BOOK REVIEWS

The Moral Dimension: Toward a New Economics

By Amitai Etzioni. New York, NY: Free Press, 1988, ISBN: 0-02-909900-5.
Reviewed by P.J. Hill (Wheaton College).

Can a person who is fully committed to Biblical Christianity also be an economist? Although I would assume that everybody who is reading this *Bulletin* has answered that question in the affirmative, there still exists for many Christian economists a nagging question about the fit of a Christian world view and the economics paradigm. Amitai Etzioni brings many of these issues to the forefront in his book *The Moral Dimension.* Although the book is not an attempt to reconcile the Christian faith with the assumptions of economics it does raise a host of issues that the Christian economist must take seriously. These include the role of morality and values in influencing choices, the importance of social collectivities, and the degree to which human behavior can be described as rational. All of these issues deal with the fundamental questions of What is human nature? and How can it best be modeled?

Etzioni is a sharp critic of the neoclassical paradigm, claiming that it is

> a utilitarian, a rationalist, and individualist paradigm. It sees individuals as seeking to maximize *their* utility rationally choosing the best means to serve their goals. They are the decision-making units: that is, they render their own decisions. The coming together of these individuals in the competitive marketplace, far from resulting in all-out conflict, is said to generate maximum efficiency and well-being. The notion of a community, to the extent that it is included in this paradigm, is often seen as the result of the aggregation of individual rational decisions (p. 1).

In the passage above Etzioni is directing his remarks at all of the contemporary social sciences, but throughout the book his major criticisms are directed at economics. Whenever one's discipline is criticized by an outsider it is easy to dismiss these comments as coming from someone who misunderstands the paradigm used in that discipline. One cannot make such a quick dismissal of Etzioni. He has read a considerable amount of the economics literature and raises numerous thought-provoking questions that the Christian economist should carefully consider.

The arguments of the book can be divided into three major criticisms of the economics paradigm. First, the concept of individuals as utility-maximizing is incorrect. Second, much human behavior cannot accurately be described as rational. And third, the individual is not the only decision-making unit.

Etzioni believes that using the over-arching term of utility maximization to describe all human motivations is too general and misleading. He prefers to use two sources of "utility," pleasure and moral commitments. Moral acts are difficult to include under the general rubric of pleasure since many are "explicitly based on the denial of pleasure in the name of the principle evoked" (p. 45). Etzioni believes that there is a fundamental difference between yielding to one's urges, or maximizing pleasure, and passing judgment over them or acting on the basis of moral commitment. Thus he finds attempts to reduce these both to the same category—utility—to be, at best, unhelpful.

Etzioni goes on to define rationality in fairly stringent terms, arguing that choices can be called rational only when they are based on empirical evidence and logical reasoning. Normative commitments and affective involvements are seen as more important influences on decision-making than logical-empirical considerations. Because of this rather rigorous bifurcation of all influences into these two separate categories the author argues that normative-affective considerations are much more important that logical-empirical ones. Thus under his definition simple rules of thumb, norms and culturally-based institutions, by their very nature represent irrationality.

The importance of the community to decision-making is the final thrust of Etzioni's argument. He finds the economics paradigm to be radically individualistic and dangerously simplistic in its ignorance of culture and community. Individual decision-making can be modeled, but must be done in the context of the collectivities with which an individual identifies. This is more than just an argument that individual preferences are the sum of a whole host of influences; rather, Etzioni suggests that in many cases "collectivities are *the* decision-making unit" (p. 181).

What should the Christian economist make of this wide-ranging criticism of our basic paradigm? Are we living in two irreconcilable worlds when we claim allegiance to God's view of the universe and His description of human nature and yet also try to analyze this world with the economics paradigm? If Etzioni's description of our paradigm is accurate it would seem to be appropriate to be somewhat uncomfortable operating within it. Do we believe that everything can be explained by self-interest, narrowly defined? Do we also believe that all human motivations are equal and reducible to the same measure, so that lust and servanthood are simply different arguments in any one individual's utility function? Is it true that in our effort to concentrate upon individual choice we eliminate any influence for the church and the community? Likewise, does our characterization of human behavior as rational mean that moral influences are negligible? I suspect that most of us would deny such a characterization of our attempt at social science. Nevertheless, despite what I consider to be a bit of a caricature of economics, Etzioni does make powerful arguments, some of which are more convincing than others.

Perhaps the most persuasive part of the book is the first third, where the author introduces his division of utility into two categories, pleasure and moral considerations. He correctly points out some of the silly traps that economists have gotten themselves into by assuming that *all* behavior can be adequately described by the narrow model of self-interest. His plea for a clear differentiation between moral constraints and pleasure-maximizing acts should ring a sympathetic chord from the Christian economist. Clearly, Etzioni's description of the world is richer and more complete than the simple economic model which assumes that all sources of motivation can be reduced to a single measure. However, a nagging question is present in reading this section of the book: Does Etzioni really have a model that, despite its richness, better describes and predicts human behavior? He claims he does and argues that the economic paradigm is excessively parsimonious. However, it is not at all clear that his more expansive model is well enough developed and sufficiently coherent to have either superior explanatory or predictive power.

The discussions of rationality and individual decision-making are less convincing than the section dealing with morality. Because Etzioni chooses to define rationality in such a narrow fashion it is easy to find much behavior that is nonrational. He assumes that only the deliberating and conscious actor who utilizes all available information is acting in a rational fashion. Hence subconscious hunches, feelings, intuition, or information gathered from nontraditional sources are all put in the irrational category. Some of these characterizations may simply represent an efficient search for information. For instance he quotes another author favorably who suggests that

> a homeowner may get the idea to install a clock thermostat from seeing one in a friend's or neighbor's home; the decisive information about whether the investment is a good one may come from the experience of that friend or neighbor. When this happens, the action is most accurately described by the metaphor of social contagion, even if the individual rationalizes his or her action in terms of expected financial return. Since such action is not the outcome of detailed search for information and may not produce the maximum expected benefit, it is not rational in the formal sense. It may not even approximate formal rationality—individuals may rely on sources that can add no accurate information whatever" (Stern, quoted on p. 188).

Likewise, impulse buying is seen as irrational where such buying is defined as "purchases undertaken without a need to buy having been consciously recognized, or a buying intention having been formed prior to entering the store" (p. 162). Again most economists would argue that the economic paradigm, especially under more moderate assumptions of lack of perfect information, can explain impulse buying and gathering information through non-traditional channels quite well.

Etzioni's discussion of the role of individual versus community decision-making also seems to caricature economics. The assumption that it is the individual who chooses as he or she assesses the costs and benefits does not seem to preclude the importance of cultural and moral influences and collective identity. It seems to be a useful assumption to try to analyze choices in terms of individuals since that is the level at which calculations are made. This is not to say that those calculations will not include consideration of others, devotion to group norms, or commitment to moral values. However, to replace the concept of the individual choosing with that of the collective choosing, as Etzioni seems to want to do, surely makes it more difficult to model human behavior. Can we truly understand a city council policy better by saying that the city has chosen to take a particular action or even that the city council has chosen that action, rather than thinking about individuals making choices for the city? It is at this point that Etzioni seems truly to be misrepresenting the economics paradigm. To suggest that it is useful to try to describe actions as occurring because of individuals' choices does not mean that radical individualism must be exalted or that the influence of norms must be minimized.

Despite these areas in which Etzioni seems to misrepresent some of what we claim to do with our economic models we must be careful to not dismiss his arguments out of hand. Is there a difference between what we claim we do and what we actually do? Such a divergence may exist, and if so his criticisms are valid.

It seems that one could view the economic paradigm in three different ways. First, one could believe that it is a powerful way of looking at the world, and that the assumptions of rationality and utility maximization modeled through individual choice explain a great deal of what we see. This view does not claim that economics explains everything, but neither does it lapse into normative implications about how people should behave. It simply argues that a very simple model that assumes self-interested behavior can go a long way towards enhancing our understanding of the world around us and predicting the behavior of people.

A second view is that the economics paradigm explains everything. Of course, this is easily refuted in that we can find all sorts of behavior that is not narrowly self-interested. Or it is simply tautological: we have achieved completeness by defining self-interest so broadly that no behavior is excluded and hence no refutable hypotheses are possible.

A third position holds that narrow self-interest does not explain all behavior, but that the best of all possible worlds emerges when people follow their self-interest. Under this perspective self-interest is the major force that operates through markets to achieve social coordination, and the more self-interest dominates, the more predictable and better the world is.

It would seem that the Christian economist can operate reasonably comfortably under the first view. However, Etzioni has enough examples of cases where viewers number two and three have crept in that we must be cautious about claiming that we are always in the first camp. Surely positions two and three represent perspectives that are not consistent with our Christian world view. The problem is that as we operate under the first position, claiming that economics is a powerful paradigm, and as we push that argument and attempt to find new applications of our paradigm, we may tend to move towards the second position, that self-interest can explain all behavior. Therefore we must approach our work in the somewhat awkward position of claiming that our paradigm is useful and powerful, but also recognizing that it is not all-encompassing and applicable everywhere. In all honesty we must also admit that we really don't know how to draw a precise line between the places that our paradigm applies and the places that it doesn't.

Perhaps even more important, we must be cautious not to use the economic paradigm to argue that those actions which it does not describe very well are somehow less justifiable than those that we explain through economics. There is a special danger in teaching economics to college students in that in our enthusiasm to explain our model we may communicate that self-interested behavior is morally superior behavior. Etzioni is particularly powerful here, arguing that "the prevailing economic approach to moral values tends to debase them" (p. 250).

Jesus, in commissioning the disciples, said "I am sending you out like sheep among the wolves. Therefore be as shrewd as snakes and as innocent as doves" (Matt. 10:16). As followers of Jesus at least one aspect of our shrewdness entails a careful examination of the world view we take on in our professional lives. *The Moral Dimension* is helpful in that examination. Both in doing our economics and in teaching it we must be Biblically informed practitioners, faithful to scripture and careful not to use our paradigms to destroy those very things God holds dear.