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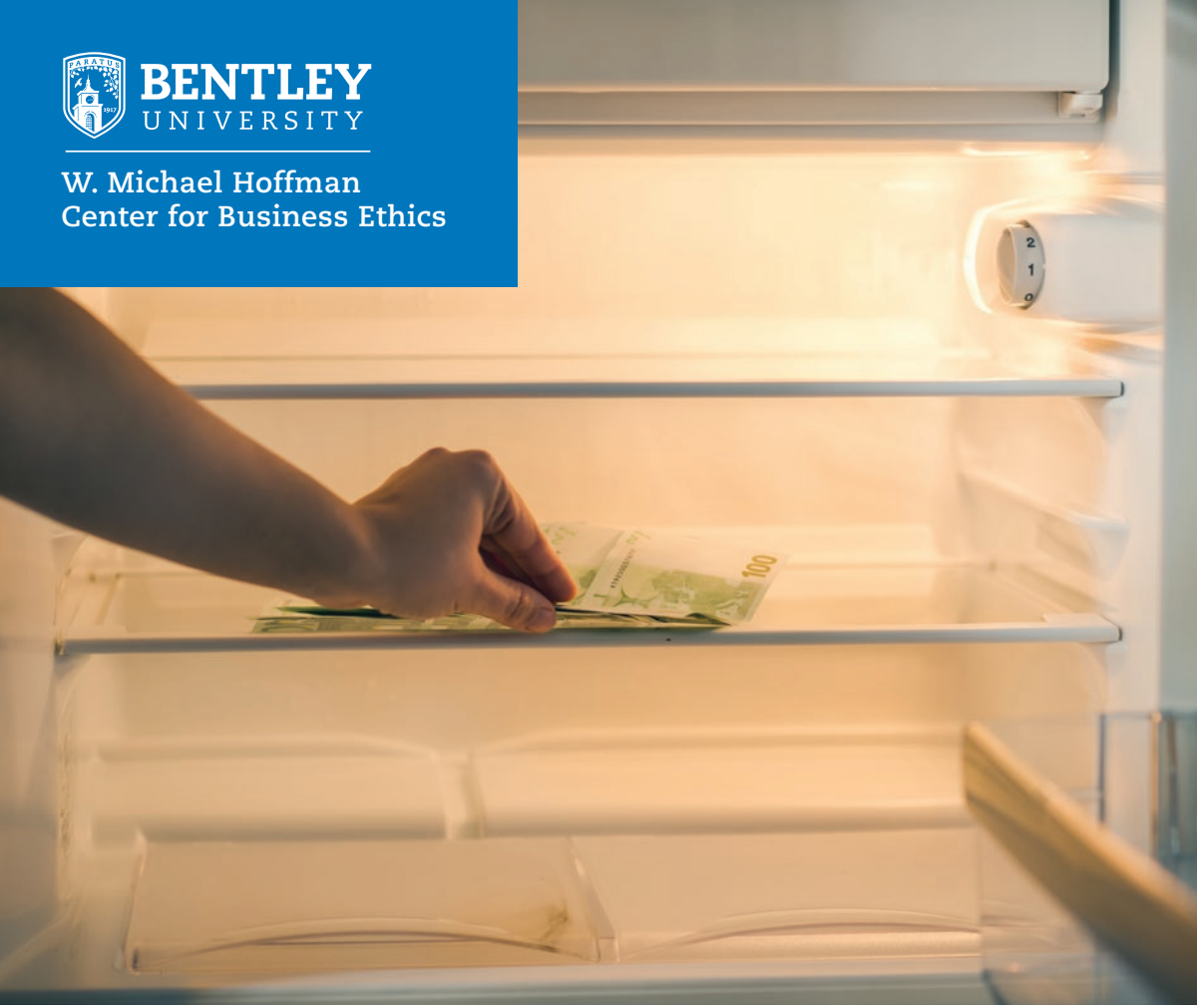

Verizon Visiting Professorship in Business Ethics

What Is Ethically Wrong with Behavioral Economics?

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November 19, 2019

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Over the years, economics has been a rather staid discipline that didn't gather too much attention outside the circles populated by university professors, policy wonks, and investment bankers. That changed, when behavioral economics started to come on the scene in the late 20th century and challenged the prevailing economic orthodoxy by looking to psychology as essential to understanding many economic phenomena. However, before we assume that we have now entered a new golden age of economics, we might want to consider first the ideas in this monograph of Daryl Koehn, this year's Verizon Visiting Professor in Business Ethics, who offered a critical assessment of behavioral economics from the perspective of virtue ethics.

To provide an example, about half of all Americans get their health insurance through their employers. In such cases, typically, one will choose from various insurance plan options, each with their costs and benefits. In subsequent years, if one had no reason to change, by doing nothing, one's current plan would automatically continue. If this sounds familiar, you may want to thank the Nobel Prize-winning behavioral economists, Richard Thaler who created "choice architecture," in recognition that the way options are presented affects what people choose. Returning to the health insurance example, in earlier days, if you didn't re-enroll in your health insurance every year, you would lose your coverage. This resulted in many people who needed insurance making the unwelcome discovery that they had unwittingly allowed their policies to lapse. Automatic renewal is an example of behavioral economics in action.

Sounds great, right? Dr. Koehn, however, recommends that we curb our enthusiasm and apply some rigorous philosophical analysis. Her critique of behavioral economics is wide-ranging. She challenges many fundamental aspects of the discipline, including how economists interpret experimental results without adequately reflecting on many possible alternative explanations. However, a central theme in her talk is that behavioral economics is shot through with ethical assumptions. Consequently, she holds that we would do well to apply the discerning eye of an ethicist before we accept that the economists have gotten things right.

Not everyone will agree with Prof. Koehn's views. However, we were fortunate to have her apply her considerable philosophical skills to such an important area as behavioral economics. Given its impact on so many aspects of business and governmental policy-making, the kind of exacting analysis Dr. Koehn offers merits careful consideration.

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Daryl Koehn responds to questions during the Verizon Lecture in Business Ethics given to students, faculty, staff, and friends at Bentley University.

Daryl Koehn

Daryl Koehn is the Wicklander Chair in Professional Ethics and Managing Director of the Institute for Business and Professional Ethics at DePaul University. She has published widely in the fields of ethics, political theory, and corporate governance. Her books include *The Ground of Professional Ethics; The Nature of Evil; Rethinking Feminist Ethics; Local Insights, Global Ethics; Living with the Dragon: Thinking and Acting Ethically in a World of Unintended Consequences,* and *Toward a New (Old) Theory of Responsibility*. Edited volumes include *Corporate Governance: Ethics across the Board; Ethics and Aesthetics in Business Ethics;* and *Business, Corporate Governance and Civil Society* (Professor Lu Xiaohe, Shanghai Academy of Social Sciences as primary editor). In addition, she has published scores of articles in the *Harvard Business Review, Business Ethics Quarterly, Journal of Business Ethics, Business and Society Review, Business and Professional Ethics Journal,* and numerous other journals. She consults regularly with major corporations and has served on a major corporation's compliance committee. As one of the first women Rhodes Scholars, she has been profiled in *Time* and *Life* magazines.

(From left) Michael J. Golabek, Executive Director - Global Employee Relations/Safety/Compliance/Human Resources, Verizon Communications, Jamie Navarro, Manager, Office of Ethics and Business Conduct, Verizon Communications, Prof. Daryl Koehn, DePaul University, Prof. Jeffrey Moriarty, Interim Director, Hoffman Center for Business Ethics and Professor and Chair, Department of Philosophy, Bentley University.

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It is my great pleasure as the 2019 Verizon Visiting Professor in Business Ethics Speaker to be able to share with you today some concerns I have about the ethics of behavioral economics, the latest trendy form of economics. I will begin by saying a word about what behavioral economics is, then list the key tenets of this discipline, and finally offer an overview of seven ethical problems with behavioral economics.

What Is Behavioral Economics?

Richard Thaler, one of the founders of behavioral economics, describes the field as "economics done with strong injections of good psychology" (Gal, 2018). This relatively new field uses psychology while adhering to the traditional economic emphasis on mathematics to explain field data (Camerer 1999). In addition, the approach often invokes physiology and evolutionary theory as it seeks to specify the underlying psychological and motivating mechanisms that lead individuals to choose and to act in the way they do (Sanfey et al 2003; Cory 2004; Zandstra et al 2013). Dan Ariely, a leading behavioral economist, characterizes this field in the following way:

> [T]he best way to think about behavioral economics is in contrast to standard economics. In standard economics, we think — we assume — that people are perfectly rational, which means that they always behave

in the best way for them. They can compute everything, they can calculate everything and they can make, always, consistently, the right decisions. In contrast, behavioral economics doesn't assume much about people. Instead of starting from the idea that people are perfectly rational, we say we just don't know, but let's check it out. So, what we do is we put people in different situations to check how they actually make decisions. And what we find in those experiments is that people often don't behave as you would expect from a perfectly rational perspective. So, in essence, it's an empirical and non-idealistic way to start looking at human behavior. And because we find that people behave differently than expected, often irrationally, it also leads to different conclusions about how companies should be created, what the government should do, and, of course, what individuals should be doing (SuperScholar, 2011).[1]

Tenets of Behavioral Economics

Behavioral economics has four major tenets:

1. It repudiates classical microeconomics' assertion that agents always act and choose rationally. According to behavioral economists, such an assertion of rationality is, in some significant respects, false, for it fails to take into the influential role played by emotions and non-rational heuristics and inferences (Laibson and Zechauser 1998).

2. It maintains that we can better understand and influence human behavior if we pay special attention to how choices are presented to individuals (e.g., Choi et al 2017).

3. It relies upon various experiments in which behavioral economists subtly alter modes of presentation to produce and assess results. For example, are people more inclined to take action if they are given fewer, rather than more, options? If so, then microeconomics' standard assumption that offering more market options is always desirable is false. Are people more or less inclined to run a certain risk if an identical risk is presented in positive rather than negative terms? If so, then *pace* classical economics, agents do not always calculate in accordance with the formal rational laws of *probability*. The question thus becomes: What exactly is causing individuals to rely upon non-rational heuristics overlooked by classical microeconomics?

4. It draws upon these experiments to underwrite a key related claim made by behavioral economists. Citing the behavioral laws they claim to have discovered experimentally, these economists maintain that, through small scale interventions (often involving altering presentations of options), we can discern how to nudge people into making ethically better or more "pro-social" choices. Or, as Ariely (2010) puts it, behavioral ethics helps us reach correct conclusions about what the government should do to get individuals to act as they ought.

In making these normative claims, behavioral economists have clearly entered into the realm of ethics. Much of behavioral economics is thus better thought of as what I will call "econoethics." Indeed, some philosophers have now gone so far as to assert that the experimental approach adopted by behavioral economists is the new preferred method for doing normative ethics (Francés-Gómez et al 2015) or has rendered normative ethics otiose because we so often are bound to act irrationally (Bazerman and Tenbrunsel 2011; Kim et al 2015).

However, before uncritically endorsing behavioral economists' recommendations or adopting their methodology for doing normative ethics, we should examine carefully the ethical dimensions of econoethics. In today's talk, I will draw upon insights from ethical theory to challenge all four of the key tenets just listed. I do not here attempt to mount a sustained defense of ethical theory's striking and substantive claims about character, choice, desire, practical reasoning, etc. I wish instead to

throw into relief the many problematic ethical assumptions made by what might be called "econoethicists." I argue that econoethics:

1. minimizes and/or misunderstands the role that character and architectonic life goals play in accounting for the "why" of ethical behavior;

2. fundamentally misconceives human practical rationality;

3. often unduly narrows the range of human action and choice;

4. misleadingly assumes that options are merely given to us rather than generated by us in accordance with our character;

5. is parasitic upon normative ethics, the prescriptive norms that it largely simply presupposes;

6. results in an unhelpful *ad hoc* approach to ethical thinking, which is unlikely to prove all that useful and may even dangerously mislead ordinary agents or those who operate corporate compliance programs and who seek to improve corporate cultures; and

7. ignores the key role played in ethical behavior by meso- and macro-factors.

Ethical Problems with Behavioral Economics

Problem One: Behavioral Econoethics Focuses on the How, Rather than on the Why, of Human Behavior, Thereby Ignoring Architectonic Goals

Behavioral economists are not interested in developing a comprehensive theory of human behavior and ethical norms. Instead, their focus tends to be on *how*, in some particular, artificially constructed cases, human beings act in ways that deviate from what standard economic theory (with its narrowly self-interested, entirely rational agents) would predict. For example, on standard theory, $5 should have the same worth regardless of whether we lose or gain it. After all, a buck is a buck. However, numerous experiments suggest that human beings feel worse about losing $5 than they feel good about gaining $5. Thus, in a classic experiment, some participants were given a free mug, while others were not. Those who were given the mug were willing to sell it on average for $7, while potential buyers were willing to shell out only $3 to buy the same mug. So behavioral economists have concluded that this experiment (as well as others) shows that we would rather avoid losses than reap gains, all other things being equal. The pain of giving up or losing the mug ($7 worth of disvalue) was projected to be greater than the pleasure of acquiring ($3 worth of value) the same mug.

There are, though, alternative explanations for this experimental result. For example, Gal and Rucker (2018) suggest that the participants may simply not have had a very clear idea of what value they placed on this mug. Perhaps anywhere from $4 to $6 seemed about right. Unclear about where in this range to land, owners needed a relatively high price of $7 to part with the item, while would-be buyers didn't feel inclined to bother with making a purchase unless the mug was significantly cheaper—say, $3. Otherwise, inertia took over, and no one bothered to initiate a transaction.

Regardless of whether one finds Gal and Rucker's alternative account of the mug experiment persuasive, their larger point is, I contend, valid. The human psyche is complex. There may be a large variety of reasons why sellers demand more for an item than buyers are, on average, willing to pay. The participants may have adopted a policy of "Buy low, sell high," which would appear to be at least minimally rational. If all of the participants were wealth-maximizers, then it makes sense that those with the mug would desire to sell it at a high price, while the buyers would be inclined to part with little or none of their cash at hand. An ethicist like Aristotle who focuses on human character would offer yet another explanation. Aristotle insists that every individual has what can be thought of as a dominant teleological life orientation. Each of us wants to be happy. But we hold various opinions about what

constitutes happiness. Some equate a happy life with acquiring wealth and material items, while others understand happiness as gaining honor, acting virtuously, or spending time in contemplation (Aristotle 1934). Agents with one of the last three dominant orientations might not even bother with participating in the experiment in the first place. Doing so would take time away from other pursuits they value more. Or, if they were to participate, these subjects likely would not devote many brain cells to arriving at a price as either a buyer or seller. Their answers may have been more or less random. This "whatever" factor might play a substantial role in their offers to buy or sell the mug.

Again, irrespective of whether one finds the specifics of this Aristotelian-style answer persuasive, Aristotle's ethical approach has the significant advantage of beginning with a life-organizing goal (honor, virtue, wisdom)—what Aristotle calls an "architectonic" good (Aristotle 1934). Individuals have histories and commitments they bring with them when they enter into experiments. Precisely because such goods are life-organizing, they can be used as starting points for thinking about a wide array of choices that we as individuals will make over a lifetime. This ethical approach thus avoids the *ad hoc* approach used by behavioral econoethicists who generate experiment-specific "explanations" of how subjects choose within a highly artificial context (more on this point in Problem #6 below). By contrast, ethical theory takes seriously the notion of "a" life. The singular article implies that life can have a shape or integrated unity. Ethics derives this unity from architectonic goals, which are not reducible to the econoethicists' passing psychological fancies, states, likes, or emotions.

Econoethicists' approach begins to seem a lot more like psychological trickery than a genuinely productive investigative method possessing the potential to yield generalizable knowledge or, in the case of ethics, knowledge of what it means to enact a way of life.

Persuasive accounts of behavior appeal to character, virtues, vices, and goods, all of which are central to human life. For example, you may help me not only because you have a preference for helping others but also because you have a generous character. Yet, to date, econoethicists have had little to say about character (e.g., a habit of liberality) as a cause of action.[2] They prefer to talk about emotions, biases, and preferences for, say, loss avoidance.

Furthermore, we should remember that econoethics' experimentally discovered behavioral "laws" are not universal in the way in which laws of physics are. The behavioral economics approach often discards outliers when performing statistical analysis of experimental results. In itself, this statistical approach offers no insight into why some individuals act in a manner quite different from that of their peers. My somewhat fanciful "whatever" hypothesis at least attempts to explain why some "outlier" sellers may have asked $120 for their mugs or why some "outlier" buyers may have only offered 3 cents. These outlier participants may simply have had no serious interest in the transaction because their interest lay rather in returning to contemplation or in finishing an oil painting. *A genuine ethical approach must have some power to account for and explain the widely different ways in which individuals behave and make choices.* The econoethics approach lacks this kind of power because it focuses narrowly on *how* some statistically significant number of individuals make a choice, not on why their life commitments, character, or psyche have led them to do so.

There is a second related problem with this experimental approach. The experiments provide little or no context for subjects' behavior. When we take into account the fact that subjects come with past histories, life goals, and characters that shape how they interpret and "fill in" absent context, behavioral economists' discovered laws of choice appear

Experimenters found that people would readily help themselves to the cans of Coke but not to the money that was found in the refrigerators.

quite suspect. In one famous experiment, Ariely and his fellow researchers placed six-packs of Cokes in dorm refrigerators around campus. They checked the refrigerators, and within 72 hours, all six Cokes had been "stolen" from every single refrigerator. They then placed cash (equivalent to the value of a stolen Coke) on a plate inside each of these refrigerators. At the end of 72 hours, all of the $1 bills were still in the refrigerators. The econoethicists conclude that it is psychologically easier for people to rationalize wrongdoing (theft) when non-cash items are involved. In other words, students justified taking a Coke by telling themselves that no one would notice a single missing Coke; that there would still be five Cokes if they took only one; that since there was no name on the six-pack, it was fair game to take a Coke, etc. By contrast, according to the experimenters, taking the $1 bill was clearly stealing and the wrongdoing was more difficult to rationalize when cash was involved.

Yet, whenever I re-enact a thought version of this experiment with my students, I find something quite different. Although some of my students say that they would help themselves to a Coke, very few will take the $1 because they think that the single $1 in the refrigerator is just "too weird." They suspect that there is some kind of "gotcha trap" here or that there are hidden cameras in the dorm lounge, spying on them and they don't want to get caught appropriating the $1. In Aristotelian ethical terms, some agents live their lives out of fear of pain and punishment (Aristotle 1934). Such persons are especially sensitive to the prospect of punishment. So, even if they would like to take the money, they won't because they don't want to get caught. In other words, my students' character and life commitments (e.g., pursue pleasure and avoid pain) lead them to flesh out the "weird" context. They tell themselves a likely story about what is going on with that dollar bill in the refrigerator, and it is this narrative that guides their behavior, not a law that it is harder to rationalize theft of cash than of non-cash items.

Again, we find that we ignore character and architectonic life goals at our peril. Indeed, if the experimenters had thought to put some dollar bills on the floor outside of the refrigerators, I suspect that this cash would also

have disappeared. In this non-"weird" context, individuals who are unjust and inclined to be thieves would, I suspect, likely be as willing to appropriate the "lost" dollar as the can of Coke. If so, then the results of the entire experiment are highly suspect.[3]

Problem Two: Behavioral Ethics Misconceives Practical Rationality

Aristotle famously distinguishes between two forms of rationality—formal or logical rationality and experiential or epistemological rationality. Formal rationality is reasoning that accords with the requirements of logic. Aristotle discusses this formal type of rationality in his analysis of syllogisms (Aristotle 1938). If and when we deduce a conclusion not warranted by the formal presentation of syllogistic claims, we can be said to be logically irrational.

Consider the following syllogism:

Some women are mothers.

Some surgeons are women.

Therefore, some surgeons are mothers.[4]

This argument is logically fallacious (the fallacy of the undistributed middle). After all, it is possible that the only female surgeons in the world are those who are not mothers. Many of the errors behavioral economists or econoethicists discuss also involve logical or formal mistakes—we act differently when our options are described differently, even if the two sets of descriptions are formally identical when considered in terms of, say, mathematical probability. We supposedly act "irrationally" (Ariely 2010) when we proceed as though two logically and formally equivalent scenarios are, in fact, different (Gigerenzer 2015).

However, as Aristotle (1934) notes at the beginning of the *Nicomachean Ethics*, becoming a virtuous and discerning individual requires experience. Experience alone does not make us courageous, just, or magnanimous. Much depends upon how we interpret our experiences and what we do with those interpretations. Nevertheless, we are entitled to look to and, indeed, must rely upon what we have learned from our historical experiences. We come to know the difference between cowardice, foolhardiness, and genuine courage by seeing all three in action. We can then analyze them further in terms of means and extremes. But no such analysis is possible if we lack experiential data. This inevitable reliance upon experience helps explain why we sometimes draw logically fallacious conclusions. To return to the syllogism: Some individuals who commit the fallacy of the undistributed middle may personally know female surgeons who are also mothers. Consequently, these persons quite reasonably believe it to be a valid conclusion that "some surgeons are mothers." In other words, they base their conclusions *not* on the formal or logical properties of syllogisms but on their real-world experiences of agential behavior (Earle 2009).[5]

This crucial distinction between logical and experiential rationality bears directly upon econoethicists' claim that we routinely and predictably act irrationally. This claim seems over-blown insofar as many of their examples at best show only that we can be manipulated or misled by others through modes of presentation, not that we are somehow fundamentally irrational in our practical judgments or choices that structure our lives. Take the case of framing. Ariely (2010) and others have argued that we typically assign value to goods and services in a relative fashion. We locally compare goods to assess their value, and we can be deceived by decoys into thinking that some product or good is an especially good deal. An example: Williams-Sonoma had a bread machine that was not selling. After the company placed a more expensive, newer, and larger model of the machine next to the older model, the latter started to sell briskly. Restaurants, too, employ a version of framing—they list expensive wines (that they may not even have in stock) with a view to getting diners to buy

wines that are more expensive. If I am debating between a $15 and $20 bottle of wine, I may opt for the $15 bottle. However, if the restaurant offers a $45 wine as well, I am more likely (some experiments have shown) to purchase the $20 bottle. The idea is that the presence of the $45 bottle on the menu makes the $20 bottle look like a good deal *relatively* speaking.

All of this seems plausible enough. Modes of presentation (Tversky and Kahneman 1974; Ariely 2010) likely will matter to some degree, given that we have no way to determine the absolute value of a bread machine or a bottle of wine.[6] We must rely upon relative valuations. *Not to do so would border on lunacy.* In so doing, we trust that decoys are not commonplace and that the prices of consumer goods usually bear some intelligible relation to the costs of producing and marketing these goods—i.e., that decoys are not assigned a sky-high price simply because sellers are trying to manipulate us into buying a particular wine or bread machine. Such trust, though, is hardly irrational, given that we have no choice but to do comparison-shopping and given that a Cartesian heuristic of radical suspicion suffers from its own logical difficulties.

The more serious challenge to our rationality concerns desire mimicry. Girard (1989) was among the first to argue that desire is mimetic or imitative. Econoethicists have adopted this notion of mimesis (without crediting Girard) and view it as a prime case of irrational preference formation (Ariely 2010). Instead of valuing products based upon their objective features and our independently formed preferences, we appear instead to desire things because others desire them. We are psychologically led astray into following others' cues. Yet whether mimetic desire is, by definition, irrational can certainly be doubted. Aristotle notes that, from childhood on, we learn through imitation (Aristotle 1995). One way organisms discern whether some particular form of food is perhaps safe to eat is by watching what other animals desire to eat. In this respect, we *do* desire X because others desire X. If the hungry bear does not immediately die eating maggots, then maggots may be safe for starving human beings who are lost in the woods. So, from an evolutionary point of view, mimetic desire may be experientially eminently rational.

Setting aside this biological perspective, we can still question whether the econoethicists have made that much of a major discovery—much less uncovered a universal scientific law of behavior—when it comes to desire mimicry. Perhaps conformist individuals are more prone to mimetic desire than anti-conformists are (Elster 1999). In the famous Zimbardo prison experiment, some subjects ("prison guards") refused to imitate the sadism of some of their fellow "guards" (Zimbardo 1992). From an ethical perspective, agents' character both results from and engenders desire, so individuals who are virtuous *actually desire differently* than those who are vicious or who suffer from weakness of the will. If so, then we are not all prey to irrational preference formation (or at least not susceptible to irrational preference formation in the same way under the same conditions). The interesting issue becomes not whether human beings form desires mimetically but who does so, who does not do so, under what conditions they do or do not desire mimetically, and why.

Problem Three: Behavioral Econoethics Relies upon a Narrow Field of Analysis

Many behavioral economists' experiments center on risk—how we perceive risk when situations are framed in one way as opposed to another (e.g., Johnson et al 1993). In a famous series of papers, Tversky and Kahneman (1974, 1979) argue that individuals employ various heuristical shortcuts or are subject to emotionally-induced miscalculations that lead them to arrive at probability judgments concerning risk that consistently deviate from statistical principles and that violate expected utility calculations or logical consistency. In one experiment (Kahneman 2007), subjects

The Jam Experiment: Choice Overload?

were offered insurance against the prospect of dying at the hands of terrorists while traveling in Europe. Another group was offered insurance that would cover them against death resulting from any cause. The latter clearly includes death by terrorist attack, yet subjects in the first group were willing to pay more than the latter. Kahneman (2007) posits that fear supplanted rational calculation and fear of dying at the hands of terrorists was greater than dying in some other way.[7]

In one sense, econoethicists' focus on risk is entirely understandable. Many economic actors think about risk. Insurance companies and banks seek to price risk. Markets have evolved to help companies and individuals manage risk through futures and forward contracts. On the other hand, the vast majority of our daily decisions have nothing to do with risk. For example, should I work on my book or watch the latest streaming episode on Netflix? Should I buy the more expensive free-range eggs or the cheaper in-house brand that uses caged chickens? Should my husband or I stay home with our cat when she falls ill? Many issues turn on our architectonic goals, on what courses of action are more intrinsically worthwhile, or on what it means to respect self and other. If I stayed with the cat the last three times she fell ill, perhaps it is only fair that my husband do so this time. On the other hand, if our cat is nearing the end of her life and is closer to me, then perhaps I should stay home in this case. There is no universal law of choice that applies in such cases. Nor are nudges relevant.

Problem Four: Behavioral Econoethics Misleadingly Assumes Options Are Simply Given to Us

This latter comment brings me to another key point: situations and options do not just exist out there in the ether. We consciously or unconsciously characterize the world we are experiencing and specify the nature of the choices we face. For the ethicist, the character of agents directly affects and shapes the options they give to themselves. Thus, what the experimenters see as an observer-neutral situation involving a limited, highly artificial economic transaction (e.g., the buying and selling of a mug discussed above), some of the participants may interpret as an annoying distraction preventing them from attending to other matters about which they care more deeply.

Consider the results of another famous econoethical experiment. Iyengar and Lepper (2000) offered shoppers at a grocery store a

chance to receive a purchase voucher for jam if they tasted one or more samples from a small array of jams. On average, shoppers tasted two samples of jam. When the investigators increased the array of presented jams from six to a much larger array of twenty-four jams, shoppers again tasted on average two jams. However, the researchers strikingly found that 30% of shoppers who tasted from the smaller array actually bought jam, while the purchase rate dropped dramatically down to only 3% among shoppers who faced the much larger number of jams. It seems that as consumers we are paralyzed when we are given too many options. Behavioral ethicists conclude that we so fear making the wrong choice that we do not make any choice at all.

I have no quarrel with Iyengar and Lepper's notion that the act of choosing always occurs in some context or another. Nor do I doubt that an option's attractiveness may depend in part on the other options we consider. I've already stressed that we have little choice but to do comparison shopping when it comes to valuing consumer goods and making purchases. However, it does not follow that we are all prone to "fear of choice paralysis" nor that, in general, the attractiveness of an option is solely a function of surrounding options. Perhaps many of the shoppers confronted with the larger array were not that interested in buying jam under any circumstances. Maybe a large number of this second group just happened to be diabetic. Or, when faced with 24 flavors—many of which may have been unknown to shoppers (cloudberry, boysenberry, rhubarb, or lychee) — these shoppers may simply have had no interest in devoting time to getting information about a product that had not appealed to them that much in the first place. In other words, we again see the possible effect of consumers' teleological orientation on perceived option desirability, an effect that is never factored in by behavioral econoethicists. The issue may not be choice paralysis but the paucity of information and costs of getting such information, including the highly significant "cost" of distracting us from our primary teleological orientation. In some cases, not to choose may itself be a choice (or quasi-choice), an important ethical point not well understood by most behavioral econoethicists who invoke choice paralysis and who assume that not making a selection is not a choice at all.

Even more importantly, *we give ourselves options*. Options typically are not simply given to us like an array of jams. And, crucially, which options we generate for ourselves depends upon our character, our humaneness, and our teleological orientation. Let us suppose that my widowed mother begins to suffer from dementia and to fall down frequently when she is in her own home by herself. If I am a caring daughter, I may deliberate as to whether I should try to bring her into my own home or to place her in a well-respected care facility near my home. How I view the first option will to some extent be shaped by the second option and vice versa. If I discover that the care facility has no stairs, I may favorably contrast that facility with my home, which can be reached only by climbing two sets of stairs. If my mother were to come to live with me, she might be confined to my home for the remainder of her life, while she might still be able to leave the stainless care facility for outings with me, etc. Of course, this sort of deliberation turns on my being a loving and caring daughter. If I am wicked and wish my mother dead, the first option's stairs may look extremely attractive. After all, perhaps she will fall down my steps and kill herself. Or maybe I can even give her a push once I have moved her into my home! So how I evaluate options is a function of my character. Which options I give myself is also a function of my character. If I am a loving daughter, I will consider options like my own home or the care facility. If I am murderous, I may not even think of the nursing home option. I may only consider whether I should "deal with" my aged mother by killing her now or next week.

As Aristotle (1934) realized, choice is deliberative desire. The person on the road to virtue will arrive, through her deliberations, at a more enriched understanding of her end or goal. To return to my earlier example: As I start to think through what it would mean both for my mother and for me to have her live in my home as opposed to in a nursing facility, I may initially focus only on her physical health. As I compare and contrast the two options, though, I may start to realize that my real goal is for my mother to thrive both physically and socially. In that case, the care facility may look like a better option, given that it hosts regular events (movie night, singalong) for residents. Conversely, I may realize that physical thriving consists in more than receiving regular visits from a care facility doctor or in doing yoga exercises at a care facility. I also want my mother to be safe from abusive aides. On that score, I may lean toward moving my mother in with me.

In either case, deliberation about the means to our end simultaneously deepens our understanding of the goal. By contrast, wicked people do not deliberate. That is why Aristotle says that the vicious do not choose (Aristotle 1934). Unlike virtuous individuals or those on the road to virtue, evil individuals take their end as absolutely given—e.g., a goal of getting rid of a parent. This end does not change as they consider the means to realizing it. Their practical thinking is not deliberative but is rather what Aristotle characterizes as "logistical"— or what we might think of as cunning.

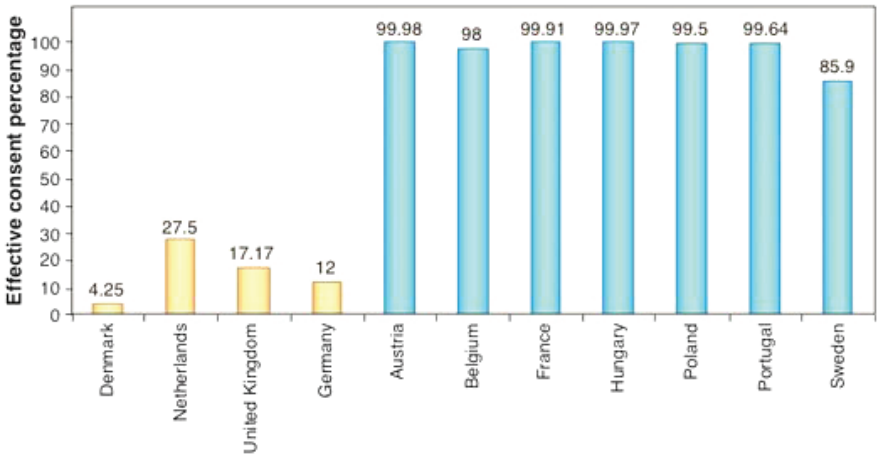
Behavioral ethics evinces no grasp of the difference between deliberative desire (i.e., choice) and cunning. Instead, behavioral ethics assumes that we all act, think, and choose in largely the same way. Econoethicists arrive at this quasi-scientific conclusion by doing simple micro-experiments, which often possess little or no relation to what happens when agents make genuinely significant choices. In these experiments, the "facts" of the case are static and are treated as givens rather than as part of a clarifying deliberative process, a process that uncovers new issues and brings to bear relevant, value-laden facts not initially considered. In sum: the supposed "laws" of choice derived from these highly artificial experiments should be treated with great caution because they assume from the beginning that agents' commitments and character are irrelevant to the experimental outcome.

Problem Five: Behavioral Ethics Is Parasitic upon Other Forms of Ethical Thinking

To illustrate the next problem, I want to turn to one of the econoethicists' favorite examples—national rates of organ donation. Many commentators have noted the widely differing rates at which citizens around the world sign up to donate their organs. This graph (figure 3) depicts these varying rates.

Why do citizens of Portugal sign up at such a higher rate than people in the UK? Is it because Portugal is a Catholic country? Because people in Portugal are more likely to be personally acquainted with each other than folks in the UK and are thus more inclined to donate their organs to people in need? No. According to econoethicists, the variation is explained almost entirely by the country's sign-up procedures. The countries in gold use an "opt-in" system, while those in blue have adopted an "opt-out" approach (Johnson and Goldstein 2003). The example appears to show that small changes in the environment or nudges can massively affect our choices.

Yet this analysis is misleading in many respects. First, from an ethics point of view, how many individuals sign up to donate their organs is less important than how many individuals finally wind up providing harvested organs. It is actions taken, not hypothetical actions, which shape our characters and thus our judgments and future choices. As Buck (2015) has argued, in *all* of these countries, doctors typically approach patients and family members before removing



Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

Figure 3: Chart from Buck 2015.

organs for transplant. Family members may decline or agree to the donation, irrespective of whether the deceased has consented to organ donation. Signatories themselves may change their minds once they are in the hospital. Or they may be dismayed to learn that they have unwittingly signed up to donate their organs via the opt-out structure. So what is the rate of *actual* organ donations?

When we look at this second set of data (figure 4), we see that the gap dramatically narrows. In fact, the rate of opt-outs in Sweden falls below that of opt-ins in Germany, the Netherlands, and Denmark. On the whole, the opt-out approach yields only two more donations per million people (Buck 2015). It appears, then, that the real determinant of organ donation rates may be the doctor's bedside manner, how the approach is made to the family after the death of a loved one, or how patients feel about being a donor once they are on their deathbed or after they have spoken with a physician, not—as the econoethicists assert—merely or primarily how options are presented.[8]

There is another significant problem here never mentioned by econoethicists. They simply *assume* that organ donation, in general, is ethically desirable and tout the use of the opt-in approach as a good way for the government to nudge the donation rate higher. Lurking behind this assumption is an often unacknowledged paternalistic worldview that supports governmental intervention to achieve supposed goods. In that respect, the entire analysis is parasitic on an underlying but non-explicit ethic. However, there are a number of ethical arguments one might make against organ donations. Some individuals may believe that the integrity of the organic body, even post-death, should be respected. This belief may be tied to religious beliefs regarding events in the afterlife. Or resistance to organ donation may be rooted in a virtuous person's general respect for an individual's humanity—human beings are not means with bodies that should be "harvested" like so many ears of corn. An ethicist might focus on the nature of a happy

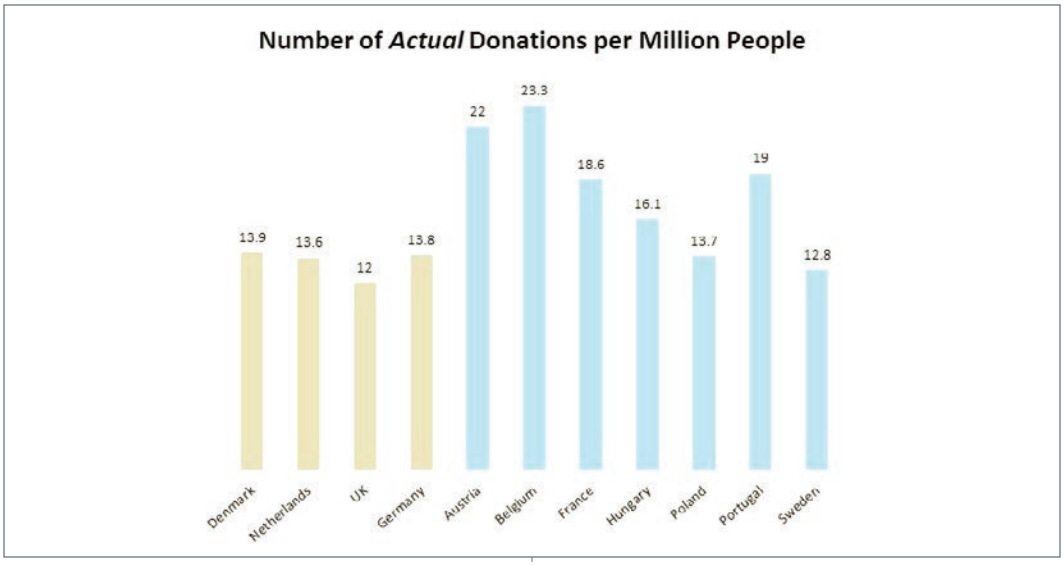


Figure 4: Chart from Buck 2015.

life and might oppose organ donation on the ground that the practice encourages people to believe that any and all measures are warranted when it comes to keeping individuals alive. Such a practice may then interfere with people coming to grips with the fact that we are all mortal and we all die. Instead of seeking to prolong biological life, we ought to be centering our attention on the end of a good life. If this position is sound, then using an opt-out nudge might be unethical.

My point is that behavioral ethicists have to *argue* for organ donation as an ethically sound practice, and this they never do. Indeed, their "ethical" approach does little to stimulate genuine and deep ethical reflection on the part of agents.

Problem Six: Behavioral Econoethics Proceeds in an Entirely Piecemeal Fashion

Relying upon small, narrowly focused experiments, the behavioral econoethics approach lacks any kind of systematicity. Researchers devise whatever experiment happens to strike their fancy and then claim to have made print-worthy discoveries regarding the nature of choice and the (supposed) laws governing it. For example, Carlson and Conard (2011) studied how quickly adult shoppers respond to chances to acquire things they valued (e.g., wine; basketball tickets). They found that subjects whose family names' initial letter occurred later in the alphabet responded much faster than those whose family names began with A, B, C, D, etc. The researchers' core idea seems to be that, as children, we all develop time-dependent responses tied to how we were treated in our formative years. In their study, those subjects who, as youngsters, were always at the end of the line or the back of the class because their family name began with T or W, on the whole, moved relatively more quickly (bought early) allegedly because, having waited a long time when they were children to get items, they did not stop to consider whether they really wanted the item. When it appeared, they grabbed it. In other words, "[S]ince those late in the alphabet are typically at the end of lines, they compensate by responding quickly to acquisition opportunities. In addition to

responding quicker, … those with late alphabet names are more likely to acquire an item when response time is restricted and they find limited-time offers more appealing than their early alphabet counterparts" (Carlson and Conard 2011, 300).

It is unclear what one is to make of this sort of finding. The researchers construe choice as nothing more than a stimulus-response mechanism. Their analysis invokes habits but assumes away the importance of character and assigns no role to deliberation (see Problem Four, above). To the extent that we can consciously set out to acquire habits (Aristotle 1934) and to cultivate ethically relevant sensibilities (Confucius 1979), this supposed "last-name effect"—even if it exists—would not be immutable. A Zimmerman could teach herself not to make impulse buys, while an Anderson might easily slip into habitual impulse buying if she did not carefully monitor her shopping patterns.

Furthermore, this account is far from compelling as a *general* account of choice. An Anderson may take a pass on a sale item at Saks, but that behavior can hardly be legitimately generalized to all spheres in which we make choices or even to the narrow realm of acquisition opportunities. Is a Zimmerman more likely than an Anderson to impulsively steal a gold bracelet she likes from a friend? Whether either agent is inclined to steal in the first place more likely will depend upon their respective characters (Aristotle 1934; Confucius 1979). Those who are habitually just and fair will not even consider stealing from a friend. Those who are already confirmed thieves presumably will act whenever they see an opportunity to take what is not theirs. I suspect that how quickly they move will be a function of their desire to evade detection, not the effect of the first letter of their family name.

Are we then to conclude that we have multiple faculties of choice—we have shopping-choice, criminal behavior-choice, choice-among-friends, choice in the classroom, etc.? Behavioral ethicists often seem simply to assume that choice always operates in the same general way across domains. They do not, however, stop to argue for this bold assumption. And, indeed, it is hard to see on what basis they could mount such an argument. For they derive their conclusions about choice from one-off experiments, instead of trying, as philosophical ethicists do, to synthesize a general account of choice and then to test it against evidence from a variety of spheres of human life and from the varied lives of men and women with quite different characters. These "attacks on rationality"—under the broad heading of 'behavioral economics'—have seemed more like a grab bag of anomalies than a consistent alternative theory of choice" (Bloomberg Business Week 2005).

Problem Seven: Behavioral Ethics Does Not Acknowledge the Role of Meso- and Macro-Factors

Thus far, I have been arguing that the econoethicists' behavioral approach radically misunderstands choice, judgment, and behavior at the micro-level. I will conclude with an equally serious problem—this approach's neglect of the ways in which macro-spheres (e.g., law and politics) and the mesosphere of organizations (economic, normative, conventional, formal, and informal cultures and mechanisms) both shape and are shaped by micro-decisions and behaviors. Each of these levels has its own unique dynamics, but none operates entirely independently of the others.

Let us suppose, for example, that we want to encourage more ethical leadership within the business sphere and to evaluate the ethics of past and present behavior within this sphere. It will not do simply to think of the leader as someone with power who manages individual subordinates in a kind of atomistic fashion and then to try to devise ways to nudge this leader and his or her followers toward more ethical behavior. From an ethical perspective, a good leader is better thought of as someone who thinks about the interplay of the macro-,

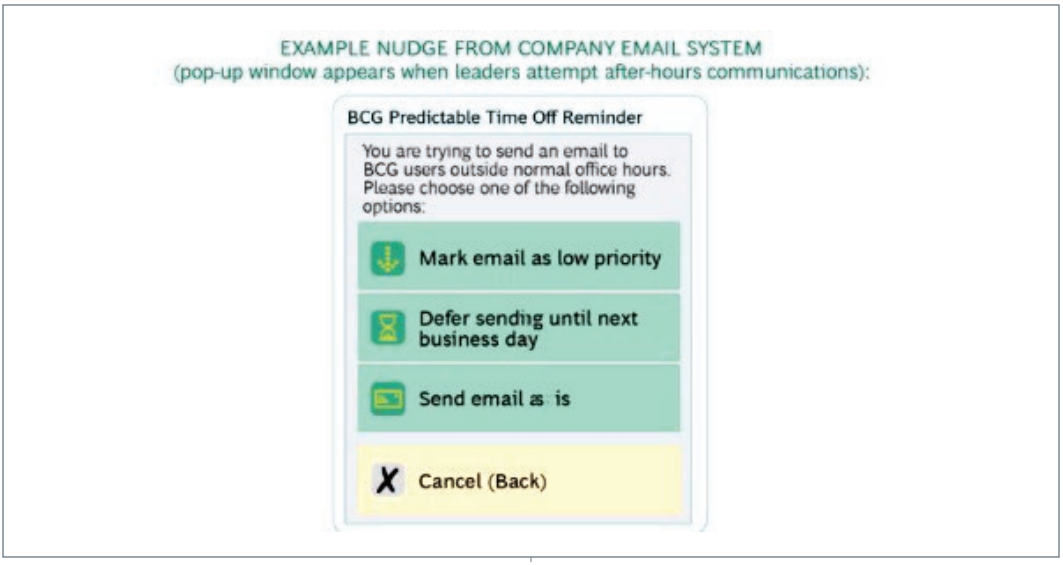


Figure 5: Boston Consulting Group email prompt (from Fetherston, et al., 2017).

meso-, and micro-levels and encourages and supports what Beschorner (2018) has called "multi-rationality"—the allowance of widely differing voices, the inclusion of perspectives that may initially be considered rather "freakish," etc. Fostering multi-rationality helps the organization prepare for change occurring at the macro-level (through political, market, or legal processes), while recognizing that, through its corporate meso-policies, the organization and its leaders work to change attitudes at the micro-level concurrently with driving social change at the macro- and meso-level.

This multi-level ethics approach has implications for behavioral economics' attempts to nudge us into behavior that is more ethical. Consider Boston Consulting Group's (BCG) behavioral nudge for getting leaders to adhere to the firm's policy of not letting work bleed into employee's off-time (Fetherston et al 2017). In order to minimize after-hours emails to employees, econoethicists recommended that the firm use the following pop-up that appears in Figure 5 above.

The firm's hope was that by requiring leaders to choose among these options, many managers would think twice about sending an email after-hours and perhaps decide not to send the email at all.

From an ethical perspective, this nudge approach is riddled with problems. First, BCG managers still retained the option to send emails after hours (Fetherston et al 2017). In fact, the preservation of such choice was an important part of the sales pitch for this nudge. BCG senior executives insisted on retaining the ability to send such after-hours emails. So I doubt whether BCG managers with hardcore habits have been much affected by this nudge. As Aristotle repeatedly insists, life commitments and habits by their very essence are difficult to change.

Second, the narrow micro-focus of this nudge may not do much to alter the larger corporate culture (meso-level). If BCG's financial incentives are all designed to encourage high levels of billing; and if the firm's compensation plans are tied to the generation of revenues, then

interns and junior employees likely will still be pressured to work very late hours. Yes, they may get fewer emails; however, they still may not be leaving the office until 9 o'clock at night. If so, the nudge creates the illusion that the firm is meeting its goal of being more considerate of employees' lives out outside of work. Such an illusion might perversely make matters worse. Leaders may now be able to rationalize that they can demand more overtime hours because at least they have cut back on the number of emails these same employees are receiving after 5 pm!

This point about the need to look at the whole system or the "thick" context is not merely theoretical. The nudges so beloved by econoethicists are always administered by someone or some entity. These meso-entities may themselves have conflicts of interest or incentives that work against the best interests of those being nudged. Gigerenzer (2015) illustrates this point with examples from the health industry:

Sunstein (2005) proposed that "hospitals might frame options in a way that will lead people to choose medical procedures that are clearly best, even if a small probability of failure might frighten some patients and lead them to less promising options… Again, this would be a useful nudge if hospitals had no conflicting interests. Unfortunately, they often do and pursue goals diametrically opposed to those of their patients. For instance, many hospitals recommend that men take routine PSA tests for prostate cancer screening, despite the National Cancer Institute's cautions that PSA screening can do more harm than good. By twisting health statistics in an advertisement, the highly respected MD Anderson Cancer Center in the United States systematically misled men about the benefits of prostate cancer screening, similar to how the pink ribbon organization Susan G. Komen deceived women about breast cancer screening (for details see Woloshin and Schwartz 2012; Woloshin, et al 2008).

In short, encouraging ethically more desirable behavior is not as easy as adopting nudges. We need to be aware of unintended consequences, the effect of character, power dynamics, conflicts of interests, financial incentives, and the reciprocal influences among micro-, meso-, and macro-levels of business activity. We need wisdom to choose the right nudges and to deploy them wisely. We cannot simply replace deliberation and practical wisdom with nudges, for then we would need nudges for the nudgers![9]

Conclusion

From an ethics perspective, there are at least seven significant ethical problems with the way in which behavioral econoethicists understand, construe, and model human choice and behaviors. Their *ad hoc* experimental approach does not and cannot lead to a comprehensive or systematic understanding of how human beings make choices. Nor does their assumption that universal laws—psychological or biological—apply equally to all human beings enable researchers to account for outliers or to identify variations in reasoning caused by differences 1) in agents' character (deeply ingrained habits); 2) in their teleologically informed self-understanding shaped by their past experiences; 3) in the "thicker" context potentially affecting agents' choices; and 4) in the larger meso- and macro-environments in which agents are acting. In addition, the behavioral approach may indirectly support (or even encourage) unethical rationalization by individuals, especially those in power who are designing incentives based upon econoethicists' findings. Ethics, which involves large doses of psychology, is difficult. Richard Thaler himself has said, "The economist can try to invent his own psychology, but it will be bad psychology, and if they want to stick to economics, they should borrow their psychology from psychologists" (Dubner, 2018). Alas, most behavioral economists have not taken Thaler's advice and have instead opted to create experiments using rather undeveloped models of the human psyche. We need, then, to be

especially cautious about endorsing behavioral econoethics as a method for doing normative ethics.

If we decide there is still some place for nudges—after all, in some contexts, our options may be relatively fixed and may have to be presented to us by a relevant authority in some form and order— then we may find some of the behavioral economists' research of use. Yet, even in this sort of highly determined and constrained situation, those devising and using nudges should think about potential problems of the sort raised above. They should also carefully monitor how people respond to some nudge, changing the nudge if it appears to be creating harm or producing bad habits in those making choices. Doing that monitoring well will require ethical discernment of the sort that is at the heart of ethics.

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Q&A

Below are edited highlights of Prof. Daryl Koehn's question-and-answer session with Bentley University students, faculty, staff, and guests.

QUESTION: *Isn't the problem you are pointing out that many of the social sciences, including behavioral economics, are trying to be sciences when in fact, there really are no natural laws that they're dealing with?*

DARYL KOEHN: Your question, as I understand it, is whether the fundamental problem is that the social sciences, in general, are modeling themselves after the natural sciences. Perhaps that might be a fundamental critique here. I doubt whether ethics is a science. Immanuel Kant famously tried to turn ethics into a science. The German philosopher Martin Heidegger did too. But if you look back at the classical ethics of Aristotle, Plato, Epictetus, Laozi, Confucius, Mengzi, and other thinkers in the Chinese tradition, there's no sense that we're dealing with something that's a science for which there are universal laws that might be capturable somehow in an algorithm, decision tree, or an experiment. So there may be a problem potentially with going down the scientific path, and especially if one is uncritical about it. In general, I would say, "Let a thousand flowers bloom. Let people make the case that there truly is a science like this." If we work within the social sciences, we have to be very cautious and open to critiques from our friends in the humanities, the natural sciences, and so

forth and be willing to moderate our claims.

QUESTION: *Regarding protectionism and the trade war between the United States and China, do you see that stance as morally justified and for the common good of the country?*

DARYL KOEHN: That's pretty far afield from behavioral economics, but I would say, as a philosopher, whenever I hear the term "common good," I get a little bit nervous because there are a lot of different understandings of the common good. I think that before we can even think about whether or not a trade war is for the common good, we need to understand what that term means. I don't usually hear that specified. Let's have some rigor around the discussion of what we mean by "common good." It can be tricky because there are people who operate in some religious institutions who think that Catholic dogma completely defines what the common good is. I think that Catholicism has some interesting things to say about the common good, but I don't think it's the final word on the subject.

QUESTION: *Would you give more information about what you meant by vicious versus virtuous people and their choices.*

DARYL KOEHN: Many experiments treat choice as if it is just a stimulus-response to the six-pack of Coke in the refrigerator or to an array of jams. However, you have to ask yourself what choice is. For someone like Aristotle, it's the deliberate desire of things that are within our power. I can't choose to fly to the moon and back in the next second. I might wish to do so but wishing is not choosing. Choosing requires that we deliberate about the means. We don't really deliberate about the end. For example, in thinking about whether it's better to put my mother in a nursing home or to have her in my own home, I take it as a given that I want to care for my mother. That's my goal or end; but in thinking about the means, I get a more enriched understanding of what it means to care for my mother as additional things occur to me as I deliberate about which course is better. Aristotle thinks that the vicious person is calculative. In Greek, you have different words for choice versus cunning. Choice is deliberate desire or *prohairesis*. Choice is not the same as cunning or calculation, which in Greek is *logistos*, which means cunning or calculation.

Aristotle would probably say that economists tend to collapse practical thinking and choice into cunning, and the vicious person certainly has cunning. If you've ever watched Shakespeare's Othello, you know that Iago is extremely cunning when it comes to bringing about the downfall of Othello. However, Aristotle would say that Iago doesn't deliberate ever. It is true in the play. He never deliberates. He simply adapts his behavior and takes advantage of opportunities as they arise to continue to pursue his goal of destroying Othello because Othello passed over Iago when he gave a promotion to someone else. You can see right there that we are not comparing apples with apples when we look at my exploratory thinking about putting my mother in a nursing home as opposed to Iago's exclusive focus on doing whatever it takes to destroy Othello. Now Aristotle also says that life is complicated because most of us aren't virtuous or vicious, most of us are in the middle. If so, then we need to talk about what life in the middle looks like. Life in the middle looks a lot like this:

I say that I shouldn't eat that second piece of cake, but sometimes I go ahead and eat it anyway. Those are the kind of phenomena we typically need to try to understand; we seem to be deliberating about some means to happiness—to eat the cake or not. However, even after I say, "I shouldn't do it," which looks like I've reached a conclusion, I go ahead and violate the conclusion. It's a great question. It's a very deep area, but I hope I've given you enough of a response so you can see where you might want to go in unpacking the question.

QUESTION: *In thinking about self-driving cars, do you think that properly constructed algorithms can help people make better ethical decisions?*

DARYL KOEHN: I don't know whether there are properly constructed algorithms. You'd have to unpack that term for me very carefully. Some of you may know more about this issue than I do. I gather that in that accident where the pedestrian was killed in Arizona after being hit by an autonomous vehicle the problem turned out to be that the algorithm assumed that people would never jaywalk. The idea was that there never would be anybody who walked between a certain point and the crosswalk. However, of course, people do jaywalk all the time. I also worry about the ethics of whether or not we should be using algorithms at all. For me, that's the prior question, given that we know now that algorithms have many biases, including racial bias, etc. You may be following the controversy lately that Steve Wozniak raised about gender bias with the Apple credit card. He and his wife have exactly the same credit portfolio. They have the same debts. I think their credit scores are similar, but I believe the credit limit that the Apple algorithm gave him was 10 or 20 times that of his wife. We know that you need people to develop these algorithms. They're not sui generis. They're not born out the head of Zeus like Athena. So the question then would be: What is the character of the people developing the algorithms? Are they good with experiential logic or merely just good with formal logic? One question I'd ask is, "Are they vicious or virtuous people?" To what extent are they conferring with other people and saying, "Hey, Bob, what do you think about this? Have I missed something?" Or are they just squirreled away in their cubicle programming? I don't know whether or not algorithms can help. I wouldn't rule out *tout court* that they have a role to play, but I'd want to think a lot about the ethics of their development and the ethics of committing to why we would even be using algorithms instead of people in the first place. As we know, a lot of algorithms Facebook used have not worked out very well. Do you agree?

QUESTION: *Where I take issue with your statement is the idea that it depends on the person who is designing the algorithm. It does, but if it's experience-based, you can teach algorithms and machines can learn from experience. In the face of complexity, algorithms offer an opportunity to reduce that complexity and make a decision if they are properly constructed.*

DARYL KOEHN: Right. I worry about the "reduction of complexity," because I think complexity is a factor in the world and discernment requires acknowledging complexity. Years ago, I read a story about the development of expert systems at the Tennessee Valley Authority, TVA. They wanted an expert AI system that would monitor the state of the dam. They had the computer programmer for the expert system shadow the man who had been in

charge of monitoring the dam so it wouldn't break. They developed a system and tried it out. At one point, the human engineer who had been at the site for a long time, 40 years or whatever, rushed to the dam controls and made a correction. The engineer said, "What do you doing?" The dam expert said, "Well, under this kind of circumstance, you have to do that." The AI expert said, "Yeah, but you didn't tell me that." Well, of course, there's no way you can do a core dump when you tell somebody everything you learned over 40 years. Do I want the dam engineer or the AI expert system in charge of the dam? Ideally, I would like to have both, maybe working in tandem. I think we are at a dangerous point now—an inflection point where it's not clear how human beings intervene. That was Wozniak's point. Now that it looked like his wife had been gender discriminated against by the Apple algorithm, he said, "How do we turn that around? Whom do I call at Apple? Who's responsible for turning it around?" Hannah Arendt has a great quote about the bureaucracy in Nazi Germany. She says, "When you have a bureaucracy where everybody is responsible, nobody is responsible." Where you have an algorithm that's responsible, I'm also afraid that no human person is going to be responsible. If someone who wrote the algorithm leaves and there's a problem, who at the firm now really knows that algorithm very well? Having worked in the corporate environment where people are supposed to document their changes to programs but often don't, I know that you can wind up in a pretty messy situation quickly when people leave. I'm not completely disagreeing with you, but I think recognizing complexity rather than dumbing it down is preferable.

QUESTION: *One of your assumptions in why behavioral economics is wrong and unethical is that it focuses more on "the how" rather than "the why." But, I think that in behavioral economics, the how is answerable and statistically provable. You can find empirical evidence as to how we act. This makes the job of behavioral economists to explain why. So going back to the mug experiment: we know that humans tend to keep what they have. Loss aversion is what behavioral economists theorize to be the why. This means that the actual purpose of that study is to determine the why, because the how exists and we know it. It's measurable. Any comments on that?*

DARYL KOEHN: My question is do we really know the how? I have some questions regarding what we know from the fact that people supposedly want seven dollars versus four dollars—seven dollars to sell the mug versus four dollars to buy it. To understand the why behind their behavior, my claim is you might have to look at what people are thinking about and what their commitments are going into the experiment rather thinking you're going to reveal the why at the back end. You can see this issue in connection with the Coca Cola experiment. Dan Ariely thinks he's revealed the why, which is that we find it psychologically easier to say we're not a thief if we take a can of Coca Cola rather than if we take a dollar bill. That might be so. However, it could also just be, as my student said, that the presence of dollar bills sitting in the refrigerator is just too weird. He wouldn't touch it. The "weirdness hypothesis" needs to enter into the discussion somehow too. If you have already set up your experiment with the hypothesis that this behavior is occurring for the following reason, and that's what you're going to test, my worry is that you have already prejudged the why and narrowed that

universe prematurely when in fact, the experimental results could be interpreted in a variety of ways. The results might look very different depending upon how you frame the problem.

Why aren't we looking at all those alternative explanations for some type of behavior? My answer is that the reason we're not looking at all those possibilities is because we've already narrowed the world down. I'll give you a real-life example. I was talking to a friend who told me that she was at a dinner party where somebody worked at a day camp where they faced a supposed moral dilemma. The question was, should they buy more expensive potatoes to serve the campers and not have any waste left over, or should they buy cheaper potatoes where there might be a lot of leftover waste. So it looks like you have a moral dilemma with incommensurate values—cheapness versus greater sustainability. My friend, who is very practical, said, "Well, why not buy the cheaper potatoes but do something with the other potatoes? Do a second dish with the potatoes." I thought, "Exactly!" Why do we have to live with just those two options? And, doesn't the second option look a little bit different once you realize that you can reuse even the "waste"? You don't have to have any waste at all. Her response was exactly the kind I would expect from someone who's on the road to practical wisdom. It just seems to me that she was presented with a false choice. I think it's a mistake in business to give yourself false choices, be it in marketing products or other dimensions in business or life. Why would you want to give yourself false choices?

Prof. Koehn chats with two Bentley students at the reception that followed her lecture.

QUESTION: *Why have you chosen to teach business ethics? Do you feel like you're making an impact? Obviously, you're very bright and could do a lot of things.*

DARYL KOEHN: Well, I love to teach. When I worked at First Chicago bank years ago, I had a recurring dream that I was on the trading floor and my grandfather, who had been a professor of accounting, kept appearing to me on the trading floor. I was the only person who could see him. After I'd had the dream over a long time, I thought, "How stupid can you be? The dream must be significant." I realized my dreamt grandfather was reminding me to make teaching my vocation. Everybody in my family teaches. My next sister is a professor of accounting. Another sister teaches art. My youngest sister works at Arizona State University. Why ethics? I guess because I think what people do matters enormously. If we don't make good choices, things can go south. If you'll excuse a personal anecdote, on October 15th, my house burned down. Why? Because we had a plumber who took a shortcut. It seems that he may not have used correct procedures. As a result, the insulation in the condo building caught on fire. Now, all of us owners have been rendered homeless. This example shows the importance of ethics. Teachers can make an enormous difference in the lives of those who are interested in ethics and who are studying in good faith with a view to living better lives. However, I feel it's an unfair question to ask whether I feel like I'm making a difference. If you say to calculus teachers, "Can you make a difference to your students learning calculus?" Their answer is, "Yeah, if my students do the exercises and if they want to learn calculus." Similarly, Confucius would say, "If people care about ethics, you can make a difference talking about it and thinking about it together." If people don't care, you can't teach anything.

Thank you.

[1] Note the extensive use of the normative "ought" in this description of behavioral economics.

[2] I am indebted to Ed Hartman for the formulation of this point. The Kitty Genovese episode in which numerous New Yorkers saw Kitty being attacked and yet did not intervene would seem to support the importance of character as a cause of actions in that case (Hartman 2013).

[3] I owe this salient point to an ethics officer who heard an earlier version of this paper at a conference.

[4] In this "Problem Two" section, I have drawn heavily upon Earle's (2009) and Gigerenzer's (2015) analysis and examples.

[5] Now I can hardly be said to be irrational when I draw upon my experience of the world, even if I occasionally err in my judgments and conclusions. Earle (2009, 153) makes a variant of the same point:

> Epistemology teaches us that a person is cognitively blameless if he forms a belief the way a rational person would, even [if] the belief so formed is false. Because the world is imperfect (with part of the imperfection consisting in the unreliability and malignity of others), it is possible that a belief formed with cognitive conscientiousness, and one that is fully justified, will turn out to be false. That is bad luck but has nothing to do with irrationality.
>
> If I rely on a map of Nebraska that has been wrongly scaled, I may falsely opine that Lincoln is closer to Omaha than in fact it is. But my false belief does not make me irrational.

[6] But, if I do not drink at all, the presentation of wine choices is not going to affect my decision as to what to drink.

[7] Note again the very thin context of this experiment. I might choose a more expensive form of insurance not because I am fearfully irrational but because I have historical knowledge of and experience with insurance companies and think that the first form of insurance does a better job of locking insurance companies into paying my family's claim. Believing that insurers have incentives not to pay claims, I may be highly skeptical of an inclusive policy claiming to pay under ANY circumstances. So I may place a higher trust in and value on the more specific "death at the hands of terrorists" policy. There is nothing obviously irrational about this stance.

[8] Furthermore, even "that modest effect [of 2 more donations per million people] might be an illusion, because none of these [opt-in vs. opt-out] studies can properly account for selection bias. Perhaps the countries in which people view organ donation more favorably are also more likely to pass presumed consent laws (i.e., opt-out laws) in the first place, and so the higher actual donation rates in those countries may be due, entirely or in part, to the overall more favorable attitudes [in the blue countries as a whole]." (Buck 2015).

[9] I owe this felicitous formulation of my point to Ed Hartman.


VERIZON VISITING PROFESSORSHIP IN
BUSINESS ETHICS
WHAT'S ETHICALLY WRONG WITH
BEHAVIORAL ECONOMICS?

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