Kantian Ethics and Economics: Autonomy, Dignity, and Character

Mark D. White. 2011. Stanford, CA: Stanford University Press. ISBN 978-0-8047-6894-8. $35.00.

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Mark White accomplishes two important tasks in this volume. First, he offers an introduction to the ethics of Immanuel Kant which corrects common misperceptions and criticisms about its perceived practical and theoretical inflexibility, emphasizing along way the common ground between Kantian ethics and virtue ethics. Second, he makes use of the Kantian framework to highlight and challenge the consequentialist normative framework which economists adopt as if it were self-evident. I do not have space to give a detailed tour of the many insights of this book, so I will draw attention to a few, in the context of the larger discussion of the place of ethics in economics.

This book will do you no good if your positive-normative defenses deploy whenever someone mentions ethics, insulating you from serious thought about the necessary relationship between economic models of behavior and ethical (that is, policy) analysis based on those models. Economists reflexively trumpet the claim that their models by themselves have no normative implications, and that economists are primarily interested in prediction and explanation. This would be fine if economists never used positive models and concepts for normative analysis, employing mental constructs like consumer surplus and producer surplus as if they were obvious measures of value, and Pareto-efficiency as if "better off" and "worse off" were unproblematic terms. But economists are not shy about using their positive models for normative analysis. Try getting through a principles of micro course without saying anything about the efficiency or inefficiency of markets, or about arguments for government intervention in markets—responding to market "failure."

Once economists use a positive model for normative purposes, they must start to measure the assumptions of that model against something other than its predictive success. They must ask to what extent that model captures what is good and bad for people as they actually exist and behave. Are human beings important in normative analysis only insofar as they have preferences? On what other bases might human beings be valued, and do these alternatives have implications for the kinds of economic policies we propose? White argues that there are limits to the use of positive economic models for normative analysis, and employs Kantian ethics to identify those limits.

What counts as normative in economics? What is given normative weight by the economist who employs positive categories? Economists accord normative value to preferences (as long as preferences behave themselves). What people are seeking the moment they make a choice is what is counted as good (we know there are exceptions, like addictive goods, but we are not talking about the exceptions). Choice is important to the extent it is guided by preferences, and reveals them. Pareto efficiency in consumption is founded on the assumption that what would be chosen from a larger budget set is necessarily better for the chooser, whether the person chooses it for himself or someone chooses it for him.

In contrast to normative economics, what counts as primary in Kantian moral theory is not preferences, but human dignity (defined and explored in chapter one). Kantian ethics begins by emphasizing that each human being has dignity by virtue of her autonomy, which is "the capacity to follow laws of her own design without undue influence from external pressures and internal desires" (p. 5). Because human beings are the only animals which can discern reasons (laws) which should guide their actions, they are the only animals which are ends, and not means; human beings are capable of being causes, of ordering the world toward their own reasoned ends, even when those ends contradict their own desires. The heart of Kantian ethics is to live up to your own dignity, and to respect the dignity of other persons.

Human dignity is expressed through judgment and will. Kantian "judgment" goes radically beyond the purely calculative judgment in economic models, which identifies preferences and constraints, and chooses the constrained optimum. In Kantian accounts, people exercise their judgment to determine their duties—to determine what they ought to do and ought not to do. White makes the point in chapter two that these duties function as freely chosen constraints, not as changes in preferences. Someone who determines that her duty requires her not to sell her family home does not get negative utility from selling; she may in fact want very much to sell, when she thinks about it. Instead, she does not consider selling an option, however much she might want to sell. The voluntary choice of constraints cannot be fit into the utility maximization model, in which the imposition of a binding constraint cannot make someone better off (except in certain cases, perhaps: time inconsistency, addiction). This self-imposition of freely chosen constraints may not be necessary to explain behavior, but if it is an accurate description of a phenomenon crucial to human dignity, it is relevant to normative analysis, and any analysis which refuses to grapple with it will be radically incomplete.

The respect for dignity which should guide our deliberation and action is embodied in the three formulations of the categorical imperative, which Kant contends are mutually consistent: the Formula of Universal Law, the Formula of Respect for the Dignity of Persons, and the Formula for Legislation for a Moral Community (pp. 23-27). White contends that the rule-bound inflexibility attributed to Kant is mistaken, and pays too much attention to the first formulation and too little to the second, which states "act in such a way that you treat humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means" (p. 26). This formulation, which White claims is "the heart of his [Kant's] moral philosophy" (p. 25), opens up more room for the exercise of judgment, and the evaluation of circumstance. It does not rule out benefiting from another in an instrumental way: one may enter into a transaction with another for the purpose of getting some benefit. However, one must not treat another "simply" as a means; persons ought to respect and value the dignity of others, since others are valuable in and of themselves, and the exercise of their autonomy and judgment ought to be safeguarded. In light of this qualification, White asserts that applications of Kantian ethics which forbid any "use" of another person (for example, by entering into a mutually beneficial exchange, or defecting in a prisoners' dilemma) are mistaken (p. 39). Although the formulations of the categorical imperative generate firm proscriptions against coercion and deceit, beyond these there is more room in Kant for judgment than is commonly supposed.

To fully understand the challenge of this book for the way economists do normative analysis, consider the following two scenarios, all familiar to economists, and the issues they raise:

> *Scenario 1*: Every day after work a woman waits in line for a cab, eager to get home to see her husband and children. One day she has the opportunity to cut in line in front of an elderly gentleman who will not notice, but declines to. The next day she has the same opportunity, and takes it. How should we evaluate her action?

Does this woman simply experience disutility from cutting in line that is not outweighed by the utility of getting home earlier one day, and is outweighed by what are obviously larger utility benefits the next day? Is it simply a matter of tradeoffs among preferences which change from day to day? Or does she accept a duty to respect the rights of other commuters—a duty which enters as a constraint on her choice, and not as a property of preferences—and abides by that duty on the first day but not on the second?

If we view this scenario simply as someone maximizing her utility, then she happens to be better off one day waiting in line, and better off the next cutting ahead of an old man. White's Kantian framework allows us to view this differently (p. 44). On both days she has preferences for getting home; on both days she recognizes a duty to wait her turn in line. One the first day she observes her duty, and on the second day she violates it (she exhibits weakness of will). If White is correct, then she is also acting in what economists would call an inefficient manner when she does not go home, since she does not experience disutility from cutting in line—she simply thinks she should not. In other words, she cares about more than fulfilling her preferences. If this is true, then any normative analyst should care about more than the fulfillment of her preferences, too (see chapter two for an extended discussion of weakness of will in economics and in Kant). Of course, one might aver that her duty is simply a preference, but such an assertion, while it may not compromise positive prediction, surely compromises the understanding of human motivation and wellbeing so necessary for normative analysis.

> *Scenario 2*: The government, by implementing policy *P*, imposes costs on some and benefits on others. *P* is judged to be efficiency-enhancing: those who benefit from *P* could in theory provide enough compensation to those who are hurt by *P* to keep them as well off, and still have enough to realize a net gain.

This is a practical application of the Pareto criterion. To most economists, it appears incontrovertible. White raises the objection that, even if the hypothetical compensation were practically possible, the regulation "is a clear violation of the Formula of Respect, because it treats the party who loses resources merely as a means to the end of the party who gains them" (p. 145). How might the dignity of those harmed by such a government-imposed transfer be respected? Through their consent, by which they make the ends of those who are benefitted in some sense their own, and by which those harmed have the opportunity to exercise benevolence toward others. The imposed transfer and compensation scheme can only be desirable if the only thing that matters is efficiency, or if all rights and duties are mere expressions of preference, or are institutions whose sole purpose is efficiency. To boil rights and duties down to utility and efficiency-promoting institutions is to impose what may be useful positive categories on normative analysis. By means of this reduction of rights and duties to utility, we "compromise our agents' morals before we even begin to understand them" (p. 45).

The policy implications of human dignity and autonomy are fully explored in chapter four (a critique of the Law and Economics tradition) and chapter five (a critique of behavioral law and economics). Policies which impose costs on some to benefit others, or which coerce (nudge) people for their own benefit, curtail human autonomy. In both cases, it is assumed that the policymaker can know what will benefit another person without recourse to that person's consent, and that coerced behavior and voluntary behavior are comparable only in terms of their consequences for preferences. Thus imposing a cost on someone and then compensating them for the loss is deemed morally equivalent to that same person voluntarily accepting the loss and compensation. Similarly, nudging someone to invest in a 401k (by making it the default option) is deemed morally equivalent to giving the person responsibility for choosing which default is better, or leaving her to choose not to bother to choose. These are violations of human dignity, since people are helped without their consent, as if consent was morally neutral in the face of consequences.

There is much here that will repay careful reading. I have neglected to mention the middle chapter on the social nature of the autonomous person in Kantian ethics, which offers an intriguing alternative to atomistic individualism on the one hand and the full social embedding of the person on the other. I am not qualified to judge the extent to which White gets Kant right, but the intersection of his Kantian account and economic analysis shed a bright light on what economists do, and what they might do differently.

This is a particularly worthwhile read for Christian economists, not only for its intriguing secular insights, but also for its critique of normative economics from premises which are similar but not identical to the Christian concept of human dignity. In Kantian ethics, human dignity is based on the capacity for human autonomy. Christian ethics is often wary of the radical autonomy of Kantian ethics, since human beings are not autonomous self-creators—they are radically dependent on the Creator in whose image they are made, and prideful autonomy is antithetical to true human freedom, which is obedient to truth. Although Kant and Christianity differ on the foundations of human dignity, both emphasize duties of respect which are due to other humans just because they are human. A Christian economist who wants to explore the implications of human dignity for normative economics will find an important ally in White. ■