

2012

# Ethics and Critical Thinking

Jonathan B. Wight

*University of Richmond*, [jwight@richmond.edu](mailto:jwight@richmond.edu)

Follow this and additional works at: <http://scholarship.richmond.edu/economics-faculty-publications>



Part of the [Economic Theory Commons](#), and the [Ethics and Political Philosophy Commons](#)

---

## Recommended Citation

Wight, Jonathan. "Ethics and Critical Thinking." In *International Handbook on Teaching and Learning Economics*, edited by Gail Mitchell Hoyt and KimMarie McGoldrick, 197-204. Cheltenham, UK: Edward Elgar, 2012.

This Book Chapter is brought to you for free and open access by the Economics at UR Scholarship Repository. It has been accepted for inclusion in Economics Faculty Publications by an authorized administrator of UR Scholarship Repository. For more information, please contact [scholarshiprepository@richmond.edu](mailto:scholarshiprepository@richmond.edu).

---

## 18 Ethics and critical thinking

*Jonathan B. Wight*

---

This chapter seeks to demonstrate that investigations in positive economics rely on ethical perspectives and practices, and further, that critical thinking requires a wider ethical viewpoint than normative economics generally permits. Positive economics generally relies, for example, on the unsung virtues of the investigator who demonstrates honesty and transparency in the search for truth. Ethical failures in this regard are not uncommon (DeMartino, 2011). But another unstated ethical perspective appears in the worldview from which a researcher sets out to model behavior. Modelers almost always assume that rationality requires that an economic actor undertake an action in pursuit of a goal or end. Hence, positive economics is said to be the analysis of outcomes based on a theoretical understanding of causal relationships (if action X is taken, outcome Y will result). This broad analytical approach is termed *consequentialism*.

A widely recognized form of consequentialism is utilitarianism, from which modern welfare economics evolved. Welfare consequences are examined only in regard to desired outcomes, such as the metric of satisfying consumer preferences. This approach is so thoroughly ingrained that many economic practitioners fail to recognize the judgments involved: first, that outcomes are assumed to be the only value, and second, that only a particular outcome (satisfying preferences) counts in the economic assessment of welfare. In short, while economists may believe they are mainly doing science, they are usually doing far more philosophy than they acknowledge (Hausman and McPherson, 2006).

While traditional calculations of welfare based on market valuations are important, the analysis of public policy demands critical thinking that goes beyond this. Ronald Coase observed that:

[T]he choice between different social arrangements for the solution of economic problems should be carried out in broader terms than this and that the total effect of these arrangements in all spheres of life should be taken into account. As Frank H. Knight has so often emphasized, problems of welfare economics must ultimately dissolve into a study of aesthetics and morals (1960, p. 43).

To address these points, the following sections provide a review of alternative ethical frameworks that can enrich students' understanding of controversial public policies.

### ALTERNATIVE ETHICAL FRAMEWORKS

Despite its allure, the analysis of outcomes is not the only normative approach and in some cases it is insufficient for understanding economic institutions, behaviors and policies. Consequentialism was attacked in the mid-1700s, for example, by Immanuel Kant (1724–1804), who argued on the basis of pure practical reason that we have a duty to treat others as ends in themselves. An examination of the duties of rational agents

produces a process for making decisions (Kant, 1785). In Kant's approach, the ends can never justify the means. Kantian philosophers routinely analyze public policies such as climate change, prostitution, selling body parts, sweatshops, and other economic issues using this *duty-based* perspective – which is fundamentally at odds with the neoclassical welfare approach. This does not mean that Kant was opposed to prices, profits, or markets; only that his method of evaluating their appropriateness to society was diametrically different.

Likewise, John Locke's *rights-based* ethical framework begins with the notion that humans have "inalienable" entitlements (life, liberty, and happiness) that cannot be abridged. A "right" is the flip side of a "duty": my right not to be harmed imposes a duty on you not to harm me. No valuable outcome (such as greater economic efficiency) should deprive someone of their rights. The law and economics movement, which presses judges to make legal decisions based on calculations of economic welfare, is fundamentally at odds with a rights-based approach. Thus, in *Kelo v. New London* (2005), the Supreme Court ruled five to four that Suzette Kelo could be forced off her land by powers of eminent domain, even though the City of New London was simply acting as an agent for a private developer who wished to use her land to build expensive condominiums on the waterfront. Economic welfare trumped Kelo's property rights.

Another normative tradition is that of *virtue ethics*. Since Socrates, philosophers have evaluated states of affairs by considering the motives and characters of economic agents. Adam Smith (1723–90) devoted considerable attention to analyzing why intentions mattered to judgment. To most modern economists, motives are irrelevant since only outcomes matter. However, a growing number of philosophers, including economists such as McCloskey (2006) and Sen (1977), are interested in reviving the discussion of virtue ethics. Two dimensions are of particular interest: First, both utilitarian and Kantian ethics start from the premise that moral agents have the will and the self-control to carry out actions that conform to their respective ethical traditions. By contrast, virtue ethics assumes that people need to be taught, encouraged, and even cajoled to control contradictory impulses. Justice is the virtue of acting with a proper balance of interests toward self and others. Proper socialization and moral suasion provide a process that can mold preferences toward virtuous habits – such as toward personal and even civic responsibility (Sandel, 1998).

A second dimension of virtue ethics in Adam Smith is that humans have limited powers of rationality. As a starting point, people will often rely on their instinctive *feelings* – hence the title of Smith's first book, *The Theory of Moral Sentiments* (1759). Moral sentiments provide the building blocks used to create institutions (rules and laws). A good society requires that people develop an internal commitment to obey the rules in society – rather than calculating gain or loss. However, moral sentiments can and do evolve, hence the duties of a citizen are expected to change over time.

### **The Public Policy of Slavery**

Consider how the three ethical approaches can aid a teacher in analyzing the following public policy question: Is slavery a good or bad institution? A consequentialist would focus on the outcomes of slavery. More specifically, an economist would analyze the particular outcome of maximizing the economic surplus, calculating the gains and losses to

society of forced labor (assuming that property rights in slaves exist). In a modern cost-benefit analysis, it is not necessary to show that everyone gains from a policy change (the Pareto condition), but only that winners would win more than losers would lose. Using this approach, slavery could be justified on efficiency grounds if people's preferences (measured by willingness to pay) are better satisfied by this institution than without it, given the current distribution of income and wealth.

Kantians would reject the economic efficiency argument as deeply flawed. From a Kantian perspective one would proceed quite differently, by deducing fundamental laws of duty based on treating others with respect. Because Kant says we have a duty not to treat others merely as a means to our own ends, a policy of slavery would be wrong regardless of any beneficial outcomes. Rights-based ethicists would equally object, since owning one's own labor is the most "sacred and inviolable" of all rights (Smith 1981, p. 138). Virtue ethicists would not necessarily be opposed to slavery (slavery was widespread in early times and religious leaders like Jesus noted the appropriate duties of a slave). However, moral sentiments evolve and slavery can be viewed with new eyes. Smith's moral sentiments approach would place an impartial observer in the shoes of a slave and engage the imagination of "fellow-feeling." To Smith, moral imaginings are stimulated by art, music, and literature (Wight, 2006). Thus, after Harriet Beecher Stowe published *Uncle Tom's Cabin* in 1852, the fellow-feelings of free citizens were aroused because they could understand, and empathize with, the feelings of slaves. From this perspective, abolitionists were inspired to end slavery not because of economic calculations of deadweight losses and not because of rational deductions of duty, but because a large number of people had become emotionally outraged at injustice. To Smith, the impetus for changing institutions and public policies arises from the evolution of moral imagination.

This discussion does not diminish the insights of economic analysis, but identifies complementary (and at times contradictory) critical-thinking traditions that enrich a student's comprehension of public policies. Economists regularly argue cases based on efficiency grounds without considering rights, duties, and other claims. However, only 12 percent of the world's people in 2010 enjoyed basic human rights ensured by democratic constitutions or laws.<sup>1</sup> Highly controversial public issues (e.g. same sex partners, the environment, legalizing the sale of organs) generally entail considerations that cross the boundaries of ethical frameworks. The thesis presented below is that it is preferable to engage students from their own starting ethical beliefs and then build intellectual bridges toward the economic way of thinking.

## CLASSROOM ACTIVITIES

Rather than lecturing on the three alternative ethical theories, one can simply allow students to uncover these in class activities. Wight and Morton (2007) provide a set of ten active-learning exercises that engage students in economic problem solving with a modest dose of ethical theory. Lessons include the ethical foundations of efficiency, market sales of kidneys, outsourcing in sweatshops, Rawlsian economic justice, and the role of self-interest in economic analysis. An additional lesson, discussed here, is called the "Desert Island" game (Wight, 2009b). On the first day of class, students are randomly

placed in groups of four to five and asked to select a leader. Each leader receives a candy bar and is informed that the group is shipwrecked on an island; the leader has five to ten minutes to decide what to do with the candy bar. Based on an analysis of 165 leader decisions over multiple class sections and academic years, principles students show an overwhelming preference for pro-social behavior manifested by cooperation and equal rationing in most cases.<sup>2</sup>

When students are queried as to why they prefer an equal-sharing approach (in over 80 percent of the groups), their responses are often emotionally charged. Many simply assert that in times of crisis, the proper allocation is equitably, and they exhibit vocal clues as to the degree of moral outrage at any other suggestion.<sup>3</sup> Students' reactions generally conform to experimental evidence. When faced with a moral dilemma, humans commonly respond in an instinctively emotional way. Haidt (2001) demonstrates using fMRI scans that moral decisions activate the brain hemisphere where affective cognition takes place; later, when justification is called for, another hemisphere fires to produce logical rationalizations. Primate studies reinforce the notion that some aspects of social interaction are hardwired, such as the emotional desire for fairness (Brosnan and deWaal, 2003).

The Desert Island activity demonstrates that the economic approach to welfare, valuing outcomes on the basis of consumer preferences satisfied, is not intuitively obvious to many students. Indeed it is largely alien to their thinking and feeling about public policies. Students have been socialized within families, churches, clubs, and other groups. Group psychology revolves around multi-layered judgments about fairness and trust that directly affect the group's survival and evolution (Wight, 2009a). While standard economics generally portrays behavior as rationally self-interested (giving rise to free-riders and sub-optimal Prisoners' Dilemma outcomes), experimental evidence finds that people also operate within a more complex web of moral norms, legal rules, and customs (Gintis et al., 2005). Ostrom (2000), for example, describes the properties of successful local governance in common goods as entailing the evolution of rules and norms that give rise to reciprocity and trust and the perception of fairness.

## DEFINING ECONOMICS

Lionel Robbins provides this commonly used definition: "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (1945, p. 16). Robbins himself notes, however, that a discipline cannot be defined in advance but only after the boundaries of investigation have been determined. In proposing the *ends* and *means* definition, Robbins sought to stretch the boundaries of the field beyond the confines of his day, in which economics was limited to explaining only the causes of material welfare. Robbins expands it to include any outcome-directed activity in which there are resource constraints. In light of the three ethical frameworks presented in this chapter, students can be offered an even broader definition:

Economics involves the systematic examination of the patterns of individual and group behavior used for the provisioning of the socio-economic system.

In addition to prices and markets, this definition encompasses duty and commitment in economic life (Sen, 1977) and the study of cognitive mechanisms that are not consciously controlled, yet likely play a role in economic activity. Zak (2011), a neuroeconomist, provides evidence of an autonomous brain function that controls social behaviors through the release of hormones such as oxytocin (the “moral molecule”). By varying hormone levels, Zak alters the degree of “fellow-feeling” and hence changes behaviors in experimental settings. Hormones and neural networks appear to provide the biological scaffolding for sociability that underlies Adam Smith’s conception of moral behavior.

Social modeling thus grapples with interpersonal ethical considerations that are psychologically, philosophically, and biologically intertwined. Smith theorized that humans pursue self-deceptive goals whose ultimate ends are not consciously knowable, even as they serve higher purposes (1759, p. 183). The “invisible hand” arises within this context: “It is this deception which rouses and keeps in continual motion the industry of mankind” (1759, p. 183). For a classroom treatment of this subject, see Wight (2007).

Over the centuries, Smith’s philosophy devolved into the separate (and, to a large degree, isolated) disciplines of psychology, philosophy, economics, sociology, political science, and law. In the 1920s, Balliol College at Oxford (where Smith had studied) began reintegrating the study of philosophy, politics, and economics (PPE). Teachers can use the academic novel, *Saving Adam Smith: A Tale of Wealth, Transformation, and Virtue* (Wight, 2002) to explore Smith’s moral underpinnings for wealth creation as a pillar of his market philosophy. There are presently more than 50 universities with PPE programs, including Yale, Pennsylvania, Notre Dame, Glasgow, and Richmond.<sup>4</sup> A discussion of ethics is beginning to appear in principles textbooks.<sup>5</sup> A PPE approach can be instituted in many economics classes without substantial opportunity cost.

## JUSTIFYING AN ETHICAL FRAMEWORK

As noted above, Kantians use rationality for understanding the appropriate means of acting (rather than for achieving a particular end). And virtue ethicists like Smith explore the emotionally cognitive behaviors that arise from instincts needed for survival in groups. Economists argue that people make rational decisions to achieve the goal of maximizing utility. In reality, people make decisions for complex reasons, not all of which can be understood by a single model. The practice of tipping at highway restaurants, for example, relates to all three approaches: first, because of a rational calculation of reputation-building and future services to be received (economic); second, from logically derived rules for treating others with respect (Kantian); and third, from instinctual fellow-feelings (Smithian). Many other economic behaviors can be modeled in deeper ways than simply connecting means with desired ends.

If there are valid multiple perspectives, how can any one of these be “right”? One approach is to simplify economics to produce a “single, coherent” set of concepts that won’t confuse students.<sup>6</sup> Hence, many teachers portray economics as engineering, with non-controversial goals and methods that yield the “right” answers to allocation questions. In his Nobel Prize address, Ronald Coase laments: “What is studied is a system which lives in the minds of economists but not on earth. I have called the result

‘blackboard economics’.”<sup>7</sup> In addition to being unscientific, “blackboard economics” is antithetical to critical thinking (Nelson, 1989).

A commitment to critical thinking requires that teachers deal with complexity and controversy. When policy issues are discussed, teachers should encourage students to think outside the economists’ toolbox. It is not simply that there are additional outcomes (besides preferences) that could be considered, it is also that *non*-outcomes-based ways of thinking are ubiquitous. During emergencies, people instinctively reject markets in favor of rules for sharing derived from duty or virtue ethics. Non-price allocations are also widely used in families, churches, and schools, institutions which are paternalistic and geared toward cultivating virtuous habits in young people.

The moral justification for markets arises from considering the problems that arise within these contexts (Wight, 2009b). Teachers can discuss Bentham’s (1789) advocacy of utilitarianism as a result of his growing discontent with policies imposed by authority and precedent. In the 18th century, Enlightenment thinkers contended that the institutions of human society should be examined and debated just like the laws of physical science; public policies should be chosen based on their outcomes rather than simply the tyranny of tradition, or by misguided appeals to duties, rights or virtues. Hence, even after considering the objections of other ethical frameworks, a strong justification for policies based on a consequentialist cost-benefit analysis can be made (Frank, 2008).

## CONCLUSION

Outcomes, duties, and virtues are three competing and overlapping ways of conceptualizing how to study the world of choice. By focusing on outcomes, economics teachers make an ethical judgment about how a scientist *should* try to understand the world. For this and other reasons, the demarcation between positive and normative economics is blurred. The study of economic choices rarely is placed in the wider context of goals, commitments, and virtues that comprise the active life of politics, business, and society. This omission is curious and paradoxical, considering that “even in the most market-oriented economy, a majority of transactions do not actually go through markets” (McMillan, 2003, p. 6). The ubiquity of non-price trade in households, governments, and within firms suggests that social costs and trust play important roles in economic life, even if unrecognized. Behavior derives from multiple origins, including expected outcomes, duties and commitments, and conceptions of character. The pluralistic account advocated here expands the scope of inquiry in positive economics and provides a springboard for understanding non-neoclassical approaches to the analysis of public policies.

## NOTES

1. The Economist Intelligence Unit, “Democracy index 2010: democracy in retreat,” [http://graphics.eiu.com/PDF/Democracy\\_Index\\_2010\\_web.pdf](http://graphics.eiu.com/PDF/Democracy_Index_2010_web.pdf) (accessed 5 January 2011).
2. This is not an experiment and the “set-up” virtually ensures cooperation; few students want to appear to be unsociable. This is Adam Smith’s main point, that humans are highly social creatures and desire approbation.

3. Outcomes do not have to be equal to be equitable. Some group members may be heavier, or exert more energy, and thus “need” more food. Equity in this context means something like, “From each according to ability, to each according to need.” Hence, students instinctively act like good communists (Samuelson 1969).
4. Source: [http://en.wikipedia.org/wiki/Philosophy,\\_Politics\\_and\\_Economics](http://en.wikipedia.org/wiki/Philosophy,_Politics_and_Economics) (accessed 26 April 2010).
5. See, for example, Cowen and Tabarrok (2010) and Goodwin et al. (2005).
6. This is the stated goal of the Council on Economic Education’s revision of the Voluntary National Content Standards in Economics. See: [http://www.councilforeconed.org/ea/standards/standards\\_preface.pdf](http://www.councilforeconed.org/ea/standards/standards_preface.pdf) (accessed 5 January 2011).
7. [http://nobelprize.org/nobel\\_prizes/economics/laureates/1991/coase-lecture.html](http://nobelprize.org/nobel_prizes/economics/laureates/1991/coase-lecture.html) (accessed 5 January 2011).

## REFERENCES

- Bentham, J. (1789), *Introduction to the Principles of Morals and Legislation*, available at <http://www.econlib.org/library/Bentham/bnthPML.html>.
- Brosnan, S. F. and F. B. M. de Waal (2003), “Monkeys reject unequal pay”, *Nature*, **425**, 297–9.
- Coase, R. (1960), “The problem of social cost”, *Journal of Law and Economics*, **3** (October), 1–44.
- Cowen, T. and A. Tabarrok (2010), *Modern Economics: Microeconomics*, New York: Worth Publishers.
- DeMartino, G. (2011), *The Economist’s Oath: On the Need for and Content of Professional Economic Ethics*, Oxford, UK: Oxford University Press.
- Frank, R. H. (2008), “The status of moral emotions in consequentialist moral reasoning”, in P. J. Zak (ed.), *Moral Markets: The Critical Role of Values in the Economy*, Princeton, NJ: Princeton University Press, pp. 42–59.
- Gintis, H., S. Bowles, R. T. Boyd and E. Fehr (eds) (2005), *Moral Sentiments and Material Interests: The Foundations of Cooperation in Economic Life*, Cambridge, MA: MIT Press.
- Goodwin, N., J. A. Nelson, F. Ackerman and T. Weisskopf (2005), *Microeconomics in Context*, Boston, MA: Houghton Mifflin Co.
- Haidt, J. (2001), “The emotional dog and its rational tail: A social intuitionist approach to moral judgment”, *Psychological Review*, **108** (4), 814–34.
- Hausman, D. M. and M. S. McPherson (2006), *Economic Analysis, Moral Philosophy, and Public Policy*, Cambridge: Cambridge University Press.
- Kant, I. (1785), *Groundwork of the Metaphysics of Morals*, reprinted in M. Gregor (ed.) (trans) (1998), Cambridge: Cambridge University Press.
- McCloskey, D. N. (2006), *The Bourgeois Virtues: Ethics for an Age of Commerce*, Chicago: University of Chicago Press.
- McMillan, J. (2003), *Reinventing the Bazaar: A Natural History of Markets*, New York: W.W. Norton.
- Nelson, C. E. (1989), “Skewered on the unicorn’s horn: The illusion of tragic tradeoff between content and critical thinking in the teaching of science”, in L. W. Crow (ed.), *Enhancing Critical Thinking in the Sciences*, Washington, DC: Society for College Science Teachers, pp. 17–27.
- Ostrom, E. (2000), “Collective action and the evolution of social norms”, *Journal of Economic Perspectives*, **14** (3) (Summer), 137–58.
- Robbins, L. (1932), *An Essay on the Nature and Significance of Economic Science* (2nd edition), (1945), London: Macmillan and Co., <http://mises.org/books/robbinessay2.pdf>, accessed 24 April 2010.
- Samuelson, P. (1969), “Love”, *Newsweek*, reprinted in P. Samuelson (ed.) (1983), *Economics from the Heart: A Samuelson Sampler*, San Diego: Harcourt Brace Jovanovich, pp. 9–11.
- Sandel, M. J. (1998), “What money can’t buy: The moral limits of markets”, *The Tanner Lectures on Human Values*, Oxford University, <http://www.tannerlectures.utah.edu/lectures/documents/sandel00.pdf>, accessed 11 February 2011.
- Sen, A. K. (1977), “Rational fools: A critique of the behavioral foundations of economic theory”, *Philosophy & Public Affairs*, **6** (summer), 317–44.
- Smith, A. (1759), *The Theory of Moral Sentiments*, D. D. Raphael and A. L. Macfie (eds) (1982), volume I of the *Glasgow Edition of the Works and Correspondence of Adam Smith*, Indianapolis: Liberty Fund Press.
- Smith, A. (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations*, R. H. Campbell and A. S. Skinner (eds) (1981), volume II of the *Glasgow edition of the Works and Correspondence of Adam Smith*, Indianapolis: Liberty Fund Press.
- Wight, J. B. (2002), *Saving Adam Smith: A Tale of Wealth, Transformation, and Virtue*, Upper Saddle River, NJ: Prentice-Hall.
- Wight, J. B. (2006), “Adam Smith’s ethics and the ‘noble’ arts”, *Review of Social Economy*, **64** (2), 155–80.

- Wight, J. B. (2007), "The treatment of Smith's invisible hand", *The Journal of Economic Education*, **39** (3), 341–58.
- Wight, J. B. (2009a), "Adam Smith on instincts, ethics, and informal learning: Proximate mechanisms in multilevel selection", *Review of Social Economy*, **67** (1), 95–113.
- Wight, J. B. (2009b), "Sociability and the market", *Forum for Social Economics*, **39** (2/3), 97–110.
- Wight, J. B. and J. S. Morton (2007), *Teaching the Ethical Foundations of Economics*, New York: The National Council on Economic Education.
- Zak, P. J. (2011), "The physiology of moral sentiments", *Journal of Economic Behavior and Organization*, **77** (1), 53–6.