



University of
Connecticut

Department of Economics Working Paper Series

**The Problem with Utility: Towards a Non-Consequentialist /
Utility Theory Synthesis**

Alanson P. Minkler
University of Connecticut

Working Paper 1997-09

August 1997

341 Mansfield Road, Unit 1063
Storrs, CT 06269-1063
Phone: (860) 486-3022
Fax: (860) 486-4463
<http://www.econ.uconn.edu/>

Abstract

I develop the argument that our current decision-making framework, utility theory, when used by itself, is 1) descriptively incomplete, 2) theoretically flawed, and 2) ethically questionable. In response, I offer an exploratory framework that incorporates both consequentialist and non-consequentialist motivations. Adding a commitment function provides a synthesis which remedies the problems associated with the sole use of utility theory. Finally, I show how philosophers Immanuel Kant, W.D. Ross, and Martin Buber provide an ethical basis for the framework.

* I thank Fe Delos-Santos, Doug Heckathorn, Len Krimerman, Tom Miceli, Steve Miller, Steve Ross, Gerald Sazama, and Lon Smith for helpful comments. Views and remaining errors are my own.

THE PROBLEM WITH UTILITY

Towards a Non-Consequentialist / Utility Theory Synthesis

Suppose I give you five dollars. What is my motivation? According to economists employing utility maximization, the act must satisfy my preferences. If my preferences are materialistic, then I expect some 'thing' in return from you, whether it be past, present or future. Perhaps the act was an investment in reputation that I will be able to profit from later. If we allow non-materialistic preferences, then the act may have satisfied my preferences over your material well-being. In that case, I possess preferences over your preferences and, to use common language, my act may have resulted in the warm feeling of giving, or at least reduced some feelings of guilt. The notable point, however, is that no matter how my preferences are specified, the reason I gave was to satisfy my own preferences. Our preferences over your material well-being may coincide, but the reason I give to you is to satisfy my own preferences. As such, you are merely an instrument to me (and, perhaps, I to you). This representation is assured by construction; utility maximization necessitates that I only take actions *in order to* increase my own welfare, governed by my preferences.

As a descriptive representation, utility maximization has been criticized on several grounds. Sen (1978) suggest that some acts arise from a sense of duty and commitment. Commitment is a principled code of ethics. Examples could include sacrifices made in the name of a cause, perhaps at great personal cost. In such cases a person's act is divorced from their own welfare. So the act of giving may (or may not) have increased my welfare, but an increase was not the *cause* of my giving. Preference satisfaction increases one's own welfare by definition; no such link is necessary for a proper understanding of commitment. This notion is difficult for economists to conceptualize because we are so used to thinking in terms of utility maximization. How can duty or commitment be modeled in a utility maximization framework? Quite simply it can't because utility maximization is consequentialist by construction. That is, acts constitute a means to achieve some desired end objective, in this case, an increase in utility. Acts of commitment and duty are non-consequentialist because they are taken (somewhat) independently of consequences desired.

Others are concerned that utility maximization does not fully capture moral motivations. For instance, Etzioni (1986) suggests that people are continually confronted with decisions in which the choice to act will fulfill some preferences, yielding pleasure, say, while violating other, maybe moral, preferences. This conflict between doing what's pleasurable, versus "what's right," is not captured in mono-utility frameworks, it is argued. The solution according to its proponents is to formulate a multi-utility model in which both moral and pleasure preferences can be specified [also see Lutz (1993)]. Even if this were possible, and no adequate model has been offered so far, it still would suffer from the instrumentality criticism; if I possess moral preferences, but my acts are to increase my own utility, then preference satisfaction assures that all of my acts, even moral ones, are taken in order to increase my own welfare.

The issue of commitment is important. By excluding it from economic analyses we fail to explain some behaviors on the one hand, and mischaracterize other behaviors on the other hand. Without commitment it is difficult to explain some instances of altruism, cooperation, voting, tax paying, tipping, promise keeping in the absence of penalties, great personal sacrifices for causes (e.g., military duty, revenge), and support for fair division of resource distributions, to name just a few. If people could be counted on to do what they say they would, regardless of their personal preferences, then entire economic literatures would have to be revamped. For instance both of the major literatures in the economics of organization, transaction cost and principal-agent, have at their foundation the premise that people act opportunistically any time it's beneficial for them to do so. This extreme assumption, which ignores the fact that some people hold principles against dishonesty, means that contractual parties take advantage of any missing contingencies and workers shirk at any opportune chance. If, instead, that behavioral assumption was replaced with one featuring a commitment to honesty, the literatures would come undone. In reality, neither assumption by itself is sufficient.

The purpose of this paper is twofold. First I attempt to sketch a framework that includes both consequentialist and non-consequentialist decision-making. The idea is to start to build up a model which might more accurately describe real decision-making processes in a way that captures moral motivations, without falling into the instrumentality trap mentioned earlier. Benefits from a synthesis include the potential for better prediction, and also escape from certain tautological traps plaguing utility theory. The section concludes by considering some possible origins of commitment. Second, I consider normative analyses suggesting that current utility models are ethically questionable. It is well known that Immanuel Kant's non-consequential ethics conflict with the consequential ethic underlying utility formulations. What is less known is W.D. Ross' development of deontological ethics, in which he delineates duties from other (consequentialist) motivations. Though he gives primacy to the former, unlike Kant, Ross assigns moral importance to both types of acts. The last philosophy considered is Martin Buber's

religious existentialist criticism of instrumentality. I attempt to show that when Buber's arguments are applied to economic methodology, they are in some ways more deep and disturbing than Kant's.

II. Commitment Function

In this section I introduce the commitment function and add it to standard utility theory in order to provide a more accurate and fuller description of behavior.

Let \mathbf{x} represent a n -valued vector of consumption goods. Then the utility function $U=u(\mathbf{x}^1)$ maps my preferences over my own consumption (where the 1 denotes my consumption). Now suppose that I am also interested in your consumption, say over one consumption good like food -- x_i . The usual story would be to simply include your consumption of the good into my utility function, or, $U=U(\mathbf{x}^1, x^2)$, where the 2 represents your consumption (and the i is suppressed). If prices are represented by \mathbf{p} , and my income is y , then under suitable conditions there is some $(\mathbf{x}^{1*}, x^{2*})$ that satisfies my utility maximization problem : maximize U , subject to $\mathbf{p} \cdot \mathbf{x} \leq y$. If $x^{2*} > 0$, then your consumption has provided me with positive utility, that is, $U_{x^2} > 0$. Note that I provided you with increased consumption in order to increase my own utility.

This usual story of what appears to be an altruistic act is called *sympathy* by Sen (1978). Yes I give to you, but the reason was to satisfy my own preferences. Roughly speaking, I gave to you in order to make myself feel better, or less bad.

It might be protested that some givers possess stronger convictions than just represented, that some people always provide at least some minimum x^2 , say \underline{x} . Such a case can be easily modeled in the utility maximization framework. Suppose my preferences are those suggested: I strongly prefer to provide you with \underline{x} consumption. Then my utility function and budget constraint simply become $U=U(\mathbf{x}^1, \underline{x})$ and $\mathbf{p} \cdot \mathbf{x} \leq y - \mathbf{p}^2 \cdot \underline{x}$. The solution to this program is $(\mathbf{x}^*, \underline{x})$. This case might be called *strong sympathy* because my preferences are such that I strongly prefer to provide you with some minimal consumption of x^2 . Of course by modeling these preferences in the utility maximization framework, we have assured that my marginal utility of your consumption is still positive, or $U_{x^2} > 0$. I still give in order to improve my own welfare; you are still an instrument to me. Note that instrumentality could not be avoided by simply adding the constraint $x^2 = \underline{x}$ because constraints are imposed by the outside world of prices and income.

To break the chain of instrumentality, that is, to truly model duty or commitment (I use the terms interchangeably), we can add a commitment function to the framework above. Suppose that I now have made a commitment to provide for your consumption, no matter what else I do. Why I would form such a commitment will be the subject of the next section. For now suppose I adopt the personal behavioral rule: $x^2 = \underline{x}$. Then my commitment function could be written:

$Z(x^2) \cap x^2 = \underline{x}$. In order to incorporate the commitment function into the utility framework, the following iterative procedure may be used. First, I evaluate the context of the decision to be made: is my commitment relevant to the decision to be made? If the answer is yes then I follow my commitment rule. Second, I allocate my remaining income in order to maximize my utility. So the procedure is as follows:

Step 1: Invoke commitment function if there is a relevant duty.

Example: $Z(x^2) \cap x^2 = \underline{x}$.

Result: $x^2 = \underline{x}$.

Step 2: Choose x^1 to maximize utility.

Example: $U(x^1, x^2)$ s.t. $\mathbf{p} \cdot \mathbf{x} \leq y - p^2 \cdot \underline{x}$.

Result: $\mathbf{x}^1 = \mathbf{x}^*$.

Note that the solution to this procedure is $(\mathbf{x}^*, \underline{x})$, which is identical to the solution for the case of strong sympathy. There is a crucial difference however. In the case of strong sympathy, the marginal utility of providing you with x^2 , U_{x^2} , had to be positive in order for me to provide you with any consumption. In fact, it was the cause of my gift. In a framework incorporating a commitment function, no restriction is necessary. U_{x^2} can take any value, positive, negative, or zero, because it was not the cause of my gift; instead, my commitment was the cause. And if $U_{x^2} \leq 0$, my providing consumption for you reduces my preference satisfaction. Even if $U_{x^2} > 0$, the satisfaction to me of providing consumption to you was not the cause of my choice. This formulation, then, is faithful to Sen's claim that sometimes we make choices divorced from their consequences on our personal welfare.

While this exploratory framework appears simplistic, it may be sufficient to capture a good deal of actual decision-making. One objection could center on the hierarchy used: follow commitment first, then preferences. There are justifications for this ordering that will be more fully explained in the normative section when discussing the philosophy of W.D. Ross. Briefly, Ross gives ethical priority to commitment over pleasure (or preference satisfaction) -- just as modelled here, and, secondly, it can be argued that his analysis allows for the possibility that sometimes it is one's actual duty to give primacy to one's own preferences. Even so, as a positive/descriptive matter it may be true that for some people the order is reversed: they might follow their preferences first, and then their duty. A more complete framework would include all possibilities.

What are some of the implications of a non-consequentialist/ utility theory synthesis? Consider demand analysis and the economics of organization. By ignoring commitments, demand

analysis overstates the income available for consumers to satisfy their preferences. In general, then, we would expect estimated demands for most things to be too inelastic. More specifically, goods which violate a commitment would be more elastic than estimated, while those consistent with commitments would be more inelastic than estimated. For example, economic analysis suggests that public goods like public radio will be severely undersupplied (or not supplied at all) because people will consume programming without paying for it. But by adding commitment to the analysis, we can predict that some people will pay for services received -- demand is more inelastic than predictions based solely on preference satisfaction with imperfect payment enforcement, and hence some public goods will be provided even with limited governmental support.

As alluded to earlier, a non-consequentialist/ utility theory synthesis also poses implications for the economics of organization. There are three principal questions those working in the economics of organization seek to answer: (1) why do firms exist?, (2) what kind of internal organization will they have?, and (3) what activities will occur within their boundaries? Coase (1937) started the field by positing that firms arise to reduce the cost of transacting in the market. A single employment contract between employer (firm owner) and employee (worker) supplants the many discrete contracts necessary for arms length market transactions. In other words, the firm economizes on different types of negotiating costs. This "transaction cost" approach has been refined (but not necessarily improved upon) by authors such as Klein, Crawford and Alchian (1978), and Williamson (1985) who have come to emphasize hazards of reliance expenditures in contracts. If one party invests in what's called "specific assets," assets that lose their value outside of the contractual relationship, and if the contract is only imperfectly enforceable, then it may be advantageous for a firm to simply buy out the assets and skills of its potential contractual partner (i.e., integrate) rather than face the potential risks of that partner renegeing or threatening to renege. The threat is real, the argument goes, because contractual partners will act in their own best interests, only displaying "honesty" if it is in their selfish interest to do so.

Another approach, focusing on agency, suggests that firms will take on a particular internal structure: bosses directing workers. Otherwise, there would be too much shirking (not providing promised effort) by workers due to team production [Alchian and Demsetz (1972)] or lack of credible commitments to enforce agreements with ones peer workers [Holmstrom (1982)]. More recent efforts have been concerned with aligning incentives and risks in employment contracts [see, for instance, Sappington (1991)]. The idea here is that the best incentive contracts impose too much risk on workers, while the least risky contracts (e.g., fixed wage contracts) provide weak incentives to prevent shirking.

Both literatures in the economics of organization hinge on contractual parties acting opportunistically ("self-interest seeking with guile"), an assumption stemming naturally from the

sole use of utility theory. But what if some could be counted on to do what they say, to be trustworthy and honest, to commit to other-regarding principles? In that case it would seem that the single-minded focus on fashioning contracts and institutions to prevent opportunism is, at best, missing some of the most fundamental features of what firms really are and do. With few exceptions, economists seem to ignore the fact that the most successful firms are characterized by cooperation, not opportunism. Relatedly, we also seem to miss the fact that many production processes are alienating -- workers are treated as instruments. Here, our models seem all too true when we treat workers simply as labor inputs or purveyors of effort. But our analyses are incomplete when they fail to capture the social costs of such processes (e.g., stress, hyper-tension, lost sense of well-being, etc.). Nelson and Winter (1982) are among those in a much less known strand of literature suggesting that firms are repositories of knowledge, and this fact is the basis for firms' existence. Opportunism is not central to their thesis. Future efforts might explore how opportunism, commitment, knowledge, and maybe even organizational culture all intertwine with one another. Though promising to be a difficult task, such endeavors are necessary because sole reliance on one assumption only (namely opportunism) has prevented the field from even considering the possibility of how trust and commitment might be nurtured in the workplace.

Consider two additional points. First, a unified framework like the one above may help to explain some of what appears to be paradoxes for utility theory. Consider tipping, for instance. Economists have no trouble explaining tipping in restaurants when a repeat visit is anticipated (to assure good service next time), but we have experienced difficulty in explaining tipping at restaurants in which customers never expect to return. Using utility theory the best we can do is claim a preference for tipping, which makes it true by definition. So our choice seems to be either to leave the behavior unexplained, ignoring it as anomaly, or explain it by making the theory tautological. We can avoid tautology, however, by positing that at least some people possess a (perhaps moral) commitment to paying for services rendered, in spite of whatever their own personal preferences might be. As in other situations, some may follow consequentialist motivations while others follow non-consequentialist ones, but by including both we may be able to more accurately describe actual behavior. Also note that the ability of revealed preference theory to induce preferences from actual choice is undermined. The addition of the commitment function to utility theory means that even if I'm consistent in my choices, and I have sufficient income to choose both \underline{x} and \mathbf{x}^* , for example, then my preferences over \underline{x} cannot be inferred from my choice of \underline{x} . As mentioned, $U_{\underline{x}}$ could take any value and I still might choose \underline{x} due to my commitment.

Second, and contrary to first appearance, adding the commitment function may point the path to real individual autonomy. Economists cherish the notion of individual autonomy, it seems absolutely indispensable in modeling purposeful, rational choices. The problem is that our utility

maximizing modeling leaves little real autonomy for individuals: outcomes are mechanistically determined by preferences, income, and market prices, all of which are completely out of the individual's control (the income-leisure tradeoff is determined by preferences and market wages). To the extent that an individual is allowed to actually choose between his commitments (even if they specify rule-following behavior) and preferences, some autonomy occurs. Autonomy exists in the choosing. Such a process needs to be worked out, but at least the possibility of autonomy exists.

a. Origins of Commitment

Economists usually assume that preferences are determined exogenously. Perhaps they are given to us at birth, but in any case they are not given us by the economy, or so the argument goes. Endogenous preferences would, among other things, limit economists ability to make welfare judgements. How could we assess the ability of an economy to satisfy preferences if the economy generated those preferences in the first place? But just as one could query about the origins of preferences, so too could one inquire about the origins of commitment (and hence the commitment function).

Perhaps most fundamentally, the ability to make a commitment seems to arise from the ability to "identify" with people beyond ourselves. On the deepest level, identification with another might suggest a blurring of the boundaries between what constitutes the self from the non-self. This view is proffered by ecopsychologists who suggest that it is possible to identify with the world as self, and doing so gives one a greater appreciation of interdependence and interconnectedness of all life [see Rozack, Gomes, and Kanner (1995)]. On a more tangible level identification simply means empathy. Empathy is the capacity for a felt understanding of another's plight -- be it joy, suffering, or any other state. If I am empathic, I deeply understand your situation and thus can act appropriately, sometimes without regard to my own preferences. An example of deep empathy is the anguish at seeing another's pain. While some sort of mental health is probably necessary for empathy, it does not have to be so pure. Jenk's (1990) suggests that empathy can be extended to groups of people and communities one identifies with (sociologists might call these reference groups). He further suggests that we can identify with moral principles. This last category is also emphasized by the proponents of multiple utility models, the idea being that we sometimes sacrifice our own pleasure for moral conviction.

But can we dig even deeper to find the source of commitment? Some appeal to two different literatures in seeking an answer, the first on culture, the second on evolution. Boyd and

Richerson (1990) suggest that cultural transmission could account for observed acts of self-sacrifice. The idea is that humans learn how to behave firstly from their parents, then from the consequences of their own actions, and finally from society itself. Under certain conditions, like what the authors call "conformist culture transmission," cooperative behaviors will be learned and persistent in some groups and /or societies. So commitment could be learned from our social groups, and could persist as long as foreign values could not infiltrate, that is, find adherents (as in the case of a conformist culture).

Evolutionary explanations come in two varieties. Socio-biology explanations rest on the notion of a "selfish gene." The idea is that observed cooperation, or by extension commitment, at the level of the organism (people) is really just the result of selfish genetic impulses. We do for others in order to increase the probability of propagating our own genes. One problem with this explanation is that it has difficulty explaining cooperation amongst unrelated individuals where there is no chance of genetic reproduction (unfamiliar men helping each other, for instance). Another idea is offered by Caporael, Dawes, Orbell, and van de Kragt (1989). These authors offer the concept of *sociality* to suggest that perhaps evolutionary selection pressures act on groups rather than on individuals. If that were the case, then groups whose members cooperate with one another would have better chance for survival than those groups comprised of members who behave selfishly. According to this explanation, I might offer you consumption possibilities if you are in my group because I have formed a group identity, and it is that trait that gives me an evolutionarily selective advantage. Such a trait implies that I may cooperate with you because you are in my "in-group," whereas I will act selfishly with others, my "out-group."

While there may be some merit to evolutionary explanations for acts of commitment, I agree with Susan Oyama (1989, p.718) who, when commenting on sociality theory, writes:

Whatever its other benefits, I would not want Caporael et al.'s work to reinforce the already widespread assumption that behavior about which an evolutionary story can be told is in some sense more morally significant, more fundamental, more real than behavior about which no such story is told. I would not want readers to conclude that a motive or act cannot be authentic unless it is seen to flow from selective advantage.

I would suggest that rather than selective advantage *determining* our behavior, it might be better thought of as constraining our behavior. Certainly I could not consistently ignore my own survival needs in committing to you, but that does not imply that my behavior is determined by evolutionary forces. To suggest otherwise, once again, strips me of any autonomy. So while economists could be interpreted to claim that I am a slave to my preferences, those seeking a strictly evolutionary answer to behavior might be accused of suggesting that I am a slave to my

genes. It may be that preferences and genetic considerations are important in affecting behavior, but they need not be determinant. To find the deepest source of commitment, we also have to appeal to conscious, purposeful human capacities and motivations.

To philosophers interested in duty, its origin often lies in the intuitive -- which is directly knowable. Kant held that everyone knows the difference between doing what one wants (preference satisfaction) and doing that which one is morally obligated (duty). Duty arises, then, from moral obligation or "good will." A similar approach is taken by H.A. Prichard (1912) in his article "Does Moral Philosophy Rest on a Mistake?" He argues that questioning the correctness of following one's duty is the result of a confusion and that the knowledge of one's duty is not further reducible. Commenting on Kant, Prichard and duty, Mary Mothersill (1969, p. 444) notes:

That something is a duty is (or may be) a sufficient reason for doing that thing, and if it is, then no further reason is called for. If Prichard's historical thesis is right, and it seems quite plausible, then there is a sense in which Kantian doctrine and common sense agree and are jointly opposed to traditional ethics. Ordinary duties are not hierarchically ordered under a supreme moral principle; nor do the claims of duty (individually or collectively) provide a unique determination of morally right action. Nonetheless, and despite their untidy array, ordinary duties are "unconditioned" in that they provide us with reasons for acting such that if the reasons are accepted, there is no need for, indeed no room for, further justification.

Thus philosophers belonging to the Intuitionist school hold that certain principles and duties are self-evident and can be known directly. Further rationalization is neither possible nor necessary.

So it would seem that there is no definitive answer as to the origins of commitment. Before moving on it is important to briefly stress two points. First, the same could also be said for preferences. Economists treat preferences as raw inputs to churn through our methodological machinery, without questioning their origins. Second, if one does not accept the existence of commitments as distinct from preferences (for instance by defining commitments to be preferences), one is necessarily wed to a tautological methodological framework. And, in that case, all behavior is determined by self-interest by definition. No behavior can not be non-self-interested. Instead, all acts must be taken to fulfill a personal preference in order to increase one's own well-being.

III. Normative Aspects of Commitment

So far I have tried to offer a framework where people can act out of commitment. I have also suggested possible sources of commitment. Taken together, the analysis presented has been positive: it is an attempt to more fully capture how people really make decisions, even moral ones. As such, it tries to offer some empirical realism and also a way out of the tautological traps economists sometimes find themselves in. I now consider some normative advantages of commitment (to the extent a positive-normative distinction can be made). In some ways the normative argument is familiar: utility theory is instrumental and consequentialist, while commitment is non-consequentialist. Thus how one views consequentialism conditions where one stands on the utility/commitment debate. First, I will briefly summarize Kant's non-consequentialist ethic. Kant's "categorical imperative" is an idea that no moral philosopher can ignore. Still, Kant's ideas are sometimes considered extreme and some philosophers, notably W.D. Ross -- who I consider next, have set out to refine and integrate Kant's ideas into a broader framework. Ross' philosophical framework is consistent with the methodological framework I offered in section II. Finally, I will explicate the arguments of Martin Buber to see how his views come to bear on the debate. It turns out that his views relate directly to current economic methodology, and, as such, provide a powerful warning about the path on which we are now treading.

Speaking normatively, consequentialism views acts as ethically superior if they bring about the best consequences [see Hausman and McPherson (1993)]. Clearly, consequentialism implies that means are morally important only insofar as they lead to the best ends. Utilitarianism is consequentialist because its proponents seek the best means to maximize average welfare, the goal. Utility theory is also consequentialist in the sense that individuals choose actions (means) that maximize preference satisfaction -- their ends. As long as it is ethically permissible for me to choose my own ends, it is ethically permissible to feature you as a means in my utility function if that leads to the best consequences for me. Should my use of you also result in an increase in your welfare, that's simply a happy by-product.

a. Kant

Kant also recognized the importance of ends [see Walsh (1967, p.318)]. Utilitarianism, for instance, suggests that the purpose of moral acts are to create the greatest happiness for the greatest number. It is hard to argue with that goal/end. But Kant holds "that consideration of ends cannot be of primary importance for the moral agent, since a moral action is one that is commanded for its own sake, not with a view to some purpose it is expected to bring about" (Walsh, p.318). Kant was the first famous "Deontologist." Deontological ethics "is one which

holds that at least some acts are morally obligatory regardless of their consequences for human zeal or woe" (Olson, p.441). Kant stresses the inability to achieve one's own ends with certainty: I may take an act to promote some end, but nature, circumstances, and other people may conspire against me. But if I cannot control the results of my intentions, I can choose the intentions themselves. To assure the morality of an act, I need only ask, if I could, would I will it to become a universal law. This universality condition is probably Kant's most influential idea. For Kant morality brings with it an imperative to act in a way independent of one's own preferences, and without regard to result. Another version of his categorical imperative, one which guides interactions with other people, states: "Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end." [Kant (1964, p.96)].

Kant's ethic is non-consequentialist, then, because it recommends actions not based solely on their anticipated end result. So for Kant it would not be ethically permissible for me to treat you as a means to my own ends, to make your welfare a *source* of my welfare. This ethic provides the basis for treating human beings as if they had their own inherent dignity, quite apart from the valuations any other person might ascribe to them.

b. Ross

Kant's ethical framework has been interpreted to mean that the the highest good is to follow one's moral duties. Motivations do not play a role; whether one acts out of pleasure or benevolence is of no consequence for Kant as long as one performs his or her moral duty. Not surprisingly Kant has been criticized for this uncompromising position. And, if one is only supposed to act from moral duty, what about when duties conflict? Truth-telling and no-harm are both duties, for instance, but what happens if a prospective murderer asks me where his intended victim is? One duty will be violated for sure. W.D. Ross attempted to answer both of these criticisms with his deontological ethics offered in his two books, *The Right and the Good* (1930), and *Foundations of Ethics* (1939).

On the first point Ross takes on Kant directly. Like Kant, Ross ascribes higher moral ranking to performing ones duty over any other motivation, but, unlike Kant he does not think all other motivations unimportant. In elucidating this point, Ross (1939, p. 306) writes:

There is another doctrine of Kant's, quite distinct from that just mentioned, but cooperating with it in producing his very rigoristic moral view. This is the doctrine that no motive other than a sense of duty has any moral value at all, that desire to produce pleasure for another, for instance, is no better than desire to produce pain for another. This might be justified if we could regard action from any desire as

simply flowing from heredity and environment, and action from a sense of duty as perfectly free undetermined action for which alone we could give the agent credit, since in it he springs quite clear of the influence of heredity and environment. But unless we can maintain this extreme libertarian position, we need not agree with Kant's denial of moral value to all desires. And plainly great violence is done to what we really think, when we are asked to believe that ordinary kindness when not dictated by duty is no better than cruelty.

In fact, Ross tries to work out a hierarchy of motives. Roughly speaking, he ranks pleasures (preferences) in turn (1939, p. 302): morally good (e.g., pleasure of helping another), morally indifferent (e.g. sensuous pleasures), and morally bad (e.g., pleasure in harming another). From Ross' perspective, no moral judgement can be made about helping oneself versus helping another.

As mentioned, Ross agrees with Kant on the primacy of following one's moral duty. But it is not so simple as to which duty to follow. In the following, Ross (1939, p.303-4) first sets out to explain why duty ranks above other motives, and then how we might know what duty to follow.

... suppose that a person is attracted towards one act as being the fulfillment of a moral claim, and to another act without having this thought about it. Suppose, for instance, that he thinks of a certain use of his money as being the fulfillment of a moral claim which a creditor has on him, and is at the same time attracted towards bestowing it in charity. So long as he thinks of one act as being an act he ought to do, and of the other not as being something he ought to do, we are bound to say that he will be acting better in doing what he thinks he ought to do. It is only if he thinks of the possible object of his charity as himself having a moral claim on him, that he can be acting better in bestowing the charity than in paying the debt; and then we are no longer contrasting action from the sense of duty with action from a different motive, but action from the sense of one *prima facie* obligation with action from the sense of another.

A *prima facie* duty is a conditional duty, which is subject to conflict with other *prima facie* duties. So both paying debt and giving to charity are conflicting *prima facie* duties in the above example. Contrastingly, there can be no conflicts among actual duties. For Ross, one *prima facie* duty will reveal itself as "more of a duty," and thus constitute an actual duty. The revelation process is, once again, intuitionist.

While going some way to answering the conflicting duties question, perhaps more interestingly for this paper is Ross' ethical ranking of duties and then motives. Analogously, in the methodological section I suggested a positive framework in which individuals make decisions by first considering their duties, then their preferences. From a normative perspective, Ross tells us this is how individuals *should* behave. It would seem, furthermore, that Ross offers a framework

that could sometimes justify giving primacy to preferences. Sometimes it may be one's actual duty to follow one's own preferences. Consider an example of a stressed out healthcare provider. During some time period she may see two conflicting *prima facie* duties: continue providing service to others, versus taking a rest (which is her preference). Because the actual decision arises from intuition instead of some iron clad rule, the healthcare provider may find her actual duty to be to continue to provide service during some times, but to satisfy her preference for rest at other times. This reverse ordering of preferences over duty not only has normative appeal, but would also seem to be descriptively accurate in many cases.

c. Buber

While Kant's categorical imperative is well-known, Martin Buber offers a somewhat lesser known moral philosophy that casts doubt on the foundations of utility theory from another angle. Buber's central work is *I and Thou*. His main insight is that there is a fundamental difference between relating to an object versus relating to a person. *I-It* refers to my relationship with a clock, for instance. I observe it and I get something from it, time. As such it is an object to me, external to me. I can enter into the same *I-It* relation with another human being; I can see you and ask you what time it is. I observe (listen) to your response. If that is the end of the meeting, once again, you are merely an object to me, external to me. Wyschogrod (1967, p. 410) summarizes the *I-It* relations as follows:

When another person is an *It* to me, I am, first of all perfectly alone. I gaze at him and view him from every possible direction, I observe his place in the scheme of things, and I find elements that he has in common with other persons and things and elements that distinguish him from them. All of this, however, takes place within me; *I* am judging and *I* am observing, and the external world is relevant to the extent that it enters my being.

For Buber, treating the world as an object gives it a measure of reliability, but at the cost of a detachment and alienation which prevents true intimacy. If we enter only into *I-It* relations, the world is a stranger to us [see, for instance, Buber (1958, p.32-33)].

If a relation is not *I-It*, it is *I-Thou*. An *I-Thou* relation is a meeting in which each gives all of themselves and is ready to receive all of another: "The primary word *I-Thou* can only be spoken with the whole being. The primary word *I-It* can never be spoken with the whole being" [Buber, (1958, p.3)]. If relation is mutual, meaning each is able to offer themselves wholly, then alienation vanishes and each is able to live, genuinely, in shared reality. Buber (p.63) writes:

He who takes his stand in relation shares in reality, that is, in a being that neither merely belongs to him nor merely lies outside of him. All reality is an activity in which I share without being able to appropriate for myself. Where there is no sharing there is no reality. Where there is self-appropriation there is no reality. The more direct the contact with *Thou*, the fuller is the sharing. The *I* is real in virtue of its sharing in reality. The fuller its sharing the more real it becomes.

The *I* in the *I-Thou* relation is different from the *I* in the *I-It* relation. If this were not the case it would merely be the subject of one of two categories of objects: *It* or *Thou*. But *Thou* cannot be an object (though a person can be). In fact, for Buber, *I* cannot be thought of separately from the *I-It* or *I-Thou* relations. So *I* is always interdependent with the relationship.

As mentioned, mutuality in the *I-Thou* relation requires each to give all of themselves. If any part is withheld, the relation is *I-It* because some part remains spectator rather than participant. Withholding yields security because some part is not ventured, not risked. But not risking our whole being comes at the cost of freedom, or, from an economist's perspective, autonomy. As Wyschogrod (p.410) explains it:

The *Thou* who is addressed cannot be viewed in the context of any causal, deterministic framework. He must be encountered in the full freedom of his otherness, an otherness that is addressed and that responds in the total unpredictability of human freedom. The moment the responses of the *Thou* are calculated, the moment the *I* asks itself what impression its speech and being will make on the *Thou*, it is relating to an *It* instead of a *Thou*.

Additionally, an *I-It* relation always occurs in the past because all objective knowledge is knowledge of the past. In contrast an *I-Thou* relation occurs in the present because past objective knowledge does not govern the relation. Rather, since each enters without preconception or precondition, true spontaneous meeting results because neither calculates a response based on the past. We live in the present when we are open to all possibilities. For Buber, then, true autonomy can not be thought of or modelled deterministically.

As a major figure during the enlightenment period, Kant's ethical system was based on reason and the desire to find universal laws according to which one could live a moral life. In contrast, Buber claimed not to have offered any ethical system at all [see Friedman (1967) and Buber (1967)]. For Buber truth emerges from the lived reality of the present, it must be discovered with the whole being. According to Pfuetze (1967, p.515), Buber's brand of existentialism:

... sets him in unalterable opposition to all philosophies which seek for the essence of things in abstraction from the concrete reality of our personal existence in the life lived... It is subjective, autobiographical, experiential, marked by an inwardness and a need to transcend personal limitations to solve personal problems, especially in those predicaments of men where discursive thought only builds up paradoxes.

Buber does not deny objective knowledge generated by science and reason. But he does deny that the truth needed to guide one can be found through the intellect alone.

At first blush it would appear that while Buber questions the foundations of consequentialist philosophy, he does not support a non-consequentialist alternative because he stresses truth originating from life lived, which is necessarily situational. But this would be an incorrect interpretation. I quote from Friedman (1967, p.177-8) at length.

Buber's concept of the responsibility of an I to a Thou is closely similar to Kant's second formulation of the categorical imperative: Never treat one's fellow or oneself as a means only but always also as an end of value in himself. But even here there is an essential difference. Kant's sentence grows out of an "ought" based on the idea of human dignity. Buber's related concept of making one present is based on the ontological reality of the life between man and man. To Kant the respect for the dignity of others grows out of one's own dignity as a rational being bound to act according to universal laws. For Buber, the concern for the other as an end in himself grows out of one's direct relation to this other and to that higher end which he serves through the fulfillment of his created uniqueness. Thus Kant's imperative is essentially subjective (the isolated individual) and objective (universal reason) whereas Buber's is dialogical. In Kant the "ought" of reason is separated from the "is" of impulse. For Buber, in contrast, "is" and "ought" join without losing their tension in the precondition of authentic human existence -- making real the life between man and man.

Thus the two cite different origins for their concern for the dignity of others, but both arrive in a similar place. For Buber, another's dignity is discovered as a lived truth, found with one's whole being. It is found through the *I-Thou* relation; one who experiences only the *I-It* relation can never truly know the dignity of another. Once this knowledge is acquired one knows the need for responsibility and commitment as personal guides. Buber was aware that maintaining *I-Thou* relations continually and indefinitely is not possible; no human has that capability. And some *I-It* relations are necessary for an organized existence. But he also issued a warning, one in which it almost seems as if he had the practice of economics in mind: "And in all seriousness of truth, hear this: without *It* man cannot live. But he who lives with *It* alone is not a man." [Buber (1958, p.34)]. For Buber, those who treat the world as an instrument -- as utility theory would seem to suggest, can not realize their true humanity.

In summary, the three philosophers examined provide both an ethical critique of (sole use of) utility theory, and an ethical case for non-consequentialism. Kant criticizes the instrumentality of consequentialist ethics as violating universality, and ultimately the dignity of others. He offers the categorical imperative, a non-consequentialist ethic, in its place. Buber continues the argument, but with less reliance on rationality. In addition to the instrumentality criticism, he argues that determinism is inconsistent with autonomy. Finally, Ross provides a way out of certain problems. Unlike Kant, he gives moral standing to motives other than non-consequentialist ones. His ethical hierarchy of commitments-then-preferences is the same as the one offered in section II of this paper. Ross' notion of *prima facie* duties also answers the criticism of conflicting duties sometimes leveled against Kant. Lastly, his analysis permits non-deterministic decision-making because one's actual duty (from the myriad of *prima facie* duties) reveals itself only in the present. Past knowledge and behavior can not determine, though they may influence, present ethical behavior. While perhaps incompatible with conventional modelling, Ross' framework may ultimately serve to save the concept of autonomy for economists.

IV. Conclusion

I have tried to support the idea that while utility theory may go some ways in explaining behavior, by itself it is lacking empirically, theoretically, and ethically. The usual argument against criticisms of the sort offered here is "show me something better." That I have tried to do by offering a synthesized framework including both consequentialist and non-consequentialist decision-processes. The framework seeks to add some empirical realism, while at the same time avoiding theoretical tautology, instrumentalism, and determinism. By adding commitment to utility theory we no longer have to choose between leaving some behavior unexplained, or explaining it tautologically by claiming a preference for it.

Obviously this effort is only exploratory and much work remains. While commitment may aid explanation in what economists call anomalous situations, maybe its presence is more widespread. For instance, economists often suggest that promise keeping in transactions can be assured only if a reputational asset is at stake (or, unrealistically, costless, binding agreement is possible). But even if reputational assets are related to promise keeping, that does not mean the link is causal. Perhaps reputational assets are the result while commitment is the cause, at least in some cases. If correct, we may be incorrectly identifying the true sources for a well functioning economy. In that case we could profit by further studying the values and institutions that nurture and sustain commitment.

References

- Alchian, A. and H. Demsetz (1972). "Production, Information Costs, and Economic Organization." *American Economic Review*, 62, 777-795.
- Baron, J., 1994. "Nonconsequentialist Decisions," *Behavioral and Brain Sciences*, 17, pp. 1-10.
- Bergson, H., 1910. Essai su les donnes immediates de la conscience. Paris, 1989. Translated by F.L. Pogson as *Time and Free Will: An Essay on the Immediate Data of Consciousness*, New York.
- Berry, D., 1985. Mutuality: The Vision of Martin Buber, Albany: State University of New York Press.
- Boyd, R., and P. Richerson, 1990. "Culture and Cooperation," in J. Mansbridge (ed.), Beyond Self Interest, Chicago: University of Chicago Press.
- Brennan, T., 1989. "A Methodological Assessment of Multiple Utility Frameworks," *Economics and Philosophy*, 5, pp. 189-208.
- Buber, M., 1958. I and Thou, New York: Charles Scribner's Sons.

Buber, M., 1967. "Replies to My Critics," in Schilpp, P. and M. Friedman (eds), The Philosophy of Martin Buber, London: Cambridge University Press.

Caporael, L., R. Dawes, J. Orbel, and A. van de Kragt, 1989. "Selfishness Examined: Cooperation in the Absence of Egoistic Incentives," *Behavioral and Brain Sciences*, 4, pp. 683-98.

Coase, R. (1937). "The Nature of the Firm." *Economica*, 4, 386-405.

Conlisk, D., 1996. "Why bounded Rationality?," *Journal of Economic Literature*, 34, pp. 669-700.

Daniel, S., 1994. "Correct Decisions and Their Good Consequences," *Behavioral and Brain Sciences*, 17, pp. 13-4.

Dwyer, S., 1994. "Why Care Where Moral Intuitions Come From?," *Behavioral and Brain Sciences*, 17, pp. 14-15.

Etzioni, A., 1986. "The Case for a Multiple-Utility Conception," *Economics and Philosophy*, 2, pp. 159-183.

Friedman, M., 1967. "The Bases of Buber's Ethics," in Schilpp, P. and M. Friedman (eds), The Philosophy of Martin Buber, London: Cambridge University Press.

Goudge, T.A., 1969. "Henri Bergson," in the Encyclopedia of Philosophy.

Hausman, D. and M. McPherson, 1993. "Taking Ethics Seriously: Economics and Contemporary Moral Philosophy," *Journal of Economic Literature*, 31(2), pp. 671-731.

Hayek, F., 1961. "The Non Sequitur of the 'Dependence Effect'," *Southern Economic Journal*, 17, pp. 346-348 .

Heiner, R., 1983. "The Origins of Predictable Behavior," *American Economic Review*, 73, pp. 560-95.

Holmstrom, B. (1982). "Moral Hazard in Teams." *Bell Journal of Economics*, 13, 324-340.

Jenks, C., 1990. "Varieties of Altruism," in Mansbridge, J. (ed), Beyond Self-Interest, Chicago: University of Chicago Press.

Jensen, M., and W. Meckling (1976). "Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure," *Journal of Financial Economics*, 3, 305-360.

Kant, I., 1964. Groundwork of the Metaphysic of Morals, New York: Harper Torchbooks.

Klein, B., R. Crawford, and A. Alchian (1978). "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process," *Journal of Law and Economics*, 21, 297-326.

Lutz, M., 1993. "The Utility of Multiple Utility: A Comment on Brennan," *Economics and Philosophy*, 9, pp. 145-54.

Mothersill, M., 1969. "Duty," in the Encyclopedia of Philosophy.

Nelson, R. and S. Winter (1982). An Evolutionary Theory of Change, Cambridge: Harvard University Press.

North, D., 1990. Institutions, Institutional Change, and Economic Performance, Cambridge: Cambridge University Press.

Olson, R., 1969. "Deontological Ethics," in the Encyclopedia of Philosophy.

Oyama, S., 1989. "Innate Selfishness, Innate Sociality," *Behavioral and Brain Sciences*, 12, pp. 717-18.

Pfuetze, P., 1967. "Martin Buber and American Pragmatism," in Schilpp, P. and M. Friedman (eds), The Philosophy of Martin Buber, London: Cambridge University Press.

Prichard, H.A., 1912. "Does Moral Philosophy Rest on a Mistake?," *Mind*, 21, pp. 121-152.

Ross, W.D., 1930. The Right and the Good, Oxford: Oxford University Press.

Ross, W.D., 1939. Foundations of Ethics, Oxford: Oxford University Press.

Rozack, T., M. Gomes, and A. Kanner (eds), 1995. Ecopsychology, San Francisco: Sierra Club Books.

Sappington, D. (1991). "Incentives in Principal-Agent Relationships." *Journal of Economic Perspectives*, 5, 45-66.

Schilpp, P. and M. Friedman (eds), 1967. The Philosophy of Martin Buber, London: Cambridge University Press.

Sen, A., 1978. "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," in H. Haris (ed.) *Scientific Models and Men*, London: Oxford University Press.

Tomlin, E.W.F., 1986. *Philosophers of East and West*, England: Oak-Tree Books Limited.

Walsh, W.H., 1967. "Immanuel Kant," in Edwards, P. (ed), Encyclopedia of Philosophy, V4, pp. 305-24.

Williamson, O. (1985). The Economic Institutions of Capitalism. NY: The Free Press.

Wyschograd, M., 1967. "Martin Buber," in Edwards, P. (ed), Encyclopedia of Philosophy, V1, pp. 409-11.