

# PSYCHOLOGISM VS. CONVENTIONAL VALUES

by L.A. Boland

## 1. Introduction

1.1 The purpose of this short paper is to present the view that Social Science today may be methodologically incapable of explaining the existence or nature of values, or even facts involving values, because all standard (or otherwise accepted) social theories are based on the methodological doctrines of Psychologism. This state of affairs is most evident in both Sociology and Economics, the two disciplines that are claimed to be dealing with values. I shall not argue here over the validity of Psychologism; rather, I shall argue that one of the necessary consequences of its doctrines is that adherence to Psychologism precludes explaining values.<sup>1</sup>

1.2 It will be recalled that Psychologism is the view that the laws of society must be explicable in terms of human nature.<sup>2</sup> For example, the Psychologistic view of institutions is that they are merely reflections of human nature. As many view the primary task of Psychology to be just that of explaining human nature, a crude version of Psychologism is that the study of society must be reducible ultimately to the study of Psychology, as J.S. Mill believed.<sup>3</sup> Regardless of the importance of Mill, the reason why both Sociology and Economics are based on Psychologism is that they have a common parent, viz. Vilfredo Pareto, whose works were very popular during the 1920's and 30's.<sup>4</sup> To give a brief idea of his Psychologism, let me quote from his book *Mind and Society* (Volume 4).

All human conduct is psychological and, from that standpoint, not only the study of economics but the study of every other branch of human activity is a psychological study and the facts of all such branches are psychological facts."<sup>5</sup>

In addition to this pronouncement, he goes on to tell us that this view is based on Inductivist Sensationalism, which, by the way he tells us, was also responsible for the similar ideas of the other great economists – Walras, Edgeworth, Marshall, etc.<sup>6</sup> It is not clear whether his Psychologism was being used to justify his Inductivism or his Inductivism was being used to justify his Psychologism. In any case, modern economics has forgotten most of its Inductivism although modern Sociology has not.

## 2. Modern Economics and Sociology: Pareto Revisited

2.1 Let me begin by illustrating how the typical explanation of economic phenomena relies on Psychologism. The standard explanation of the relative price of any two particular goods ultimately is based on the tastes of *each* and *every* individual that is buying those goods. For any given state of technology, any change in relative prices can only be explained, in the long run, by asserting the existence of a change in one or more individuals' tastes. Anyone who is familiar with standard economic theory will attest to the beautiful success of modern economic theory in working out all the logical consequences and all the logical requirements for this explanation of relative prices.<sup>7</sup> Ultimately, that is, in the longrun and under certain specified conditions, the going relative prices are the only equilibrium prices which correspond to a Pareto optimum. Such an optimum is an equilibrium situation where *no* individual can be made better off without making at least one other worse off. And, above all, one of the conditions of such an *equilibrium* situation is that it is only the individuals that decide such an issue (as being better or worse off) quite independently of each other.<sup>8</sup> The only values considered in such a situation, following Pareto, are each individual consumer's values as expressed in his "tastes" which the economist represents with a "Utility Function". This method of incorporating values into the explanation of relative prices (by making them part of the study of individual consumer's choice) raises another problem. If we were to attempt to explain how a *modern* society makes any social choice, concerning such things as ABM's, Space Programs, School Systems, etc., then an interesting question arises. Namely the question of whether or not there exists a social institution, called a Social Welfare Function, which is similar to the individual consumer's Utility Function and which can be used to explain the social choice in the same way individual consumers' choices can be explained.<sup>9</sup> If such a Social Welfare Function were to exist, in order for it to be acceptable (Kenneth Arrow<sup>10</sup> tells us with his 2nd condition) it must respond positively to each individual's values. So you see, the Psychologism sword cuts both ways.<sup>11</sup>

2.2 Modern Sociology is not as sophisticated, although its theorists attempt to be. Parsons and Homans, two of the present leaders, at least on this continent, are avowed followers of Pareto. Parsons also has a very long history of writing in economics journals.<sup>12</sup> Presumably his attempts at Sociology are encouraged by Pareto's successes in Economics and by Pareto's claims that his own sociological system is analogous to his economic system.<sup>13</sup> Perusal of any standard textbook in Sociology will clearly show its explicit Psychologism. For example, what is the standard explanation of the nature of the institution of the family? The standard explanation, it turns out, is a deliniation of the functions performed by the institution, and in the case of the family, its functions are such things as Reproduction, Identity Care and Feeding of Children, Regulation of Sex, etc. These functions, of course, either are directly psychological needs, or are reducible to psychological needs. They are, so to speak, psychological "givens", not to be tampered with or explained.<sup>14</sup>

2.3 Among economists, the use of Psychologistic-Individualism (i.e. Psychologism) is an expression of their values; namely, Individualism, or opposed to "Collectivism", is a good thing. Among sociologists, Psychologism is a Scientific Method, namely Inductivism, following Pareto,<sup>15</sup> of course. I suspect dishonesty on the part of sociologists. Max Weber<sup>16</sup> told them that Sociology (to be a science) must be "value-free", hence they are unwilling to admit that their Psychologism is an expression of their values. Rather, they attempt to rationalize their Psychologism as being the logical outcome of their attempts at being "scientific". But, since I promised not to argue over the validity of Psychologism, I must now turn to the consequences of Psychologism.

### 3. *Explanation and Psychologism*

3.1 I shall digress a moment to outline the requirements of any empirical explanation since my case against adhering to Psychologism will be based on the logical consequences of such requirements.

3.2 The fundamental distinction to be made in any explanation of social<sup>17</sup> phenomena is to specify which phenomena are to be explained, these are called the *endogenous variables*; and to specify which of the remaining phenomena are relevant because they influence, but are not influenced by, the endogenous variables, these are called the *exogenous variables* or sometimes the "givens". The popular distinction of independent vs. dependent variables only refers to endogenous variables, and this distinction arises only because of the difficulty of discussing a large number of simultaneous, related events. Although endogenous variables do not influence exogenous variables, they may influence each other, which gives rise to the independent-dependent distinction. That is, for the purpose of clarifying in one relationship how the independent variable affects the dependent variables, any other relationship as to how the dependent variable may affect the independent variable is temporarily ignored.

In Economics, in particular, in Econometrics we have learned that it is impossible to explain any set of (observable) variables without asserting the existence of another set of (observable) exogenous variables. A corollary of this simple theorem is that one cannot explain everything.<sup>18</sup>

3.3 The example of sociological explanation, the list of functions performed by the institution of the family, indicates that, for Sociologists, psychological functions are considered to be the needed exogenous variables. The obvious difficulty with relying on functions to be the needed exogenous variables is evident to any Madison Avenue advertising man; some functions can be social conventions (e.g., Shibboleths, and Status symbols). Attempting to explain some functions as social conventions and leaving others as givens might be quite arbitrary, but any attempt to explain all institutions and all functions would lead to circular reasoning.<sup>19</sup> One obvious alternative to assuming arbitrarily that certain functions are given (psychologically, or otherwise) is to consider the problems facing a society, over which it has no control, as the givens. But I will return to this suggestion later.

3.3 It can thus be said that Psychologism as a method of explanation has its virtues – if you can accept either its arbitrariness, or its philosophical justification as a "reflection" of your own values.

### 4. *Psychologism and Values*

4.1 So far I have probably led the reader to think that all I am going to say is that the doctrines of Psychologism are themselves values and therefore Sociology and Economics are not "value-free". Most would be quite satisfied with that, but I would not because I don't find a criticism for the simple reason that one cannot find a

"value-free" methodology. My argument is at quite a different level since it concerns how values are handled within Psychologism. Values, within Psychologism, cannot be social phenomena apart from human nature, hence in Economics values are equated to "tastes" and in Sociology they are equated to psychological needs. Since tastes and psychological needs are needed for exogenous variables they can never be explained. They are, so to speak, beyond explanation.

4.2 The best in the way of something approaching an explanation that can be done is to work "backwards" through a given model (i.e. a completed explanation) *by assuming it to be true* and deducing what its exogenous variables must have been; that is, deducing what were the necessary functions, tastes, preferences, etc. Such an approach might be called "revealed values analysis". It must be remembered that a great deal must be assumed in its use.<sup>20</sup> This approach, in any case, precludes ever explaining why values have changed. And when you think of it, if there is something like human nature, how could values ever change when they are psychologically given?

4.3 Well, as you see, my argument rests on a theory of explanation. Namely, the theory that you cannot explain anything without *exogenous* factors. And on the nature of Psychologism which requires that all aspects of human nature, which includes values, be the needed exogenous factors to any social system.

### 5. *Values as Social Conventions*

5.1 I suspect that to a great extent by attacking the explanatory value of Psychologism I may very well be attacking motherhood, but you may still like to know if there are alternatives to Psychologism. Holism, or Collectivism, has long been recognized as an alternative; that's what Marx offered when he criticised Psychologism, but I don't think that Holism avoids the methodological difficulties, either. The alternative that I am about to suggest explains values as social conventions or, in other words, as social institutions.<sup>21</sup>

5.2 My theory of social institutions, in general, says that each social institution is a specific attempt to manifest a particular solution to a particular problem (or a set of problems).<sup>22</sup> Often there may be many conceivable solutions to a given problem which presents a second order problem, to pick a solution. To pick a solution we need criteria or constraints.<sup>23</sup> It is just this methodological need that values exist to serve. What values are chosen depends to a great extent on the given problem facing the society. It is in this way that an old institution can affect new institutions because it brings with it the values that were used to rationalize the choice of the particular solution that it represents.

5.3 I realize that on the surface my theory seems merely to be a variant of Relativism. It is not a relativist theory. Certain things are not decided on the basis of convention.<sup>24</sup> For example, whether or not an attempted or institutionalized solution does in fact solve the given problems is not entirely decided by convention, nor is the matter of relevance of any particular set of values entirely a matter of convention. In other words, the logic of the situation is not a matter of convention, it is exogenous, as may well be the problems themselves.

5.4 To say that values are social conventions does not mean that individuals cannot change them. However, to the extent that they have been institutionalized they have an existence beyond the individuals of the given society. The more concrete the institutionalization, the more the situation requires political action to change the values. The less concrete the institutionalization, the more the situation requires mass persuasion to change the values. How one goes about changing values depends, of course, on the institutional situation. Such considerations, clearly, are precluded by Psychologism.

## FOOTNOTES

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1. For arguments concerning the validity of Psychologism see for example K. Popper's *Open Society and its Enemies* (Chapter 14) and I.C. Jarvie's "Nadel on Aims and Methods of Social Anthropology" *Brit. Journ. for the Philosophy of Science* Vol. 12 (1961).

2. For a broad discussion of Psychologism and its alternatives see J. Agassi "Methodological Individualism" *Brit. Journ. of Sociology* Vol. 9 (1960).
3. See his *System of Logic*, Book VI, Chapter X.
4. See J. Schumpeter *Ten Great Economists* Chapter 5.
5. And he goes on to say "... From an examination of the facts we were led by induction, to formulate those notions..."All this impressive Philosophy of Science appears in a footnote to section 2078 of his *The Mind and Society*.
6. In Marshall's economics one attempts to explain prices by explaining separately Demand and Supply which *together* determine prices. The explanations of Demand and of Supply both are done by explaining the behavior of individual consumers and producers, which is based respectively, on the individual consumer's "Utility Schedule" and the individual producers "Cost Schedule". (See A. Marshall's *Principles of Economics*).
7. The ultimate statement of Economic Theory is to be found in G. Debreu's *Theory of Value: An Axiomatic Study of Economic Equilibrium*.
8. Economists are somewhat ambivalent, if not outright dishonest, about all this. On one hand they explain the individual's economic behavior as that of rational decision making within constraints imposed from without (eg. income distribution, level of technology, psychological preferences, etc.) in a very "holistic" manner. On the other hand they are explaining these holistic constraints with the existing behavior of individuals. One could just as easily interpret all individual behavior as being determined by wholes such as "class interest", band wagons" etc. The average economic theorist is quite unprepared to argue with all this since his disagreements with this latter interpretation is quite arbitrary.
9. The problem is to have this Social Welfare Function follow logically from (or be reducible to) individual values.
10. K. Arrow in his famous *Social Choice and Individual Values* shows that the problem of footnote 9 above is impossible to solve since the requirements of an "acceptable" (i.e. Psychologistic) Social Welfare Function are self contradictory under most circumstances.
11. On one hand it is used to *describe* the world as it is; and on the other hand, it is used to *prescribe* how the world should be if the first description turns out to be wrong.
12. See his bibliography at the end of his *Sociological Theory and Modern Society* (1967).
13. See Pareto *Mind and Society*, footnote to section 2078 and elsewhere in Vol. 4.
14. A standard reader on Functionalism is *Functionalism in the Social Sciences* edited by D. Martindale.
15. See footnote 5, above.
16. A good account of Weber's views on values in the Social Sciences can be found in F. Kaufmann's *Methodology of the Social Sciences*.
17. Here I do not wish to begin an essentialist argument over what are "Social Phenomena", rather the term is intended to apply to all definitions. If I am wrong and it doesn't apply to all, so much for my theory.
18. The assertion as to what are exogenous variables and what are endogenous variables is not arbitrary. To the contrary, such an assertion may well be the most important of any theory. See my "Identification Problem and the Validity of Economic Models" *So. African Journal of Economics* Vol. 36 (1969).

19. The existence of exogenous variables is one requirement of testability.
20. For a more general discussion of what is called "revealed value analysis" see my "Conventional Methodology as an Exercise in Economic Analysis" *Philosophy of Science* Vol. 37, No. 4 (1970).
21. I use here the analysis of J. Agassi from his famous article referred to in footnote 2 above.
22. My theory combines Popper's "Institutional-Individualism" and his Situational Logic with my idea that sociological behavior occurs only when anyone acts upon "cumulative expectations" (person A expects person B expects A to do X) this is a special case of the usual view of "reciprocal expectations" (person A expects B to do Y *and* B expects A to do X). All this is incorporated in a dialectical learning process. Institutions are then the manifestations of social learning where learning here has a very Popperian meaning. (It is intended that this theory will be presented in detail in the near future.)
23. The paradigm of models of the rational use of criteria and constraints is, of course, the methods of modern economic theory.
24. The view that the validity of any theory is a matter of convention is very popular in Economics. For a critical view of Conventionalism in Economics see my "Conventionalism and Economic Theory" *Philosophy of Science* Vol. 37 No. 2 (1970).