autistic economists' movement.

### *Brief History*

In June 2000, a few economics students in Paris circulated a petition calling for the reform of their economics curriculum. Their petition was short, modest and restrained with the core message that they wished to 'escape from imaginary worlds'. They made their position clear pointing out the fact that the curriculum dominated by neoclassical theory or approaches hardly could meet their expectation of studying economics in acquiring a deep understanding of the economic phenomena with which the citizens of today are confronted.

The influence of neoclassical economics had become so strong that from the 1960s onward, neoclassical economists increasingly managed to block the employment of non-neoclassical economists in university economics departments and to deny them opportunities to publish in professional journals. They also have narrowed the economics curriculum that universities offer students (Keen, 2001a). Satirically Hodgson (2001) wrote that Alfred Marshall, who established the first economics degrees in Britain at the University of Cambridge in 1903, would not get a job at the University of Cambridge or any other leading Department of Economics in the world today because of the growing mathematicisation of economics. He introduced much broader curriculum than is typical in the year 2001. Notably, there is very little mathematics in Marshall's writings and he saw mathematics as no more than an auxiliary tool.

At the same time they (neoclassicists) have increasingly formalized their theory, making it progressively irrelevant to understand economic reality. And they even started banishing economic history and the history of economic thought from the curriculum, these being places where the student might be exposed to non-neoclassical ideas (Keen, 2001b).

In their view, the empirical side (such as, historical facts, functioning of institutions, study of the behaviors and strategies of the agents . . .) is almost nonexistent in the teaching that is offered. They were dead against dogmatism. As a result, the students asked instead for a broad spectrum of analytical viewpoints that would replace the existing purely axiomatic process, and contain pluralist approaches, adapted to the complexity of the objects and to the uncertainty surrounding most of the big questions in economics (unemployment, inequalities,

the place of financial markets, the advantages and disadvantages of free-trade, globalization, economic development, etc.).

These indicate the protesters were against the narrowness of their economics education and longing for a broadband approach to economics teaching that would ‘enable them to connect constructively and comprehensively with the complex economic realities’.

This plea of the French students found support from large numbers of economics students and economists in many countries. Almost exactly a year after French students had released their petition, a group of PhD scholars at Cambridge University in the UK raised their voice with the slogan ‘Opening Up Economics’.

Stiglitz (2002) found similarity in modern high-tech warfare and modern economic management as both of these are disconnected from reality. To him, the modern high-tech warfare was designed to remove physical contact. Even ‘dropping bombs from 50,000 feet ensures that one does not “feel” what one does’. Similarly, modern economic management imposes policies ‘callously’ from one’s luxury hotel and one would think twice if one knew the people whose lives one was putting at stake.

### **Sen’s position on ethics and economics**

Sen (1987) restated certain strong links between ethics and economics in his ‘Royer Lectures’, entitled *On Ethics and Economics*. According to Qizilbash (2007), he noted the “contrast between evolution of modern economics largely as an off-shoot of ethics”. He concluded his lectures by suggesting that ‘the case for bringing economics closer to ethics ... lies ... on the rewards of the exercise. ... the rewards can be expected to be rather large’ (Sen 1987, p. 89).

At least in part, both ethics and economics are concerned with ‘human well-being’ and about ‘how we ought to act’. Ethics deals with questions like: ‘what is the good life?’; ‘what ought I to do?’; and ‘what action is right or just?’. On the other hand, in economics, analysis of welfare and public policy engages with these issues (Sen, 1987; Qizilbash, Mozaffar (2007)).

Benicourt (2002) argues that Sen’s capability approach remains “undeniably neoclassical”, and is “just a variation of standard microeconomics”. She also categorizes Sen as a traditional mainstream economist. In response, Robeyns (2002) explains why she believes that these views are fundamentally mistaken.

Referring Sen (1985, 1987), Robeyns reconsiders Sen's capability approach. She reminds that this very approach has its roots both in welfare economics and in the philosophical literature on inequality (Sen, 1980). Robeyns further highlights that 'instead of exclusively on their mental states (utilitarianism) or on the goods that they have at their disposal (resourcism), the capability approach advocates that in making evaluations of well-being or policies, he (Sen) focuses on what people can do and be'.

Over time, Sen and others have extended the scope of the capability approach to study such diverse issues. These include development and development ethics (Gasper 1997, Sen 1999), the evaluation of small-scale NGO-projects (Alkire 2002), eating disorders and famines (Lavaque-Manty 2001), unemployment and inactivity (Burchardt 2002), gender inequality in western societies (Robeyns 2002), to mention just a few. The capability framework is now being used to study topics such as well-being of disabled people, environmental law and climate change, and the impact of a financial crisis on people's well-being. The *Human Development Report*, which is currently (one of) the strongest alternative frameworks to the neoliberalist "Washington consensus", is largely based on the normative foundations of Sen's capability approach. All these indicate the capability approach has gradually developed into a *paradigm*, which 'moves between and beyond existing disciplines, and which is applied in many more domains than only welfare economics or liberal philosophy'. The different works time to time in the capability paradigm strongly suggest that the capability approach make a difference with a standard mainstream economic analysis of these issues.

True that Sen used neoclassical mainstream tools time to time but at the same time he did bear a positive encouraging attitude towards non-neoclassical economists (Robeyns, 2002). Sen has done much to make economics more inclusive for economists with non-traditional views, and has given much personal support to such economists and their organizations (Fine 2001).

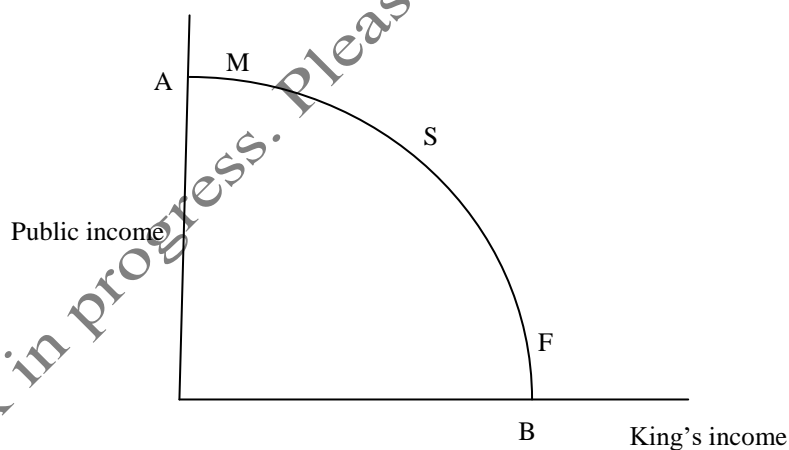
### ***Kautilya Again***

Apparently, economists, even now in 21st century, are debating about the relative importance of institutions versus to that of good governance. *Kautilya* settled this debate two thousand years ago. He argued that good governance created opportunities and institutions allowed them to be availed of implying that both were essential to prosperity and it was futile to

compare them. However, according to Kautilya, most important was the ethical environment, which improved the quality of both.

*Kautilya* believed that poverty was a ‘living death’ and also not conducive to the practicing of ethical values. He argued that maintenance of law and order was a pre-requisite to economic prosperity. He observed, “By maintaining order, the king can preserve what he already has, acquire new possessions, augment his wealth and power, and share the benefits”. The progress of this world depends on the maintenance of order and the [proper functioning of] government. *Kautilya* further argued that a king would either perform his ‘moral duty’ or follow his ‘enlightened self-interest’ if not exercise immorality. Exercising his moral duty, the king ‘wants’ to enrich the public whereas due to his enlightened self-interest, the king ‘has to’ enrich the public. *Kautilya* preferred an ethical king rather than a king motivated by his enlightened self-interest.

Shihag (2017) summarizes the relative consequences of exercising moral duty and enlightened self-interest in the following figure. Let us assume, AB is the income possibility frontier. Point M denotes the combination (high public income, low king’s income) if the king follows his moral duty. Point F denotes the combination (very low public income, very high king’s income) when the king is immoral. Point S denotes the combination (somewhere in between points M and F) when the king follows his enlightened self-interest.



**Table 1:** Trade-off between moral duty and enlightened self-interest

*Kautilya* specified three possibilities:

1. His argument based on moral duty implied that a *rajarshi* (king, wise like a sage) would take a very modest amount for his own consumption, that is, point M would not be too far away from point A on the vertical axis. Such a king would promote ethical behavior, use almost all the tax revenue on the provision of public goods and welfare programmes and follow judicious policies to encourage economic growth. As a consequence there would be both

spiritual and economic enrichment of his subjects. Over time income possibility frontier would shift outwards.

2. According to *Kautilya*, a myopic and unethical king would try to grab almost all the resources for himself. This is indicated by point F on the income possibility frontier. Such a king, as *Kautilya* views, would ruin himself as well as the economy. This is comparable to Olson's 'roving bandit'. Since such a king would leave very little for the public, that is, point F would be very close to point B on the horizontal axis. Consequently, the future economic growth will be adversely affected due to this extortion and myopic behavior. Most likely, the income possibility frontier would shift inwards.
3. A king is motivated by his enlightened self-interest would promote public interest to the extent that it promoted his own interest, that is, promotion of public interest was merely a means to the promotion of his own interest (whereas in the above-mentioned case 1 promotion of public interest was an end in itself). *Kautilya*'s argument based on enlightened self-interest implied that the king might choose a point like S.

Of these three possibilities, the first one is for a society/country as it ensures both spiritual and economic enrichment. *Kautilya* views that market failure is bad, government failure is worse but moral failure is the worst since moral failure is the true cause for other failures.

### **Conclusions**

Philosophy should take a similarly general and prestigious position, in both the natural and the social sciences. Philosophy is a skill that is transferable to multiple fields of inquiry. Hence it can enable communication between disciplines. It encourages a critical frame of mind and can help locate the big questions.

In sum, just as the requirement of mathematics is now virtually universal, so too should be some philosophy, ethics and relevant parts of the history of ideas. All three should be part of the compulsory core curriculum of economics.

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