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"To be a good person, one must take ethics seriously. But can the same be said about being a good economist? Does morality matter to economic analysis?" [671] This article provides an extensive review and bibliography of recent work by economists and moral philosophers that borders the two disciplines.

WHY SHOULD ECONOMISTS BE INTERESTED IN MORAL QUESTIONS?

"The simple picture of the economist who provides value-free technical information to the decision maker is at best a useful caricature." [672] Real-world policy decisions are almost never formulated as well-defined, purely technical problems, as the caricature implies.

Economists should care about moral questions for at least four reasons. First, the moral positions of economic agents, as well as of economic theory, can influence economic behavior; a description of the economy that overlooks the importance of social norms, commitments, and altruistic motivations is positively flawed and normatively biased. Second, standard welfare economics rests on a number of controversial moral principles, including the comparison of alternatives exclusively in terms of outcomes (rather than processes), and the identification of the social good with the satisfaction of individual preferences. Third, public policy is universally discussed in terms of moral concepts such as needs, fairness, and individual dignity; economics needs to be relevant to that discourse. Finally, positive and normative elements are inseparable even in academic economics as it exists today.

MORALITY AND RATIONALITY

The "homo economicus of contemporary economics is "homo rationalis."... But the view of rationality economists endorse -- utility theory -- may not even be compatible with moral behavior, and it does not provide a rich enough picture of individual choice to permit one to discuss the character, causes and consequences of moral behavior. (688)

Is economic rationality incompatible with moral behavior? The answer depends on what is being maximized by the "rational" individual. Amartya Sen distinguishes between three types of motivations: self-interest, sympathy with others, and duty or commitment to moral principles. If economic rationality is restricted to maximization of self-interest, or even self-interest plus sympathetic concerns, then morality may appear irrational. However, if rationality more broadly means acting on reasons that seem to be good ones, then actions based on moral commitments can be as rational as any others. Recent analyses of labor markets and worker motivation provide good examples of the importance of moral principles in economic modeling. Contracts between workers and employers are notoriously hard to enforce, on both sides. The existence of trust and fairness, as well as cultural norms regarding cooperation and work effort, are essential to the smooth functioning of the labor process.

EVALUATING ECONOMIC ARRANGEMENTS

Moral evaluations of economic policies and outcomes are an inescapable part of the discussion and application of economics. In such evaluations, all plausible moral views assign an important place to individual wellbeing, which is often identified, by economists, with the satisfaction of preferences. This economic approach is questionable because preferences are difficult to measure; they may be based on false beliefs or unusually expensive tastes; they may be idiosyncratic or socially controversial; or they may reflect adaptation to unfair circumstances.

To avoid these and other problems, some theorists have proposed alternative conceptions of wellbeing. In addition, the evaluation of economic processes and outcomes must involve more than wellbeing; questions of rights and liberties are also important. "Negative" liberties, or freedoms from interference, are often justified on instrumental grounds: leaving individuals free to make their own choices is both individually and socially beneficial. Many would also view freedom, self-determination, or autonomy as intrinsically valuable, regardless of the utility of their outcomes. In terms of ethical theory, there is a distinction between consequentialist views, in which only outcomes matter, and nonconsequentialist views that attach importance to the processes as well as to the results of social interactions.

A related debate concerns the question of which is the more important aspect of equality: equality of welfare (outcomes) or of resources? Principles of justice provide a final dimension for economic evaluation. For example, many people believe that hard or dangerous work should be rewarded, that wages should not be race or gender dependent, and so on. Yet, although these principles are of great importance in practical politics, their theoretical elaboration and defense is difficult; they have accordingly received comparatively less attention than other issues discussed here.

FOUR BASES FOR OVERALL MORAL JUDGMENTS

There are at least four possible bases for moral assessment of economic institutions. First is the criterion of efficiency (or Pareto optimality) that has been traditionally favored by economists. This approach is severely limited as it does not apply to the many economic events that involve losers as well as winners. Cost-Benefit Analysis is a controversial extension of efficiency considerations to such cases.

A second perspective, libertarianism, typically links the fundamental virtue of liberty to a rights-based view of justice. Philosophical libertarians, such as Robert Nozick, are committed to the primacy of "natural rights" independent of any consequences for human welfare; others, such as

Friedrich Hayek, argue for libertarian policies on the grounds that many social goals are best advanced by minimizing the role of government.

Third, utilitarianism and consequentialism were resurrected and transformed in the 1980s, in the works of such diverse authors as Richard Brandt, John Broome, John Harsanyi, Amartya Sen, and others. None of these thinkers accept the neoclassical economists' view of utility as an index of satisfaction of actual preferences; some use modified or restricted categories, such as “rational” or “well-informed” preferences. Other authors have developed consequentialist theories that are nonutilitarian, wherein the good consequences to be maximized include more than individual happiness or preference satisfaction. "If philosophers can specify a well-defined and clearly measurable good to be achieved, then the welfare economist can step in and discuss how best to achieve it." (706) One example might be a carefully defined notion of human needs.

Fourth, "contractualist" approaches assume that an acceptable moral view for a society should reflect some form of agreement among members of that society. One approach, developed independently by William Vickrey, Harsanyi, and Rawls, begins by asking what moral principles rational agents would agree to if they did not yet know what roles they would play in society. For Vickrey and Harsanyi this leads to utilitarianism: not knowing who you will be, you will prefer to maximize average utility for society as a whole. Rawls assumes differently that people in the "original position," behind a "veil of ignorance" about who they will become, would first choose to safeguard everyone’s basic liberties, and then would try to promote the interests of those who are least well off, so as to guard against the possibility of being a member of that disadvantaged group. Different assumptions about the nature and the prevalence of self-interest, in moral, political and economic settings, result in different theoretical and practical applications of contractualism.

These examples of the areas in which economists and moral philosophers have consciously overlapped in recent years are useful to remind us that "[v]ery little in ethics is completely uncontroversial, and very little can be said about economics that relies on only uncontroversial moral premises." [712] At the same time, "[a]n economics that is engaged actively and self-critically with the moral aspects of its subject matter cannot help but be more interesting, more illuminating, and ultimately more useful than one that tries not to be." [723]