Prudently Preserving the Rational Choice Framework

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In a world increasingly characterized by polarization with disparate normative waves of opinion colliding in a storm that ravages the public arena and the private living room, we modern economists walk abreast the raging water with our positive and objective analyses. Our theoretical modeling and empirical regressions can be conducted unstained by our personal convictions and beliefs as we model agents of all stripes using the rational choice framework. Regardless of your preferences for pizza, political candidates, or probity, the rational choice framework is useful for understanding the effects of incentives on your choices and outcomes. While we understand that the normative questions being debated are important, the unofficial boundaries of our discipline largely prevent us from immersing ourselves in those subjective waters.

In her book, Hirschfeld (2018) calls us to the reality that, like the apostle Peter, we economists are not walking on the water as well as we had hoped or imagined. It is true that economists are broadly agnostic with respect to normative questions regarding what a utility function ought to look like. Mainstream approaches take the utility function of an agent to be exogenous and fixed. However, despite our best efforts to present our methods as objective, Hirschfeld argues that this seemingly objective framework is itself a normative decision.¹

I deeply appreciated Hirschfeld’s book for multiple reasons. First, her deep understanding of both economics and theology allows her to speak insightfully to their interaction. Second, I found myself resonating with the importance of the direction in which she takes the conversation. While there are huge benefits to the (arguably) objective ability of economists to discuss policy and practice without contention by refusing to order preferences, I often have wondered if it has been taken too far.

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The silence in most economic curricula on where our objectives come from is deafening. Efficient pursuit of goods and services that do not align with our ultimate ends is not a worthwhile endeavor. Economics is intrinsically a discipline that serves the objectives of those who wield it. While I agree with Hayek (1944, ch. 5) that it is a hopeless task to come to a unified moral framework, I fear that our agreement to abandon the pursuit of a consensus view of moral ordering has assisted a transition to the belief that no moral ordering exists. Or, as Hirschfeld posits, that our decision to turn to the pursuit of material prosperity as the lowest common denominator may have resulted in our equating the means as the best way to pursue our ultimate ends. Though we may disagree in the particulars, few would argue that some pursuits are more worthy than others. I am in complete agreement with Hirschfeld that our profession would do well to bring consideration of objectives and our understanding of them back to conscious thought.

Yet, despite largely agreeing with many of Hirschfeld’s critiques regarding the current practice by mainstream economists, I disagree with her proposed response. I am unconvinced that to follow the teachings of Aquinas one must largely abandon the rational choice framework for approaching the lion’s share of life’s allocative questions. In the remainder of this short response, I reflect on how the economic profession might reasonably integrate Hirschfeld’s critiques and the rational choice framework.

Armed with her PhDs in both theology and economics, Hirschfeld crosses beyond the standard boundaries of the economic profession by ordering sets of preferences and asserting the advantages of the Thomistic pursuit of virtue. In one sense, I do believe her efforts are to persuade the reader of the superiority of the ends Aquinas calls us towards. However, there is a second purpose, which is strictly related to her claim that economists’ methods are normative beyond just the portion of the literature that falls under that title. For Aquinas, the pursuit of virtue is a process of forming our desires (i.e. preferences) to align with our ultimate ends (knowing and loving God). Central to this pursuit is an understanding that our preferences are not exogenous and neither are they fixed. Rather, they are malleable and formed by our choices and our environments. Hirschfeld’s critique is that by modeling within the constraints of the rational choice framework, we have already made a normative choice to abandon a Thomistic understanding of economic thought.
Perhaps at the opposite end of this spectrum lies Stigler and Becker's (1977) influential article, “De Gustibus Non Est Disputandum” (henceforth SB). Rather than preferences being malleable and intentionally formed, SB make the grand and provocative proposal that preferences do not vary meaningfully over time or across people.

A sphere is an interesting object: by traveling east for long enough we eventually end up west of our starting point. In this article, I argue that by taking the mainstream economic view to the extreme suggested by Stigler and Becker, we may end up at a point that is reconcilable with a Thomistic framework.

Let us suppose for the purposes of this conversation that Aquinas is right. There is only one infinite good and that is God. Each of us is created with preferences that are ultimately satisfied in the beatific vision, in complete knowledge of and communion with God. Perhaps one way of understanding this is through SB. What varies are not our true preferences, but the understanding each of us has with respect to how choices we make satisfy our true desires. In this case it would be easy to mistake learning as modifying our preferences.

SB respond to several cases that appear at first blush to indicate shifting preferences and they present a framework for understanding the observed behaviors in a manner that is consistent with fixed preferences. For example, advertisements, whether truthful or not, modify our understanding of how a particular good or service will satisfy our true preferences. When we change our consumptive behaviors in response to viewing these ads, SB argue that it is possible our preferences have not changed. Rather, it may be that we have updated our beliefs of how well a particular good will satisfy those preferences.

In Chapter 4 of her book, Hirschfeld brings focus to Aquinas’ understanding of the cardinal virtue of prudence, the “virtue most necessary for life.” She defines prudence as both choosing the right ends or objectives and the manner of their pursuit. While economic methods may be able to address the latter, they largely fail to meaningfully explore the prior, which is arguably the more important. To model our preferences as exogenous and unaffected by choices, incentives, and constraints is not an innocuous assumption.

In Hirschfeld's book, there is significant space dedicated to the idea that lower-ordered goods serve higher-ordered ends. In this sense, SB's insights are somewhat analogous. According to SB, we do not have
preferences for specific goods and services; rather, goods and services provide varying bundles of “commodities” that directly factor into our welfare outcomes. Unfortunately, the exact link between those goods and services and our outcomes is not well understood by the agent. None of us possesses a perfectly distilled and clear understanding of how our actions will satisfy our desires. We have all experienced disappointment upon receiving or achieving something we sought after and realizing it was not as fulfilling as we hoped or imagined. We might recast the first part of prudence as learning. That is, the process of better understanding how specific actions will satisfy our true preferences.

For example, consider Saul, an avowed Jew who initially views the emergent Christian faith as a terrible evil opposed to the purposes of the God he serves. So strongly, in fact, does he feel this conviction that he actively engages in persecution of Christ’s followers in an attempt to deter this type of activity. Ironically, in the course of this endeavor, he encounters Christ, converts to the faith he once persecuted and becomes known as Paul. He goes on to proclaim that he considers all else rubbish compared to the surpassing worth of knowing Christ Jesus as Lord and to proclaim the Gospel to many different nations and people groups. He dedicates the remainder of his life to the activities he once so ardently despised.

It would be easy to view this as a shift in preferences. However, it is also reasonable to interpret Paul’s story as a major update in his understanding of how his actions align with his objectives. Paul is consistent in his zeal for serving God. However, his understanding of how God is served is dramatically updated on the road to Damascus. Our culture, formal institutions, the choices of others, and our own choices all influence our understanding of how our actions will satisfy our preferences.

This method may allow us to formalize within the rational choice framework the pursuit of the first part of prudence. We can define the first part of prudence as learning about how our behaviors influence our outcomes and the second part of prudence as our efforts to optimize based on our current understanding of how our actions will influence our outcomes.

Even the cultivation of virtue as described in Hirschfeld's book first requires a knowledge of what virtue is and how the applicable preferences are formed. The decision to learn about and pursue a Thomistic view of flourishing requires a series of choices which lead to an
understanding of Aquinas’ views. I am not convinced that the traditional framework of the economic discipline cannot be augmented to handle this process.

Models of learning allow us to incorporate the tradeoff between maximizing under our current preferences or forgoing some level of maximizing our present outcomes to learn more about what might most effectively satisfy. While reading Hirschfeld’s book certainly included a consumptive (enjoyable) aspect, I was also motivated to read it in order to reflect more on what ultimately matters in life. When discussing models of learning about our preferences, we currently tend to think about relatively unimportant questions (e.g. my preference across different types of beer). What if we raised the stakes and applied these methods to the topic of exploring questions of our ultimate purpose? While in some sense these pursuits seem categorically different, the method may still be useful for these weightier applications.

Similar to other learning models, the proportion of resources we dedicate to learning about how actions will satisfy our desires is tied to the disparity in utility received if we act on our current understanding relative to the utility received after revising our behavior due to our learning. For example, how much weight should we place on outcomes in periods after death? If we believe that spending time reflecting on what ultimately leads to flourishing could result in differences in choices leading to eternal pleasure or pain, we would rationally spend more time investigating our ultimate purposes than if we believed the stakes were lower. While most economists do not use the rational choice framework to reflect on the first part of prudence, it is not clear that the rational choice framework prevents us from doing so. Similar to the concepts found in Pascal’s wager (Pascal, 1958), if we believe that what is at stake in understanding our pursuit of God is of infinite value, even minor improvements in understanding that pursuit would warrant unfathomable investment of resources.

There is value to reducing the uncertainty regarding how our actions will affect our outcomes. Unfortunately, how much more clearly I understand how my actions will satisfy my deepest desires after reading Hirschfeld’s book is not easily measured. While it may be useful to think in terms of the rational choice framework, it is unlikely that we will be able to operationalize this type of learning using econometric methods.

I was deeply gratified to see that Hirschfeld’s work was picked up by Russ Roberts on the EconTalk podcast (Roberts 2019). In several recent
episodes of his podcast, Russ has critiqued the profession for having a tendency to “look where the light is best,” which in our profession means we tend to explore topics that are measurable and have large amounts of data. He goes on to suggest that perhaps the most important things to reflect on simply are not measurable and that our tendency to focus so heavily on the data may have inadvertently led us to forget about these other areas.

However, the context of learning is insufficient to encompass the Thomistic framework. The Thomistic understanding of virtue is more than just action: it also includes the molding of our desires to align with the good. This certainly sounds like something beyond learning. A second area discussed by SB is the concept of consumption capital (Stigler & Becker, 1977). This is the idea that we may make choices that modify our future ability to enjoy certain types of activity. The example from the referenced paper is taste in music. In particular, the utility derived from listening to “good” music is itself a function of the quantity of good music listened to in earlier periods. In this sense, it may be rational for an agent to forgo present utility in order to invest in behaviors that develop an ability to more deeply appreciate certain activities in future periods, which gives rise to the term consumption capital. Hirschfeld’s discussion of incontinence, continence, and virtue reminded me of this concept.

Could we use these concepts of consumption capital formation to reflect on the cultivation of virtue? I’m persuaded that relationships with God and others lead to the deepest forms of flourishing. Unfortunately, I find meeting strangers to be an uncomfortable, vulnerable, and generally disagreeable event. However, continuing to press into a new relationship increases my capacity to enjoy company with that person. Consequently, I voluntarily interact with strangers from time to time. It seems reasonable to model this within a traditional dynamic rational choice framework. Could we think of the spiritual disciplines as a similar form of investment? In present periods I may not enjoy praying more than other alternatives, but I engage in it due to a belief that over time it will cultivate my love for and knowledge of God, which aligns with my deepest objectives.

Allow me to proceed to a third way of integrating Hirschfeld’s insights within the context of the rational choice framework. Through Aquinas, Hirschfeld investigates the complex nature of what motivates
us to action. In particular, Aquinas identifies two motives: a higher mode referred to as our will, and a lower mode that we share with animals and that we might refer to as our appetites. Hirschfeld repeatedly asserts that the rational choice framework is only successful in helping us understand the latter mode and so it systematically omits consideration of the prior. I believe this to be untrue. Rather, I would argue that economic modeling currently conflates both motives into a single set of preferences.

Despite having never taken an economics course, my father makes decisions about as close to homo economicus as one could imagine. He converted to Christianity shortly after turning 20 and came to a belief that missions to unreached people groups was the most effective use of his life, pointing him towards what ultimately mattered. Consequently, he quit his job and began work at the US Center for World Missions.

As he was raising support in a room with twenty or so others, my father came to the realization that all the people in this room wanted others to hear about Christ. Stuffing envelopes certainly was not beneath them, but my father had been earning more than $100 an hour in his previous job. This was an amount that could directly pay the salaries of several of the missionaries in the room. To put it another way, he believed that his scarce resources could better achieve his objectives of reaching unreached people groups through working in his prior job. My parents followed through on that idea. They have spent the rest of their lives living on less than half of their income and donating the rest to missions towards unreached peoples.

My father’s actions could easily be modeled with traditional economic methods using his peculiar objective function. However, one would be hard pressed to argue that his motives are driven by his animal appetites. While this is an anecdotal example, I do not think this type of activity is unique. I would posit that most of our decisions involve preferences guided by some combination of our will and our appetites and that economic models capture the combined effects of these motives on our choices and outcomes.

Further, I would be reluctant to accept that acts motivated by will are necessarily superior to acts motivated by appetite. Certainly, terrible crimes have been committed that require willful domination of at least some of the animal appetites in order to successfully execute. For an example, we need only consider again Saul’s life pre-Damascus.
However, the Thomistic insight into the complex nature of our preferences could lead to revision of how we model. Expanding the way we model preferences in a more realistic manner may resolve certain puzzles in the economic literature. There have been extensive efforts to understand time inconsistency in our preferences as exhibited by disparity in our choices about decisions that we make which bind our future behavior vs those same decisions when they direct our present behavior. I suspect that our preferences of the will hold larger weight in decisions about the future and that our preferences born of our appetites hold larger weight in decisions regarding the present. Hirschfeld’s reflections on our multiple motives made me wonder if explicitly modeling them may prove predictive in explaining seemingly irrational behavior (in the sense of the word as used by economists).

While in this short response, I have focused on areas of disagreement, there are few books I have read that have had as much impact in the directions of my thought as this one. I am deeply grateful for, and have benefited from, reading Hirschfeld’s book. Even more, I am thrilled that her book has received attention from economists with broad followings like Russ Roberts and Tyler Cowen. While I am not ready to abandon or relegate to the margins the traditional tools of my profession, I am in complete agreement in the need for economists to give more thought to the way we intentionally learn about our preferences. Figuring out what is worthy of our pursuit is more important than increased efficiency in pursuing what may end up irrelevant. Across the academy, regardless of discipline, bringing to light the idea that certain preferences are superior to others is risky. Hirschfeld is one of the few economists I am aware of who are willing to lead us into this territory. I am deeply thankful for her bravery in doing so and for the rigorous and excellent execution of her trailblazing. I am hopeful that her prudent work results in many others pursuing prudence in the Thomistic sense.

Endnotes
1. The formal introduction of this discussion is introduced in Chapter 3 of her book.
2. One example of this discussion is found in Chapter 3 under the section titled, “Human Action as Ordered to One Last End.”
References

**Hayek, Friedrich August.** (1944). *The Road to Serfdom.* Chicago, IL: University of Chicago Press.


