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On the Relationship between Economics and Ethics

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The relationship between economics and ethics is both historied and contested. The father of modern economics, Adam Smith, was a moral philosopher whose seminal work of economics, *The Wealth of Nations*, cannot be fully appreciated or understood without its companion in ethics, *The Theory of Moral Sentiments*. Several other notable classical economists, such as John Stuart Mill and David Hume, are better known as philosophers who made invaluable contributions to ethics (even if their economic and ethical works were less tightly linked than Smith's). Only with the advent of the marginalist revolution and the formalization and mathematization of economic theory was economics severed from moral philosophy in spirit and form—the latter being the common assumptions of the maximization of self-interested utility among individuals and aggregate utility among governments, both derived from classical utilitarianism but divorced from its ethical foundations. The success of economics as both an academic field of study and a resource for business and government has left most economists hostile to criticism of the discipline's ethical foundations, defending the status quo on the basis of parsimony, tractability, and a presumed objectivity borne of ignorance of the ethical presumptions embedded in economics all along.

As a field, ethics and economics is in a precarious state. Similar to behavioral economists' claims that behavioral economics simply *is* economics now, it could be argued that ethics simply is a part of economics, integral and inseparable, albeit neglected and shunted aside of late. To most economists, however, ethics and economics is treated as a heterodox topic; in fact, heterodox economists embrace the need for a stronger emphasis on ethics and values in economic theory and practice, whereas mainstream economists, at best, pay lip service to this need but do little toward meeting it. Unlike the economic approaches to law, politics, and the family, each of which has become an accepted subfield within economics, ethics and economics has a more ambivalent status, presumably because much of the work done in the field is critical in nature. Although there are several published overviews that may serve as textbooks for advanced undergraduate or graduate courses (Wight, 2015; Hausman, McPherson, and Satz 2016), one handbook in print (Peil and van Staveren 2009) and another forthcoming (White 2019), there is no professional association devoted to ethics and economics, only one independent journal (*Éthique et économique/Ethics and Economics*), and one book series (*On Ethics and Economics*, from Rowman and Littlefield International). Work in this area usually finds a welcoming home in journals and conferences of economic methodologists, economics and philosophy more generally, and heterodox economics groups (especially the Association for Social Economics, which explicitly cites a focus on ethics and values in its mission statement). However, ethics and economics has yet to coalesce into an autonomous field with fairly well-defined boundaries (much less a canonical statement of purpose); rather, as I argue below, it may actually be composed of two distinct yet related areas of study, one more palatable to the mainstream than the other (but largely ignored nonetheless).

Section 1: Understanding of the Relationship between Economics and Ethics

The standard terms used for the field, “ethics and economics” and “economics and ethics,” reflect a parallelism that suggests, in the terms of Cat (2017), *multidisciplinary* work—involving “the juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem.” But that degree of equal contribution among both constituent fields is rare. For the most part, ethics and economics represents *crossdisciplinary* work, involving “borrowing resources from one discipline to serve the aims of a project in another,” with a parallel flow in the other direction or even the creation of new, relatively autonomous joint field. Scholars in ethics and economics—which includes very few mainstream economists, and instead economists from heterodox fields such as social economics, feminist economics, and radical political economy, as well as some philosophers—draw on the work of moral philosophers to (1) expose and enlighten the existing utilitarian foundations of economics, and (2) enrich and broaden them with insights from other approaches to ethics (such as deontology, virtue ethics, and care ethics). In other words, ethics is imported into economics to improve its explanatory and predictive power and its practical efficacy—and also to modify these standards themselves (most obviously in the case of policy).

However, this characterization may be too narrow, and ethics and economics can be understood more broadly than this. In fact, work in ethics and economics can be divided into two distinct approaches—disparate enough, perhaps, to be considered two fields rather than two aspects of a single one. The first, described above, is methodological in nature, examining and analyzing the ways economics research is currently conducted in relation to ethics. In this sense, it is mostly a critical exercise, taking the view that the form and extent of ethics used in economics is too sparse, and should be either expanded (along utilitarian lines) or overhauled entirely (along the lines of other systems of ethics). If mainstream economics, and especially its neoclassical core, is understood to be applied utilitarianism (in its simplest and crudest form), which readily enables translation to formal mathematics, then the changes to economics technique required by adapting to more 'qualitative' systems of ethics—such as virtue ethics or deontology—are understandably seen as significant challenges to the status quo. Accordingly, this is the aspect of ethics and economics that is embraced largely by economic methodologists as well as heterodox economists who are inclined to adopt a critical stance, and to a large extent sits outside of mainstream economics, perhaps as much a field of philosophy as of economics (Kincaid and Ross 2017).

The other category of ethics and economics is neither methodological nor explicitly critical. Work in this area attempts to explain ethical or non-self-interested behavior within standard economic techniques and models with minimal deviation. One example is Gary Becker's 'Rotten Kid Theorem' (1981), which states that even the most selfish family members will behave altruistically toward others in the family if this will increase their share of resources. Such behavior is morally insincere and is based on decidedly amoral motivations, and therefore does not stretch the standard assumptions of mainstream economics, yet still explains behavior that "seems" altruistic. Also within "normal" parameters of economics are theories of altruism that posit other-regarding preferences or utility functions (Margolis 1984; Etzioni 1990), well within the formal requirements of choice theory. In support of this, scholars (such as Bowles and Gintis 2013) have proposed evolutionary models that explain the emergence of moral sentiments, norms, and behavior—models that begin, as most models in economics do, naturalistically (that is, from a premise of self-interest). This kind of ethics and economics research sits inside mainstream economics while slowly expanding the understanding of ethical behavior within it.

This highlights an important critical aspect of this otherwise accommodationist sort of ethics and economics. Even without challenging existing norms of economic modeling or suggesting alternatives, it exposes the value judgments inherent in mainstream economics—most foremost among them the ubiquitous assumption of the pursuit of self-interest, which is assumed to be a universal motivation for choice and behavior as well as a normative justification for the resulting outcomes. This is rarely acknowledged as a value judgment, regarded as “natural” even by those trying to explain ethical behavior that would seem to defy it, while any introduction of thicker concepts of ethics or morality is regarded as an *ad hoc* imposition on an ethically neutral enterprise. Although self-interest can be a useful heuristic assumption to begin with when modeling, a wealth of experimental research has revealed it in many cases to be a null hypothesis to be rejected (Fehr and Schmidt 2006). Furthermore, self-interest does not stand by itself, but rather is linked to other concepts such as individual liberty and private property, both of which are similarly taken for granted in most mainstream economics research and rarely recognized as controversial concepts (as they are in heterodox economics as well as philosophy in general). In the end, all of these concepts are implicitly taken to support the larger utilitarian program, and are regularly dismissed when in violation of it. (There may be a libertarian undercurrent to much mainstream economics, but it is a pragmatic one and therefore flows very weakly and is easily diverted.)

We can see how the two types of ethics and economics relate to each other by looking at how economists can accommodate various moral philosophies into their work. Insofar as altruistic and more broadly ethical behavior can be modeled with the ordinary techniques of economic theory, ethics and economics can remain fairly restrained, tweaking standard conceptions of preferences and utility to generate maximizing behavior that incorporates the well-being of others and is therefore more broadly utilitarian. As such, these elaborations of typical self-interested choice can easily be incorporated into the mainstream in both theoretical and empirical research (as we see by the wealth of experimental work in the area). It is decidedly more radical—and therefore critical—to incorporate nonconsequentialist systems of ethics, such as deontology and virtue ethics, into a theory of choice that is structurally more compatible with consequentialism.

In its simplest sense, deontology is based on qualitative restrictions on action, often taking the form of duties such as "do not lie" or "do not kill," even if these proscriptions result in worse consequences.[1] In philosophy, this is often illustrated with the famous *trolley problem*, in which a person must choose whether to divert a runaway trolley car from a broken track to save five passengers at the cost of one bystander on the other track (Foot 1967; Thomson 1976). Although such duties would prohibit the unrestrained pursuit of self-interest (or even other-regarding preferences), they are not completely alien to economic choice models. In the sense that they limit actions, deontological prohibitions take the same form, and serve the same function, as constraints on money or time (White 2011). Some may argue that moral constraints are voluntary, but once again this begs the question of why self-interest must be assumed, and ignores the fact that many people feel bound by moral constraints. (Ironically, if agents do not feel bound by moral constraints, they will not be bound by wealth constraints either to the extent they can steal from others.) These constraints operate on a societal level as well; one could

[1] I intentionally set aside the positive duties, such as beneficence, emphasized in more elaborate deontological systems such as that of Immanuel Kant, which can be modeled alongside preferences (White 2011).

interpret the literature for and against limits on market activity (Satz 2010; Sandel 2012; Brennan and Jarowski 2015) as discussing the construction or destruction of shared constraints on market behavior, regardless of the effect on aggregate welfare or well-being.

Not only is deontology more compatible with standard economic model of choice than ordinarily thought, but like ethical behavior in general, it has an unacknowledged presence in modeling as it is. Agents in typical economic models, whether of individual choice or interactions in market, are assumed to comply with ethical and legal norms forbidding deceit and coercion; exceptions are made only in the economics of crime and other fields that focus on such "aberrations." Honesty and fairness is such situations could be understood as strategically self-interested behavior according to the mainstream approach, if the risk of apprehension was high or reputational effects were very strong. However, these conditions do not hold in most cases of ethical behavior, either in the real world, where most people do not even consider forbidden acts, or the world of economic modelling, where it is usually not accounted for at all. The insistence on explaining every aspect of human behavior through an arbitrarily chosen, methodologically convenient framework, to the exclusion of simpler and more reasonable explanations, may be the clearest evidence of not-so-hidden value judgments in economics.

While deontology, in its simplest aspect of negative duty, is surprisingly easy to work into mainstream economic models, virtue ethics is more difficult, and therefore represents an even greater challenge to the status quo (van Staveren 2001; Baker 2009; Baker and White 2016) This difficulty also stands as a commentary on how far economics has gotten from its 18th-century roots, as Adam Smith has come to be regarded as a virtue ethicist (McCloskey 2008; Otteson 2016) as well as a moral sentimentalist. Virtue ethics differs from both consequentialism and deontology in that it does not prescribe or proscribe particular actions; rather than focusing on action, it emphasizes the moral qualities or character traits (virtues) of actors themselves. Put another way, it deals with the intrinsic motivations behind actions rather than actions themselves (or the moral qualities thereof). In this sense, virtue ethics would seem to comment more on the general way in which economic behavior is modelled, such as whether it should result from a consideration from preferences or utility (or duty, for that matter) at all. This, plus the fact that virtues are normally defined in vague, general terms that cannot be traced to particular actions, makes it extremely difficult to incorporate virtue ethics directly into economic models of choice—taken to the extreme, it would seem to defy the practice of formal modelling at all.

Most of this discussion has been in the context of positive economics: that is, expanding the ethical reasons available to economic theory to enable it to explain and predict a wider range of behavior more accurately. The same exercise can be conducted with reference to normative economics, in which some type of welfare economics is the norm.[2] Whether it takes the form of social welfare functions, aggregated preferences, or cost-benefit analysis (Kaldor-Hicks efficiency), welfare economics is operationalized utilitarianism, and as such it is subject to the same criticisms (Sen and Williams, 1982; Scheffler 1988). Although many economists feel that standard welfare economics suffices for ethical content in economics—to the extent of indemnifying the field from further ethical inquiry—there is a large body of work that recognizes these criticisms, and modifies or elaborates on standard welfare economics to address them (Fleurbaey 2008; Adler 2011). For example, most economic models treat all harms equally, simply as negative utilities, but there are moral dimensions to harm that render some instances more important than others (White 2015; DeMartino 2019). In general, this would be an example

[2] Here I use the language of positive and normative economics merely as a familiar shorthand; on the problems with it, see Putnam 2002.

of the more moderate, less critical ethics and economics that uses the tools and concepts of moral philosophy to improve economic theory without directly challenging it. The more critical tack would be to question the utilitarian nature of welfare economics directly, focusing instead on deontological concepts such as rights and justice as constitutional economics does (Buchanan 1990; Vanberg 2005), or less quantitative conceptions of well-being as the capabilities approach does (Sen 1987; Nussbaum 2011), work that shares some aspects in common with virtue ethics.

Taking an overview, ethics and economics is a nascent field, albeit one with long historical precedent, with many different aspects that intersect in fascinating ways. It can be methodological or applied, more or less critical of economics' utilitarian roots, and conducted in reference to positive or normative economics. For example, traditional work on altruistic behavior within mainstream economics is applied work, less critical of utilitarianism, and mostly positive. My own work integrating Immanuel Kant's deontological ethics into economic theory (White 2011, summarized above) is more critical, mostly methodological, and is relevant to both positive and normative economics. In terms of how critical any work in ethics and economics is, the spectrum is continuous, but most of ethics and economics is bimodal along it, taking the form of either strictly applied work exploring standard economic explanations for economic behavior, or directly critical work challenging the presumptions of mainstream economics itself. The question is, if both parts of the field expand, will they bridge the gap between them or spread further apart? (For the sake of the field in general, I hope for the former.) In both these guises and those in between, however, ethics and economics remains crossdisciplinary, borrowing the insights and concepts of moral philosophy to improve economics in some way.

Section 2: How I See This Relationship Changing over Time

In the context of the current crossdisciplinary relationship between economics and ethics, I wish I were more optimistic. Despite occasional paeans from renowned scholars and popular commentators, as well as the ongoing work from those in the area (mostly heterodox economics), I don't see tremendous movement in the discipline on the part of the mainstream, who rest content in the level of success and influence they enjoy. Based on the feedback I've personally received over the years, many economists—theorists more than empiricists—are open to the topic, interested and sometimes even fascinated, yet not seeing enough marginal value to incorporating more ethics into their research. (Of course, some reject the notion entirely, steadfastly maintaining that "people are obviously selfish" or "welfare economics is enough.") If we cynically assume economists respond chiefly to material incentives, there does not seem to be sufficient incentive for them to integrate deeper conceptions of ethics into their work. Academic economics is widely regarded as an obscure, impenetrable black box to most people, so few would notice an increased focus on ethics unless it "cashed out" in surprising, counterintuitive results, such as happened to some extent with the experimental findings concerning unselfish behavior in games. Furthermore, given mainstream economists' desire to be seen as impartial, objective scientists, there is little hope that they will acknowledge the value judgments inherent in their work, much less question them or consider different ones.

I see more promise for ethics and economics to become a truly multidisciplinary discipline as moral philosophers learn from how economists have put utilitarianism into practice. Much philosophical work in ethics is still hypothetical, conducted in terms of thought experiments such as the trolley problem, with real-world applications addressed only with copious caveats and qualifications. This is understandable, given the admirable care with which philosophers make statements and their reticence to assert anything they cannot support conclusively with logic or evidence. But as philosophers are called on more often to comment on emerging societal issues, they will need to make definitive statements that acknowledge the practical limitations of abstract theories—in other words, the trade-offs and compromises that are economists' stock in trade. Philosophers are absolutists by nature, emphasizing the insolubility of tragic dilemmas, while economists are more practical, acknowledging that even though a choice may be hard, it nonetheless must be made. Economists may too quickly pull the lever in the trolley problem that condemns the innocent bystander to death to save the five trolley passengers, a choice which would be questionable to many philosophers, but at least the economist would be less hesitant to make the choice at all. (In other words, Buridan's ass would never be an economist.)

There are signs that philosophers are becoming more willing to engage with economic realities. Philosophers are getting more involved in real-world debates, such as the programming of autonomous vehicles (Lin, Abney, and Jenkins 2017), in which thought experiments become real and much more complicated, requiring the explicit recognition of trade-offs. Another encouraging note is the relatively new field of experimental philosophy, similar to experimental economics, in which philosophers, often in cooperation with psychologists, empirically test people's understandings of philosophical concepts (such as free will and responsibility) as well as their reactions to thought experiments such as the trolley dilemma (Knobe and Nichols 2017). These are not economic situations *per se*, but nonetheless they reflect philosophy's increasing willingness to engage with other disciplines. As philosophers engage more closely with the real world, they must acknowledge and deal with economic realities, and in the best case scenario they will learn from economists' experience and real-world knowledge as economists learn from philosophers.

Section 3: The Importance of Developing Further Relationships between Disciplines in Science and Humanities (in General)

I do not expect to be alone in asserting that stronger relationships between scholarly disciplines, especially across the science-humanities "divide," are essential. Every scholarly discipline offers a unique and valuable perspective on the world, but a limited and incomplete one. Economists' greatest danger of vanity lies in thinking they can explain the entirety of human life and interactions, that everything can be explained using economic terms and logic. I agree that economics has *something* of value to say about most everything, but cannot say *everything* about any one thing—and that includes traditionally economic phenomena, such as consumer demand, monopoly behavior, and interest rate policy. All of these issues have non-economic elements to them, which deserve the input and expertise of other scholars in the social scientists and humanities—especially moral philosophers.

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