

Philosophy of Economy: interview with Ricardo F. Crespo¹

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Mario Šilar (interviewer): Hi, good morning, Ricardo Crespo, who is on the other extreme of planet, though to you it's me who is on the other extreme of the planet. I've known you since many years ago. Thank you so much for offering me your time for this interview and for allowing me to enjoy a bit the things you know also since so much time. First, you could introduce yourself. I do know who you are, but who is viewing this video maybe not.

¹ Text transcribed and translated from Spanish into English by FREDERICO BONALDO (Professor of Academia Atlântico/ Uningá Philosophy Department) from the video available on https://www.youtube.com/watch?v=a_LNLLKpfqI (access on March 13th, 2023). English text revised by Michael Robinson (Hope College Department of Economics and Business undergraduate student).

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Ricardo F. Crespo: Thank you very much, Mario. I am Argentine, born in Buenos Aires, where at this moment we have a pandemic peak, so I'm locked up. I studied economics at first. My father was an economist and when I was about to begin the career of economics I had some philosophical concerns, so I said to him: "Look, I'd like rather to study philosophy". And told me: "You're crazy. Who will maintain you?". I studied philosophy after, but under the condition of studying economics firstly. Once I received the economics degree at Universidad Católica Argentina I did the philosophy career, because I had always the concern of knowing what economy was all about. And when I finished the philosophy career I began the academic life, from the lesser position of assistant professor until I became, over the years, full professor of philosophy of economy in the Universities Austral and Nacional de Cuyo. In the researching area, I belong to CONICET (Consejo Nacional de Investigaciones Científicas e Técnicas), which an Argentinian institution that gather many researchers. I did my PhD in philosophy at Universidad Nacional de Cuyo, where I had had my philosophy undergraduate. It is in Mendoza, at the foot of the Andes Mountain Range. And I did my PhD in economics at the University of Amsterdam, in the Netherlands.

Mario Šilar: Now with interdisciplinarity and with research line such as philosophy, politics, and economics, maybe the crossroads between disciplines are more common. But, decades ago, perhaps you have been one of the firsts to get into economy with the philosophy's background and vice versa.

Ricardo F. Crespo: Look, it's curious, but the economic phenom is something very important in people's lives. And naturally philosophy should deal with economy. Indeed, Plato has his commentaries on the economic phenom, and Aristotle too. But afterwards there's like a great emptiness.

Mario Šilar: So as in politics it has always a relationship between philosophy and politics, the political philosophy, the social philosophy.

Ricardo F. Crespo: Exactly. Social philosophy, philosophy of law. These are very ancient disciplines. Nonetheless, philosophy of economy only rises strongly in the 20th century, and very advanced that century. And it happened because people like me –in the sense that I’m a philosopher who has some economic interest and an economist who has some philosophical interest –, in front of economic crises and the crises of economic science – which many times didn’t explain the why of those crises – said: “Now we have to think things more deeply, because something is failing here”. And I would tell you that only in the 1980’s philosophy of economy began to have a group of people dedicated to this issue, with a review kind of their own, which is called *Economics & Philosophy*, with the *Journal of Economic Methodology*, with the creation of the International Network for Economic Method and its biannual congresses. But there are still few people who deal with that. For example, the course I teach at Universidad Nacional de Cuyo, which is a seminary of philosophy of economy, exists because I exist; otherwise, it wouldn’t exist. It’s a course that constitutes one of the philosophy undergraduate’s orientations, named “practical philosophy orientation”. We, the faculty, took advantage of my presence there and of the fact that I am kind of amphibians, and that course has been created; if not, it would not exist. In fact, in Argentina, there is no other philosophy of economy professorship, in no university. I don’t know whether there is any in Spain. In the rest of the world, there are some universities in Netherlands, in England, beyond some others in the United States and in France, in which there are professorships connected to history of economic thought. That’s why philosophy of economy is not a discipline considered very important. Philosophers who were concerned about the

economic phenom... Adam Smith, to start with, because he –who is considered the founder of economics, and he is in some extent– was a philosopher in fact, a professor of moral philosophy at University of Glasgow. Another important one is Marx, who was a philosopher too, a quite materialistic philosopher, who wrote his doctoral dissertation on Democritus; to him, as a materialistic, the economic phenom was very important, so much that he wrote *Das Kapital*. Other philosopher and economists were John Maynard Keynes –who really studied philosophy, once he only took a fifteen-day course of economics with Alfred Marshall, an important economist–, and the economists of the Austrian School, as Menger, Mises, and Hayek. Maybe I'm citing people little known by your audience, Mario. But I like to cite them, because, within philosophy of economy, they are names who deserve to be considered. Even to an economist these names are important to be considered as well. Another one I skipped is John Stuart Mill, who was an English philosopher of the 19th century, whose father was also a philosopher, and dealt with all issues of human knowledge, what is impressive; he dealt with political philosophy, wrote on philosophy of sciences topics, and dealt with economy too; in fact, the most important economics treatise previous to Marshall's were Mill's *Principles of Political Economy*; and it is said that Mill coined the famous phrase *homo oeconomicus*.

Mario Šilar: Which would you say that is the essential aspect of a philosophy of economy? That is, that which deserves one reflects upon economy philosophically (that, as you have said, is not neither to do a history of economic thought nor simply compile that some economy theorists say)? What do you believe to be the most important topic of philosophical reflection on economy, how could we define that, and which is the place that the expression *homo oeconomicus* has within that concept, a phrase so spread in political life and in the media (it always shows up everywhere

a sort of *homo oeconomicus* that would be responsible for many of the evils which afflict us today)?

Ricardo F. Crespo: The philosophy task is to reflect on the nature of the concepts used by other sciences. The economist, for instance, doesn't know what economy is. Neither he knows what economic science is. Nor he knows what money is. Notwithstanding, he calculates inflation, the interest rate, the issuance of money, looks for predicting whether prices will increase or not. But he never asks himself about what money is. This is the task of the philosopher. And it is relevant to the economist, because, for example, in the case of the cryptocurrencies or digital money: are they true money? It is important to know this, because then one can know whether a central bank must intervene or not on cryptocurrencies, which is an issue quite debated worldwide today. The central banks haven't yet asked themselves whether cryptocurrencies are money. And if they are not, why should central banks intervene on them? On what you said about *homo oeconomicus*: the standard economics understands that it has to deal with only one aspect of human behavior, which is the maximizing instrumental action, that rationality which always looks for maximizing utility –I wouldn't say optimizing, because this word refers to something qualitative, but I'd say maximizing, which is something quantitative. "Maximizing utility" is a notion quite abstract, but when we go down to reality the only way to measure this notion is through money. How do I maximize utility? By maximizing my income. In the case of companies, by maximizing their earnings; and in the case of individual consumers, by maximizing the resources they already have, that is, looking for to buy the most possible or looking for earn the most possible. This is the *homo oeconomicus* defined by John Stuart Mill. But the same Mill says it is actually an abstraction. No sensible economist can think that, in reality, things happen this way, because human intentionalities are varied. The reasons by

which a person acts are many. The person who goes to supermarket doesn't make a calculation on the utility maximization. He could be going to supermarket with the idea of buying a series of things he needed, but he saw something on a shelf that attracted him, and he changed his mind. That is to say, a person don't guide himself only by a calculation of utility maximization. And this was emphasized only in the 1980's, when there began to be a strong criticism to the lack of empirical confirmation of the economic theories. When empirical confirmations and experiments began, which is named experimental economics, strongly started by a Nobel prize called Vernon Smith, together the appearance of another branch named behavioral economics, through another Nobel prize called Daniel Kahneman...

Mario Šilar: Who is a psychologist.

Ricardo F. Crespo: Yes, he is a psychologist as well. As I said, with the appearance of experimental economics and of behavioral economics, a series of experiments began to be done and it was demonstrated that human being doesn't behave as economists say. That is, that instrumental, maximizing rationality is an abstraction which is not real. Sociological and psychological elements, ethical motivations, traditional issues (either of simple inertia or conventions) show up. And then began to appear new economical currents, like new institutionalism, and behavioral economics, which I just mentioned. Behavioral economics says that behind behaviors there's also something neurological. So appears what is called neuroeconomics. There is also evolutive economics, because, in the same way it can be spoken about an evolution theory in the field of biology, there is perhaps some evolution within economy. In other words, at the same time philosophy of economy begins to be spread, all these currents begin to show up, which coincide a lot with the critics made by philosophy of economy to the standard economics paradigm that

had been prevailing until the 1980's. And that paradigm still coexists today with these new paradigms recently rose. Why? Because in the social sphere the coexistence among paradigms, even contradictory ones, is usual.

Mario Šilar: I was thinking that, *mutatis mutandis*, it is similar to what happened in psychoanalysis. Because though Freud's psychoanalytic theories are defeated in some sense, the idea that someone had a "failed act" or the idea of unconscious as a basic criterion for explaining some behaviors ("I dreamed such thing. Which is its meaning?") show that there's a sort of cultural Freudianism fully in force, though the present science of psychology goes through other paths e sheds more lights than those of the psychoanalytic paradigm.

Ricardo F. Crespo: And as you say, it is in language.

Mario Šilar: Exactly. *Homo oeconomicus* is in language as well, even to me. Now I remember all action irrationality phenomena. By the way, Daniel Kahneman writes about it in a entertained way, goes down to the practice pointing out very concrete cases in which we are tremendously incoherent. For example, you can be at a supermarket worried of the fact your wage is not enough to reach the month end, and suddenly your daughter begins to ask you insistently for chocolates; and you, only to shut her up, buy chocolates, that is, perform a anti-saving action of allowing to yourself a caprice, whereas you were before buying rice and tuna for saving the scarce money of your salary. So I ask you: how could we get and hold a model of rationality which doesn't fall neither into the abstraction of *homo oeconomicus*, that we've already seen that is fragile and incomplete, nor into the adrift of irrationalism, that lead us to think we are a bundle of contradictions? Moreover –forgive me that I insist on this–, behind those phenomena of action irrationality, there's also that you

said on behavioral economics, that idea of nudge policy treated by Thaler and Sunstein, that is, the idea that, once the social actors, the citizens, are quite clumsy on their actions –what is allegedly demonstrated by lots of experiments–, let’s let a group of politicians to make the institutional proper design in order citizens follow some game rules which allow a more efficient society, when those inept people choose what they think is the best. In other words, the discovery of the irrationality in actions, which is much more present than we think, far from bringing positive things – though it has brought them – also brings a new threat: a 2.0 society of experts who are able to draw even a new artificial order from the people’s irrationality.

Ricardo F. Crespo: Yes, it’s terrible, it’s terrible. At the end, it’s a manipulation. Nudge policy is heavily criticized. What is needed is to point out the rationality of irrationality, so to speak. In other words, we need to show that there’s a wider rationality than economical rationality, the fact that people don’t act exclusively by reasons named “economic”. It is needed to amplify the notion of rationality so one can realize that when the psychological factor, the routines, come in, there are other reasons to act. In some way, those reasons can be rationalized. There is a very classical concept which is that of practical rationality, that is the concept of human rationality, which contemplates all those motivations behind an action. It is found in Aristotle, but in Max Weber too, for example, who lived in the end of nineteenth century and in the beginning of twentieth century, and who speaks on instrumentally rational actions as well as actions prompted by values, traditions, affects. No human action is motivated by only one of these dimensions. In general, there’s a mix. In some cases, maybe prevails one of them (in family domain, the affective dimension; in social domain, laws and justice prevail; in economic domain, maybe the instrumental dimension is prevailing, but is not the only one). So it seems to me that we need a much wider concept of rationality. And when this concept is

revealed and spread, people can act rationally without the aid of a nudge. Indeed, the idea of nudge policy is terrible. It means: "I continue to deal with ignorant people, and I manipulate them, so they do what is more fit to themselves". But who defines what is more fit to themselves? Moreover, in general, that "more fit to themselves" falls back into an economistic vision. So people who act economically are generated, because things are presented to them in such a way it is known they will carry out such actions. The purpose is to take advantages from their biases.

Mario Šilar: There are nudges of every kind. It there can be one related to saving money policies and another – which, by the way, was successfully in England – related to organ donation, with the idea of changing some social order. Usually, an order would be like this: "If you want to save 30% of your wage or if you to be an organ donor, put your signature here". But when this order is inverted, it becomes in this: "Look, by default, you'll be a saver of 30% of your wage and an organ donor. If you do not want to be so, put your signature here". And as many were lazy to be proactive as to putting their signature on a leaf, this expedient alone suddenly achieved that Britannic society was more solidary regarding organ donation; and another society, through the same expedient, would be more austere regarding saving money culture. This means to manipulate the agents' range of options, seeking to know their own weaknesses, so a small group of people get from them what they want the aggregate sum of decisions be like.

Ricardo F. Crespo: Exactly. I'm going to tell you something personal that perhaps is politically incorrect. I don't want to donate my organs because I don't trust meanders of our medicine. On the identity card, if you don't do anything to avoid it, you are a donor. If you don't want to be so, you must go to an office of Argentine Mail and send a Document Letter [which is the proper instrument in the case the

correspondence requires a legal validity] to INCUCAI [the initials of Unique Central National Coordinator Institute of Ablation and Implant], which is the responsible government agency to shatter the donated organs. And I did so. The girl who waited me made a face as saying: “You are an evil person, an egoistic who don’t want to donate your own organs”. Well, I do what I want to do, I am free. But my renounce to donate sounded as something violent.

Mario Šilar: I didn’t know that that has already reached Argentina. How these things spread fast! Now, you already have written many books and articles. Which is the book you wrote you are particularly proud of? There are some very technical. I’ve been lately reading your book *Economics and Other Disciplines: Assessing New Economic Currents*, where, among other issues, you speak about the new current of happiness economics, treat institutional economics, approach capabilities, etc. To a person interested in exploring these issues, which of your books you recommend and which of them you are particularly proud of have written?

Ricardo F. Crespo: The last I released, *The Nature and Method of Economic Sciences: Evidence, Causality, and Ends*, is a book of which I’m pretty glad of. Now, as more accessible book, I’d recommend *Philosophy of the Economy: An Aristotelian Approach*. It was published in 2013 by Springer. I’d have to make some adjustments on it today. God willing, there’ll be a second edition, it depends very much on the publisher.

Mario Šilar: You would have to make those adjustments because the new issues that are showing up, and not because of some errata, right?

Ricardo F. Crespo: Yes, yes, because these new issues. I’d like to develop there the cryptocurrencies issue, which are merely mentioned and of passing.

Mario Šilar: This the topic of the moment, isn't it? The first time I knew about cryptocurrencies was in 2007, when I went to the United States and talked to people who said how difficult was to understand the dynamic of Bitcoin.

Ricardo F. Crespo: Bitcoin is one of the most famous cryptocurrencies and has a very waving value. It's hard to know the best moment to buy and sell it.

Mario Šilar: So it is. Bitcoin is one of the 1,300 cryptocurrencies existing today, which are more or less serious projects. Besides them, there are many others that are almost purely pyramidal projects. There also is the Block Chain problem, which raises the question to what extent we can have an exchange means that breaks the central banks centralization. There are many people who think that if central banks intervene in Block Chain and cryptocurrencies, it would be to control, distort or destroy the possibility that a decentralized way of exchange show up. Here we have a very intense debate on the essence of money.

Ricardo F. Crespo: Exactly, what is the essence of money, what is the origin of money. If this were understood, it would be easier to understand the attitude that must be taken before these new currencies. It's a good example of the utility of philosophy of economy. But we need to know whether people will listen to us, it's not easy.

Mario Šilar: Well, Ricardo, thank you very much for this time of talk, and this chance I got to maybe understand, in these few minutes, the difference between philosophy of economy and history of economic thinking, and the importance of reflecting philosophically on economy. It was very useful to me.

Ricardo F. Crespo: I thank you so much, Mario.

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