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**THE NEUTRAL VIEW OF SCIENCE:  
AN EXAMPLE OF ITS INABILITY  
TO EXPLAIN PRACTICE**

A generally acceptable definition of the science of economics is that it is the study of the human activity which deals with the thrifty application of relatively scarce alternatively useful means of need fulfilment.

For those who accept the so-called neutral or objective view of economics this definition encompasses the full spectrum of economics as a science. Based on J. Bentham's Utilism, which postulates that man, in his economic actions, strives only for maximum utility, one would have to judge in isolation whether this would indeed yield maximum utility – and not inquire as to whether it is at the same time ethically acceptable or not. This is typified by the statement of the well-known economist, John Hicks (1959): "Economics finds the end of economic life within economics." The view of man in the neutral study of economics is largely determined by the point of departure of Humanism. Sovereign man, as viewed by the Rationalists, with his autonomous reason, sees to it that the perfect economic man (*homo economicus*), in his striving for the maximizing of utility, together with the free market mechanism built on the principle of causality of the natural order, sees to the automatic progression of economics in a mechanical way.

The neutral vision has an absolute approach as its method. Because economic principles are the only viable ones in this view of economics, the method consists of abstraction and deduction. The point of departure is based on both economic and non-economic assumptions (thus an abstraction from reality) and on the basis of this an ideal typical economic model or theory is constructed. Through deduction the causal relationships of the model or theory are then abstracted as representative of the functioning of the economic reality according to certain fixed economic laws. Just as nature adheres to certain laws, economics will also function according to certain fixed economic laws. This

causal explicatory method of Rationalism is furthermore strongly influenced by the idea of the natural order of Theism. The economic theories based on the natural economic order, through causal relationships, have emerged strongly especially in the work of the Physiocrats, and to its logical culmination in the economic schools of the previous century. Pareto, for example, sees economic laws as being linked to the laws of chemistry while Menger, as the leader of the Austrian marginal utility school attributes to economic laws the character of natural laws (Nentjes, 1971). Man's economic behaviour, then, can, according to typical ideal models, and according to fixed economic laws, be attributed to, explained by virtue of fixed, unchangeable axioms, in which non-economic factors play no integral role. The latter are usually left out of account as being non-influencing, outside variables. It follows, therefore, that through the construction of a figure model, the practice of economics can ultimately be explained, controlled and manipulated. The father of Humanism, René Descartes, did after all declare three centuries ago that there was only one way of determining scientific truth – the mathematical way (Venter, p. 79). Something of this can be discerned in the declaration of the famous economist, Lord Keynes (1936): "Our final task might be to select those variables which can be deliberately controlled or managed by central authority in the kind of system in which we live."

This absolutist view of the neutral practice can never adequately explain economic practice and the changes which occur in it. For the Christian, at any rate, this can never be the correct method. The biggest problem with this approach lies in the fact that economic laws become absolutes and they attain the character of natural laws. Leaning as it does on Humanism, it is a compartmentalized rather than a totality science. Reality is reduced to one cosmological ground entity, and on these grounds then one aspect of reality becomes an absolute. Thus one aspect of economic reality, viz economic principle, is elevated to being the sole principle of the total economic reality and economic events are then explained as modes of revelation of these absolute economic principles. For this reason this school of

thought does not accept the principal distinction that in the natural sciences that which can be known functions according to natural laws instituted by God while in economics that which can be known is the result of human endeavour. Because it cannot exist in isolation from man, who is himself subject to frequent change, that which can be known cannot be fixed. Although man consists of a variety of functions, in man these functions constitute unity. Thus man's economic actions cannot be explained merely according to economic principles and in isolation from his other functions. For this reason too, it cannot be explained in isolation from the environmental factors within which man's economic actions take place — those involving view of life and its changes. Economic theory thus would constantly have to justify itself with reference to the totality of man and his dynamics in order to explain its practices. The elevation to an absolute of any ideal typical model or theory can easily lead to the vision of the economic model in isolation from the view of life, the cultural process and the changes taking place within these. It would then not be able to explain economic practice fully. Proof of this can be found in the economic theory of consumer behaviour.

From the point of view of the economic principle of maximizing of utility and the fact that one can only buy when in possession of an income, consumption is seen as a function of income. There are three basic contemporary theories for the explication of this functional relationship. The first is the Keynesian theory of consumption (Keynes, 1936) which claims that this relationship is less than proportional in time. The second is Duesenberry's theory (1949). He claims that the part of an individual's income spent on consumption is relative to the incomes of those people with whom he identifies. This implies a proportionate income/consumption relationship, that is, consumption will rise proportionate to income. The third theory was propounded by Friedman (1957). In his view the consumer has a horizon spanning three years. By taking an individual's ownership of assets, and the ages of these assets, he deduces (indirectly) the permanent income for three years, on which consumpt-

ion is functionally dependent. Consumers' models are constructed on the basis of this functional dependence between consumption and income and consumer behaviour is explained. Although there is a time lag as far as certain models are concerned, the principle remains the same.

In practice, however, it has emerged that while the functional relationship between income and consumption does constitute a behavioural pattern in the long term, this is not true of the short term. Many other factors play a rôle in the short term, which results in the fact that the economic rationality of the theories mentioned cannot always serve as a complete explicator of consumer behaviour. The whole of man, not merely his economic rôle, is involved in his consumer behaviour. This becomes more and more true when more and more people have a better than subsistence income, so that money need not be spent only on essentials. Without an effort at being complete, some examples will be quoted to lend credence to the fact that factors other than economic principles play a rôle in the process of consumption, and that these cannot be ignored.

The rôle of credit should be considered first of all. From available statistics it emerges that in South Africa, other than groceries, meat and liquor, 30 percent plus of all retail sales are made on credit. It is important in this context that the availability of credit negates the principle that one should be able to afford one's purchases, and the idea of the most economic application of funds diminishes. There is further the fact that interest rates in hire-purchase add so much to the price of an item that it becomes uneconomic in terms of one's salary — except that the availability of credit obscures this. This is supported by research undertaken by an organization such as Market Research Africa (MRA) which does regular indepth studies of the factors influencing various forms of consumption. As far as household appliances such as washing machines, refrigerators and freezers are concerned, they find that consumers are interested in the deposit and not in the total price. Therefore, if he can afford the deposit and the instalments, he buys the article. From the studies it would appear further that very few people are ultimately interested in the total price of the article. Should the whole family

benefit by the purchase, he would even be tempted to buy an article above his income level. These same criteria are applicable in furniture purchases. Advertising men have long realized this fact, so that one very seldom sees the total price of an article. Only the deposit and the instalments are mentioned. The presence of these motivating factors has also been noted in England (Niest, Nov. 1970).

Linked to this there is the influence of things such as status, appearance of the article, etc. Consider automobiles. From a survey conducted by the Automobile Association (1975, pp. 44-47) among their members, in which only those models were considered for which sufficient numbers of questionnaires were received, the following would appear to be the most important criteria in buying a motor car: From among 135 models and variations only 32 percent put down price as the most important consideration, 20 percent regarded it as the second most important consideration and 15,5 percent regarded it as the third most important consideration. Thus 67,5 percent accorded price a place amongst the first three, while for 32,5 percent price doesn't figure as one of the three most important factors. This is especially true of the more expensive models. In a similar survey in Western Germany (Bierveldt, Sept. 1971) it was found that the income of the present period played only a 4 percent rôle in the automobile sales of the German people. Even if an average is drawn of the past four years this figure does not change much. From an indepth study among women from various cultural backgrounds, for example, it was found that they believed that the same perfume was definitely more effective when bottled in cut glass than in ordinary glass.

The irrationality of the supposedly rational consumer is especially illustrated through the influence of high-pressure advertising and the price structure on the market. Through high-pressure advertising campaigns an undertaking can nowadays create an artificial demand for its product with a reasonable measure of success. Allison (1964, pp. 36-39) gives an enlightening example. In a study undertaken for the American Carling Brewing Co. they tested a sample of 326 regular beer drinkers.

During the first week each one was given a pack of six unmarked bottles of miscellaneous makes. Each then had to be rated with reference to such factors as taste, aftertaste, head, strength, etc. They found that for all six makes the rating as regards all characteristics lay between 62-65 percent, thus there was basically no difference between the makes. The next week each was again given six makes, but this time they were all labelled. Not only was there a difference in rating in a blind test, but the favourite beer was consistently given a higher rating. The average "overall rating" of the favourite beer, for example was 18,3 percent higher than for the lowest rated one. They had therefore rated the label rather than the beer. In other words, product distinctions or differences in the minds of the participants, arose primarily through their receptiveness to the various firms' marketing efforts rather than through perceived physical product differences.

Linked to the foregoing there is the influence of the price structure on the market. Gabor (Dec. 1964, p. 43) found from a survey among 3 200 British housewives that a certain price is regarded as right and another as wrong. What is of interest is the finding that it is not the real price level but the general price level which determines the "right" price. If all the shops asked 5/11 for the item, that was the "right" price and 6/- was expensive. He found however that 5/11 was preferable in such an instance to 5/10 and 6/11 was preferred to 6/10. He found furthermore that should the price go down from 6/11 to 6/6 this occasioned a bigger increase in consumption than should the price have gone down from 7/- to 6/6.

A further non-income (non-economic) factor playing a determining rôle in consumer behaviour is the rôle of expectation of the future as regards prices, income, politics and social and other events. In the first place it has been found that this influence can differ in the course of time. Hymans (1965/1966) has found that the impact of various factors can differ per conjunctural phase. In times of recession, for example, political factors play a bigger rôle than in times of high conjuncture. There is also a difference in future expectation as regards various income,

training and professional groups. Strümpel (Sept. 1974) made a survey in the USA regarding the influence of the various types of future expectation on consumption as a result of news reports. He divided the reactions of the consumers as regards higher, middle and lower income groups, per office worker and labourer and per university trained and non-university trained. It is of interest to note that they found that the reactions to news items differed from group to group. It was found that the higher income groups and university trained individuals were much better informed and conscious of future trends in the economy than the lower groups. This was true also of the political situation of which especially younger people knew more. It was also found that news concerning social issues had a much stronger impact on the highly trained individual than on the labourer.

The fact is increasingly being recognized that the consumer is not merely an economic being. In practically all capitalistic countries the so-called consumership theories are being added to by opinion polls among consumers in the practical study of consumer behaviour. There are 24 such polls extant and they are applied countrywide. Of these the Gallup Poll is perhaps the best-known. While some polls are limited to the consumer's purchasing intentions, many go much further. Questions regarding the consumer's view of economic conditions, income, work opportunities, political and social events and his future expectations regarding these are asked. It is also a general phenomenon that these polls are differentiated for culture and language groups. The result is often known as an index of consumer sentiment or consumer motivation. The broad spectrum covered by the polls and the fact that they are culturally differentiated must be the best proof that in practice the whole man (and this must even include his view of life) is involved in the consumer process. Although this idea is kept in mind in practice, it is not widely supported in consumer theory or models. In all fairness it should be stated that there are consumer theories which do take cognizance of this fact, such as Katona's theory (1964) which tries to explain consumerism as an interdisciplinary action. These theories, however, are not generally accepted. The problem is, of course,

that such an interdisciplinary consumer theory does not easily lend itself to logical analysis, exact measurement and manipulation.

From the foregoing then it emerges that the neutral method of isolated abstraction does not easily bring about the full explication of economic reality. Against this view there is the method of Christian scholarship which postulates that though science consists of diversity, this diversity makes sense only as part of the totality. This unity of the various functions of man demands as first step of the study of, for example economics, an abstraction from reality in which all functions other than the economic are taken as constant. In order to attain a viable theory or model of man as a diverse but also unified being involved in economic action, such a model has to be constructed as a first step. This optimal economic model reveals what would be optimal (normal) behaviour should all other functions of the individual be constant. That is, however, should man act only in an economic capacity. This will be in accordance with the concept of sovereignty within the relevant circle. In man's imperfect (sinful) environment, the problem of relatively scarce means and the economic principle that these should be applied to the best advantage should not be ignored. Were one, however, to stop here would be to ignore the influence of all the other functions of man as a unity and to accord the status of natural laws to economic laws. Alfred Marshall (Keynes, 1951) who was a mathematician at first and later one of the founders of economics as a science, summarized the work of the economic model or theory in the following terms: "I do not assign any universality to economic dogmas. It is not a body of concrete truth, but an engine for the discovery of concrete truth".

The economic theory or model, therefore, is essentially a static model serving only as a point of departure. One cannot merely study the results of man's economic behaviour and deduce economic laws from these without studying the factors giving rise to these. In such a way one cannot easily distinguish between cause and symptom. In order to render this theoretical optimal model dynamic and practice explicatory, one needs to add the



concept of diversity and universality. By considering, as a second step, the other functions of man and the principles governing them, one not only has a better chance of explaining economic practice, but also of making normative judgements. The economist should thus also be historian, mathematician and philosopher: he should be attuned to general cultural developments as well as to specifically economic ones. Should he have no pure vision of reality in its totality, he would only with great difficulty be able to study an aspect of that reality scientifically.

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