

Economics / Ethics

# Economic Decision-Making and Ethical Choice

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According to Gary Becker (1995a), “[t]he economic approach does not draw conceptual distinctions between major and minor decisions, such as those involving life and death in contrast to the choice of a brand of coffee” (7). In Becker’s estimation, economic analysis is all-inclusive, applicable to any aspect of human behavior (13). “[W]idespread and/or persistent human behavior can be explained by a generalized calculus of utility-maximizing behavior” (185). The idea that economic theory is as applicable to “[a]ll desired things—standards of morality as well as trinkets in the marketplace” was supported by Alchian and Allen (1977, 25–26) in their textbook.

Life necessitates choice. In economics, what forces choice is scarcity. If scarcity did not exist, individuals would not have to choose. The ultimate constraint is time—a person’s life (McEachern 2006, 30). Ethics also concerns choice. What forces choice in ethics? In Objectivism, life forces choice. Ayn Rand (1982a) proposed that “what man is determines what he ought to do” (98), thereby bridging the is-ought gap. It follows that “all choice is moral choice” (Merrill 1997, 69–70). In Objectivist Ethics (OE), the fundamental alternative is between existence and nonexistence—life and death. This forms the basis for the derivation of all ethical principles (Rand 1964a, 15; Peikoff 1991, 209). Life is the common denominator for both economic and ethical decision-making. On the one hand, Gary Becker views decisions as subject to the application of economic theory; on the other, Rand envisions all choice as moral in nature. Is the difference between their approaches only one of semantics?

## Utility Theory

The approach to decision-making in economic theory may be

seen as one of utility maximization—utility being the satisfaction derived from consumption. Originally, economists assumed that utility was cardinally measurable. Now theory only requires that consumers have the ability to rank goods in order of preference (Henderson and Quandt 1971, 8). Given this ranking of goods along with a budget and a set of prices, the consumer is postulated to select that combination of goods and services that rank highest on his preference scale (Samuelson 1974, 97–98).

Rand lent philosophical support to the feasibility of such rankings. Although Rand recognized that gauging the intensity of psychological processes is imprecise, she stated that “conceptualization does not require the knowledge of exact measurements. Degrees of intensity can be and are measured approximately, on a comparative scale” (1979, 40). This corresponds directly to the kind of measurement that underlies decision-making in consumer theory.

Even though this and other parallels may be drawn between consumer theory and some elements of Objectivism, contrasts have been noted. Neo-objectivist Tibor Machan (1998a) criticized economic theory as being tautological and empty of explanatory content. Utility-maximization reduces to: we “do what we do because we do it.” This, in turn, is tested by observing that we in fact do it. “By this ‘explanation’ of human behavior, no wonder everything is fully explained, from suicide and marriage to bank robbery and multibillion-dollar corporate mergers” (203 n. 3).<sup>1</sup>

Economist Paul Samuelson (1974, 91–92) acknowledged the apparent circularity of economic reasoning:

Often nothing more is stated than the conclusion that people behave as they behave, a theorem which has no empirical implications, since it contains no hypothesis and is consistent with all conceivable behavior, while refutable by none.

Utility theory can provide empirically testable hypotheses about human behavior, the law of demand being a case in point. When data on price, quantity, and other relevant variables are available, the relationship between price and demand can be estimated (97). However, economist Ronald Coase maintained that the application of economic theory loses its explanatory power the more removed it is

from markets (Bork [1978] 1993, xii). Other economists, such as Alchian and Allen as well as Gary Becker, believe that economic tools are adequate to any decision so long as costs can be estimated. For example, whether or not a person tries to save a drowning child could depend upon whether or not the child is in shallow water or in a “raging torrent with a 99 percent probability of drowning yourself” (Alchian and Allen 1977, 40).

### **Principles and Long-run Success**

Some decisions can be seen as conforming to a “strict causal chain” (Chou 1969, 675). Their structure is “if-then” and their outcome is certain. That is, were a person to choose to act on a given alternative, the outcome would be assured. Decision theory is concerned with decisions that, for any given alternative, more than one outcome is possible. For situations involving “risk,” probabilities associated with respective outcomes are known or can be estimated.<sup>2</sup> Given the outcomes and their probabilities, the expected outcome is calculable. Even though the outcome is “uncertain” in the sense that more than one outcome is possible for a given action, it does not follow that there is no link between choice and result. If such a link did not exist, then no decision would be necessary. Events would merely occur that would be unrelated to an individual’s actions. Even so, there remains a likelihood that if the decision-maker acts, he will fail.

Decisions that conform to “strict causal chains” lead to “certain” outcomes. A switch leading to an electrical circuit will result in either a light turning on or off (675). The sole decision is in which direction to flip the switch. Clearly, Rand was aware of the stochastic nature of choice (Merrill 1991, 115–17). That is, she was mindful that there are many decisions for which more than one outcome is possible for a given action. Nevertheless, with regard to ethical decisions, she could be seen as viewing the outcome of moral decisions as obeying a strict causal chain. That is to say that Rand’s objective was to derive ethical principles that, if followed, would yield success—life being the standard of success. According to Objectivism’s Benevolent Universe Premise (BUP), success is “the metaphysically to-be-expected” (Peikoff 1976). A given decision may result in more than one outcome. However, over the long-run, failure is incidental, so long as

there is adherence to ethical principles. “[I]f you do, think, value, and act rationally, then you can (and barring accidents you will) achieve your values” (Peikoff 1976).<sup>3</sup>

Although not an ethical principle per se, running a red light could be used to illustrate the point. Following a strategy of stopping at red lights would be the best way to bet. Other outcomes are possible. One might always stop at red lights, yet still be harmed. But, according to the BUP, the chance of getting hurt is insignificant; so much so, that it can be ignored.<sup>4</sup> The alternative principle would be to disobey the rule; that is, to run red lights. As a general strategy, this would not be wise. An individual may consistently act contrary to the rule and always run red lights, yet remain unharmed. However, if this were the case, it would be the result of “luck.” Luck should not form the basis for principles.

What of “golden opportunities”? Why not follow the principled course unless there is a “golden opportunity” to do otherwise? Golden opportunities are situations that would seem to favor cheating because the likelihood of detection is low or zero. If the probability of detection is low or zero, then the expected loss would seem to be irrelevant to the decision. Becker’s approach to decision-making would recommend comparing the benefits with the costs for each alternative open to a decision-maker. If the benefits of running the red light outweigh the costs, then it would be rational to break with the principled course. This benefit-cost “rule” would apply equally to running red lights or robbing banks.

Rand would argue for consistency; that is, to consistently behave ethically. It is “the best way to bet,” according to Ronald Merrill’s interpretation of OE (1991, 114). This approach is similar in some respects to the idea that when a bet is binary, and one of the selections is favored, say, two to one, then it pays to always choose that one. There is another argument that favors consistency with respect to the ethical choice that goes to human nature. Robert Frank (1988, 90–91) has noted that adherence to ethical behavior sustains those emotions that are needed to act ethically. A person who yields to enticements to cheat when the chance of detection is low or zero will have difficulty sustaining emotions needed to behave ethically when the chance of detection is not low. Therefore, it pays to behave ethically even when the chance of getting caught is non-existent. It “pays” to

consistently observe principles. Frank's observation on human behavior renders support to OE, since OE is "bio-centric." Another point that should be noted is that the expression "chance of detection" is used to describe "golden opportunities," yet, it is virtually impossible to estimate probabilities for single events. This favors the long-run probability approach that underlies (Merrill's interpretation of) Rand's approach to ethics.

Does it follow that the method for deriving ethical principles is to choose those courses of action that have the greatest probability of success—the standard of success being one's life? If the relative frequency approach were used to estimate probabilities, then it might be argued that women should never have children or marry, since women who marry and/or have children have lower life expectancies than women who do not. What of smoking, drinking alcohol, eating red meat or sweets? Statistics can be found that support the prohibition of each of these from an individual's life if the objective is longevity.

How does the individual negotiate a path littered with ever-mounting and sometimes contradictory statistics? When advised to quit smoking, Rand is reported to have said "don't tell me about statistics; I've explained why statistics aren't proof. You have to give me a *rational* explanation" (Branden 1986, 380). However, once she was informed that she had lung cancer, she recognized that "the odds were not in her favor" (381). These two statements are not necessarily inconsistent. Statistics cannot be used to prove a hypothesis. Correlation does not imply causation. However, the evidence relating smoking to cancer is not limited to statistical analysis. There is clinical evidence that smoking is ill-advised. Nevertheless, once a person is diagnosed with cancer, he falls into a different risk category. He faces a different set of odds. The cast of the decision is different.

Among all its many definitions and interpretations of the word probable, it can mean that which is supported by good argument. If "probable" can be attributed to any aspect of Rand's reasoning it is (probably) in the context of this definition. My argument is not that Rand used a long-run probabilities approach to derive her ethics. As a matter of fact, elsewhere I have suggested that, at least for the cardinal values and virtues, Rand might have used a desert island analysis (Touchstone 2006)—at least, this device was used in this

context as a metaphor on more than one occasion (1964c, 107; 1961, 127; Peikoff 1991, 252). “Chance” does fit into the definition of the BUP, as pointed out above. There is a chance that one may fail if he behaves ethically, but that likelihood can be ignored. A person may have setbacks, but those will be temporary—incidental. Over the long-run, success is the to-be-expected.

### Decision Theory and the BUP

To Rand, moral decisions are essentially dichotomous. A person must decide between two mutually exclusive alternatives—one of which is right and the other wrong (1961, 173). Two mutually exclusive alternatives, X and Y, can be set up in a two by two matrix:

|              |   | States of Nature |   |
|--------------|---|------------------|---|
|              |   | 1                | 2 |
| Alternatives | X |                  |   |
|              | Y |                  |   |

The decision to be made is between the alternatives X and Y.

In OE, all values are based on the fundamental alternative (Peikoff 1991, 209), which is the choice of life or death (Rand 1964a, 21). However, individuals do not, generally speaking, choose between life and death. They choose between two or more alternatives, say X and Y, each of which is subject to the probabilities of surviving and of dying. These probabilities, if estimable, could be thought of as corresponding “States of Nature,” shown above as 1 and 2, respectively.

In decision theory, for decisions involving risk, it is assumed that the decision-maker weighs the expected gain against the expected loss for each alternative. For example, in the matrix above, corresponding to each State of Nature would be “payoffs.” There would be “gains” for State 1 (survival) and “losses” for State 2 (death). The expected gain for each alternative would be the probability of success (survival) multiplied by its payoff, and the expected loss would be the probability of failure (death) multiplied by the associated loss. For each

alternative the expected value is the sum of the expected gain plus the expected loss. In decision theory, the Bayes choice criterion would be to select the alternative for which the expected value is larger (Baumol 1977, 462–63; 471–75).<sup>5</sup>

To Rand, for ethical decisions, there is a right side and a wrong side “but the middle is always evil” (1961, 173). The expected value approach may appear to be a compromise between “good” and “evil.” It isn’t. Rand’s admonition is against attempting to find some middle way between two alternatives, one of which is right and the other wrong. This is distinct from facing, for a given alternative, more than one “state,” each of which has a probability associated with it. For every alternative, it may be possible to estimate an expected value. This is different from taking an “average” of the alternatives themselves. The decision-maker has no choice over the states as such (Touchstone 2006, 279).

Because ethical decisions are fundamentally either-or, the economic notion of “trade-off” would not apply to a virtue and a vice. It is not possible for a person to trade-off some amount of integrity for an increment of, say, larceny, and still remain virtuous (Peikoff 1991, 264; 273). In contrast, economists rarely regard decisions as either-or. Alchian and Allen claimed that all goods, virtues included, are “marginally substitutable for each other” (1977, 26). However, in decision theory, decisions are either-or in structure. Still, it is possible to have a decision strategy that chooses each alternative some percentage of the time; i. e., a mixed strategy (Baumol 1977, 464–66). A pure strategy is one in which either X or Y is consistently chosen. If the decision is between a virtuous and a non-virtuous choice, X and Y, respectively, only the pure strategy (X) would be ethical.

According to the BUP, if the ethical action, X, is chosen, State 1 (success) is the to-be-expected. If the decision-maker were to consistently choose action X over action Y, he would have success—survival being the measure of success. A person may still “fail”; i. e., the outcome associated with State 2 may occur. However, that probability is low. The BUP informs us that failure is incidental and thus is not relevant to the decision. For Alternative X, State 2 can be ignored when making a decision. The ethical choice can be regarded as conforming to a “strict causal chain.” Only State 1 (success) would be expected. For the unethical alternative Y, disregarding State 2

would not be appropriate (Touchstone 2006, 282).

Conventions are similar to principles in that they are the result of the emergence of a pure strategy (see Sugden 1986, 35–36). Once a convention is established, there is only one action that is acceptable. It is unnecessary to estimate the expected gains and losses for each alternative or the probabilities associated with each state of nature. The expected value (utility) for each alternative is irrelevant. However, the difference between an ethical principle and a convention is that for a convention there will be two (or more strategies) that are permissible; for instance, either driving on the left side of a road or the right side would serve as a convention. With principles, such as honesty and dishonesty, only one of the alternatives is ethical. Once a principle is established, as with a convention, only one choice is permissible; the alternative action would not be in the person's decision set. Calculating the expected gain each time a person practices a virtue is not necessary since in the long-run, the gains are expected to offset any temporary losses or setbacks. Expected losses are ignored since success is the long-run expectation.<sup>6</sup>

## **Human Capital and Productive Purpose**

To Rand, decision-making is not based on whim or done within the range of the moment. Decisions should be made within the context of one's entire lifetime. Since productive purpose is a central value in OE, it would follow that this would be particularly true of one's work (Peikoff 1991, 299; Rand 1964a, 25). Philosopher David Norton (1976, 238–39) viewed a person's purpose as a single act extended over one's life. Human capital theory envisions a person's income potential from the prospective of one's earning life. Because human capital theory is long-range, it can have application to ethical decision-making within OE.

For instance, suppose that a person were deciding between being productive, which is a cardinal virtue in OE, and leading a life of crime. These are very broad categories to select between. It could be argued that these decisions are person-specific, so the results of the particulars of the decision would vary from person to person. Now Rand has made the case that being productive is life-sustaining and stealing from others is not. It should be unnecessary to calculate the benefits and the costs associated with each of these alternatives in



order to make a decision. However, if a person were to make these calculations, the level of specificity would depend on the point at which the person was making the decision.

Suppose a person was just entering the work force and had a high school diploma, then for Alternative X, the “payoff” for State 1 would be the discounted expected lifetime earnings of, say, a typical high school graduate. The expected gain would be the payoff per year (income) multiplied by the probability of survival for the corresponding year, discounted at an appropriate discount rate,  $[\sum_{t=1}^T \pi a(t) (X_t)/(1+r)^t]$ , where  $\pi a(t)$  is the probability of being alive in year  $t$ ,  $X_t$  is the income in year  $t$  and  $r$  is the discount rate. The expected loss would be the discounted value of income per year multiplied by the respective probability of dying,  $[\sum_{t=1}^T \pi d(t) (X_t)/(1+r)^t]$ . For Alternative Y, the “payoff” for State 1 would be the discounted expected lifetime “take” for the typical criminal, say burglar,  $[\sum_{t=1}^T \pi a(t) (Y_t)/(1+r)^t]$ . The expected loss would be the discounted dollar value of the amount stolen per year multiplied by the corresponding probability of dying  $[\sum_{t=1}^T \pi d(t) (Y_t)/(1+r)^t]$ .<sup>7</sup>

For Alternative X, success is the to-be-expected, according to the BUP. The probability of failure would be incidental. Therefore, the expected loss under State 2 can be ignored. The expected value would be based on the expected gain only. The same cannot be said for Alternative Y. The expected value would be the sum of the expected gain plus the expected loss. Furthermore, the probability of survival for State 1 for Alternative Y would be lower than for Alternative X. Also, the expected loss for State 2 would not be insignificant for Alternative Y. The underlying structure, based on my reading of the BUP and its application to this example, favors Alternative X, the ethical course.

Here I have assumed that the per year loss, if the criminal died, would be the yearly “take” that he would forego—an amount equivalent to that which he would steal if alive. It could be argued that it would be more accurate to assume that when a person survives for a year, he receives his income for that year—or if he is a criminal, the “take.” However, if the criminal dies, he loses not the amount that he could have taken in just that year alone; he loses the present value of his lifetime take,  $W_t = [\sum_{t=1}^T \pi a(t) (Y_t)/(1+r)^t]$ . Thus, for State 2 Alternative Y, instead of using the discounted value of

expected  $Y_t$  per year, it would be more accurate to sum, over the prospective burglar's lifetime, the discounted value of the probability of dying multiplied by  $W_t$ , that is,  $[\sum_{t=1}^T \pi d(t) (W_t)/(1+r)^t]$ .

For Alternative X, if State 2 occurs for a particular year, he too would lose the total value of his human capital. However, for Alternative X, State 2 is the not-to-be expected. Therefore it is disregarded for Alternative X when deciding between Alternatives X and Y. The reason that the value of one's human capital should be considered as a per year loss goes to the nature of what criminal activity is. It is high risk by nature. The difference between the risk associated with a productive life and that of a criminal is, by way of rough analogy, the difference between, say, betting that the outcome of the roll of the dice is not "snake eyes" and playing Russian Roulette.

### **Choice among Ethical Alternatives**

Norton (1976, 135) commented on the tendency to cast choice as either-or, even though multiple possibilities abound. Peikoff (1991, 323) noted that fundamentally ethical choice is either-or; yet, there are several options as to how the right alternative can be met. For example, one of the cardinal virtues in OE is productive work. The alternatives of being productive or not being productive comprise a basic ethical issue; however, to a large extent, the career a person selects is optional. Therefore, one can think of the terms "alternative" and "option" as having different meanings within the context of ethical choice (Touchstone 2006, 280).

In the example above, the "payoff" for the "productive" alternative is the life-time earning of the average high school graduate. This may be the best information one has at one's disposal when making that decision. However, a person who has decided to live a productive life may have many options as to how to achieve it. Decision trees can be used to handle complex decisions when payoffs and probabilities can be estimated. In these cases, since all of the alternatives would be ethical in nature, the probabilities of dying and the corresponding expected losses could be ignored. Concerning OE's fundamental alternative of life or death, Jan Narveson (1998, 97) said: "What you and I are nearly always choosing among are alternatives of much lesser moment, such as which brand of milk to

buy, or where to go for vacation next year. Those are choices among options all of which, so far as we know, yield just about equal life expectancy—‘life or death’ just isn’t where it’s at.” Although the decision of which career path to follow is not as trivial as which brand of milk to purchase, it may not be necessary to take the probability of dying into account. Based on the BUP, the expected loss would be incidental for these alternatives.

In deciding between two career paths, for instance, being a teacher or a physician, a person would only look at the net present value of the expected lifetime earnings associated with each occupation. Expected earnings per year would be the probability of survival multiplied by the anticipated earnings per year.<sup>8</sup> These would be discounted and summed. In order to get net earnings, the expected discounted cost of education would have to be deducted. There are other factors that could be taken into account. For instance, the respective success rates associated with educational attainment might be a consideration.

### **Decisions When the Expected Loss is Large**

My interpretation of the BUP would recommend that in choosing between an ethical and an unethical action, the expected loss could be disregarded for the ethical alternative, since success would be expected over the long haul. For decisions that are limited only to ethical alternatives, such as which career to pursue, or that have little ethical content, such as whether to purchase a blue shirt or a red one, the probability of dying and the associated loss are likely to be irrelevant.

Although principled behavior should result in long-run success, there are situations for which the expected loss associated with an ethical action could be significant. Other conditions could factor into the probabilities. These would tend to be unusual situations in the course of a person’s life in which the likelihood of one’s death would have more pressing consequence—for instance, if one person risked his life saving another. In those cases, the risk of dying cannot be dismissed. The expected value might be more relevant than the expected gain alone.

It was Rand’s contention, as stated in “The Ethics of Emergencies,” that only during emergencies *should* one person help another—

unless one's life were threatened in the process (1964b, 47). I interpret this to mean that in making a decision concerning whether or not to assist another during an emergency, one would not dismiss the probability of dying. The expected value may not be of relevance either. The primary consideration would be the degree to which one's life would be in danger. During an emergency, there might be another alternative that would have a greater expected return (or utility); however, it would be foregone in order to lend assistance. In other words, in an exceptional case such as this, a greater value might be sacrificed for a lesser with the qualification that one should not risk his life.

In the same article, Rand also discussed the circumstances under which a person might risk his life for another (45). Even though one's life is the ultimate value in OE, one may still risk death, particularly if he would find his life unbearable without the person for whom he undertakes the risk. According to Rand, one would gauge the risk he would be willing to take based upon the intensity with which the person is valued within one's hierarchy of values. Instances such as this would be atypical in one's life. I take this to mean that in circumstances in which one person chooses to risk his life for a loved one, the probability of death (expected loss) should be disregarded.

### **Beyond the Call of Duty**

There are those individuals who pursue dangerous professions. Their jobs require that they put their lives on the line over and over. In some instances, an individual goes beyond the call of duty—for example, a soldier who throws himself on a grenade to save the lives of his comrades. If one's life is his ultimate value, is this behavior rational? This can be viewed as a decision between alternative courses of action. The soldier could choose to do nothing and risk all of their lives, or he could sacrifice his life, thereby saving the lives of the other soldiers. His own mortal peril increases the closer he advances toward the grenade. Except for the off-chance that the grenade is a dud (a probability that is positive but minute), the soldier is certain to lose his life if he takes action. If he acts, he is opting to save the lives of the others (with a high probability) that will result in his death (with an extremely high probability). "Death is not an alternative he chooses, but a highly probable outcome to an action he

is taking to achieve an objective” (Touchstone 2006, 303).

Military leaders realize that soldiers may not be willing to risk death simply because it is what the job requires. If put in the position, a person may be willing to fight back if an enemy is aiming for him, but that does not mean he would feel a sense of duty toward his comrades in arms. To foster this sense of loyalty among its soldiers, the military may start by doing so between or among a very small group, then advancing to larger and larger units (cf. Shay 1995, 39). Given this conditioning, along with a combat environment, it is not out of the ordinary for a soldier to look upon the others with whom he is fighting as “brothers-in-arms.” It is not that unusual for one member of a family to put himself in harm’s way to save the life of another member.

According to my reading of the BUP, either alternative with which the soldier is faced could be ethically justified. The choice to face death in order to save others in this kind of situation has some theoretical elements in common with the decision to purchase life insurance. In the decision involving the purchase of life insurance, it is noteworthy that an individual may buy insurance even if the expected value with insurance is less than the expected value without insurance. A person may choose to buy life insurance even though it is not “actuarially fair.” This is in part because a person is “born at risk.” He is certain to die, but uncertain about death’s timing. Thus, even if risk aversion is assumed, a person might opt for an unfavorable bet because the expected utility of being insured exceeds that of being uninsured (see the Appendix below).

Although decision theory can be used to analyze the decision to risk one’s life for others, this does not mean that I think that individuals make such computations. This is simply a framework for analyzing the logic underpinning such decisions within the context of OE. If the soldier chooses to sacrifice his life, the value of what he would be giving up cannot be minimized. The expected loss if he acts is the entire value of his life. However, this value need not be infinite to the soldier. The reason for this is that ultimately death is inevitable. For humans, there is with every action one takes a positive probability of dying associated with it. Yet there is no probability, however, infinitesimal, that a person will live forever. In Charlotte Brontë’s novel, *Jane Eyre*, the heroine, at age ten, is warned that wicked children

face everlasting damnation. To that Jane said that she “must keep in good health, and not die” (Brontë 1981, 18). Her response is disarmingly logical, yet charmingly naive. Given two outcomes, chance dictates that each has a probability of one-half. The probability of two consecutive trials for a given outcome would be one-fourth, and for three, one-eighth. Yet there is no probability, however small, that a person will escape death. Within the next instant, a person may survive or perish. Although the outcomes are two, the odds are not fifty-fifty. And there is no chance a person will live forever. Death is inevitable. It is this inevitability of death that, I believe, figures into why a person might rationally risk his life. As with any decision, context would be a factor (Touchstone 2006, 7).

Insofar as a soldier is concerned, there may be numerous reasons why he might respond to a call to arms—to defend his homeland, for instance, or the lure of adventure. These, coupled with a tendency to discount dangers inherent in war may affect his decision. However, the principles for which the war is engaged cannot be underestimated. This is reminiscent of Rand, who recognized that a person would be willing to die for another if he would find life unbearable without him. In the case here, the individual may be willing to risk his life for a principle if life would be intolerable without it. A person might feel this way about freedom, for instance. In addition to protecting one’s homeland and feeling a sense of camaraderie with those with whom a person fights, a person may fight for a principle if that principle is in jeopardy. Principles, like human beings, have lives. If they are violated or threatened, they risk extinction. To be sustained, they must be upheld. Affirmation requires more than verbal agreement or passive acceptance. Deliberate action is necessary. Principles are preserved through behaving in accordance with them and defending them if they are threatened.

In OE, ethical principles are life-preserving. It would seem the height of contradiction to argue that a person would be willing to risk his life for a principle. In OE, one’s life is his ultimate value. How then could one give his life for a principle? Humans do care about their lives. A person doesn’t simply live for the moment. He cares about his life long-term. The future has significance. Humans also are concerned beyond the limits of their own lives. Concerning her death, in an interview with television host Tom Snyder, Rand said that

her view was reflected in a quote from a Greek philosopher, that stated, in effect, it is not she who would die, but the world that would end (Paxton 1998, 184). Of course, this is not the case. Even if one's own world stops, existence does not. A person wants his life to have meaning—not only during his life, but beyond its physical end. I think that central to the reason why a person may willingly risk his life is the issue of identity.

In OE, principles, if followed consistently, are life-sustaining. If so, then why would it not be rational for a person to forsake his moral code if he knew that his death was imminent? Why not pull off a bank heist? I think that at the heart of the answer to this question is found the reason for why a person might risk death to preserve a principle, such as freedom. At center is that an individual has an identity. That identity is formed by living in accordance with his principles. A person's virtues are embodied within him. To *be*, virtues must be embodied. In large measure, virtues are synonymous with the individual. To forsake them, would be to betray the best within oneself. Identity implies consistency. "A person may act on his principles even when he faces death because by acting consistently he is preserving his identity" (Touchstone 2006, 305).

It could be countered that once a person is dead, he has no identity. The presumption here is that legacy is of no value to a person, and that the principles that have sustained him during his lifetime mean nothing to him once he is gone. Since one's virtues are embodied, once a person dies, his virtues die as well. Humans are mortal and since virtues are embodied, they are mortal as well. A person's virtues die along with one, but one's principles that have sustained one's life need not. Like humans, principles are mortal. They risk death if they are not sustained. Keeping them alive requires action. Humans, too, are mortal. However, for humans, death is *inevitable*. For moral principle, death is merely *possible*. If one were faced with the alternative of risking one's life to preserve a principle or risk losing it, then risking one's life might be rational in that context. "By risking his life to preserve a principle, he acts to keep alive the best within himself. Furthermore, that which he values most has the potential for immortality, even though he does not" (305).

## Conclusion

Some economists, most notably Gary Becker, take the position that the economic approach to decision-making can be applied to any decision, ethical or otherwise. Neo-Objectivist Tibor Machan has pointed out that with such an approach, anything can be justified. Utility maximization would recommend estimating the benefits and costs associated with every decision one makes. Like conventions, ethical principles are general in nature, and utilizing them should eliminate requiring these kinds of calculations at every turn.

Objectivist Ethics' Benevolent Universe Premise acknowledges the stochastic in life. However, because it views loss as incidental, an ethical principle can be seen as conforming to a strict causal chain. Decision theory is applicable to decisions in which one action can result in more than one outcome. If probabilities are known or can be estimated, then the Bayes criterion would recommend opting for the alternative with the greatest expected value. In this paper, I have examined the ways in which decision theory may be applicable to OE.

In OE, the context of a decision is important. In deciding between two alternatives, one ethical and the other unethical, why not opt for the unethical course of action if the chance of detection is low or non-existent? One reason is the practical difficulty of actually estimating probabilities for single or unique events. OE are long-range in nature. There is support for the consistent application of ethical principles that goes to human nature. Robert Frank has pointed out that it "pays" to choose to be ethical when there are Golden Opportunities to do otherwise, because that sustains the emotions necessary to act ethically when the chance of detection is not low.

According to OE, decisions should not be made based on the range of the moment, but within the context of one's entire life. The BUP indicates that consistent application of a principle should result in success long-term; the standard for success being one's life. Losses are incidental and can be ignored. Within the context of decision theory, I take this to mean that if one were to choose between a principled alternative and an unprincipled one, the expected loss would be irrelevant to the principled action, but could not be dismissed with respect to the unprincipled course. In deciding among alternatives, all of which are principled, the expected losses could be



ignored for all alternatives.

Although in OE, virtues are life-preserving, there are instances in which an ethical action could be life threatening, however. In these cases, the expected loss cannot be dismissed. Rand indicated that in emergencies, and only in emergencies, one person *should* help another. The qualification is that one should not risk one's life. In these cases, the ethical action could be life threatening, therefore the probability of dying could not be ignored when making the decision. Rand did indicate that it would be ethical to risk one's life for a loved one. Such instances would be rare within a person's life, but in situations such as this, one could disregard the probability of dying even though the risk of death might be quite high.

I have argued that a person could justifiably risk his life not only to save a loved one, but to preserve a principle if it were threatened. As with risking one's life for a loved one, this would be the exception in life under normal circumstances. This decision has some elements in common with the decision to purchase life insurance. A person may rationally purchase life insurance, even though the expected value with insurance is less than the expected value without insurance. This is because people are "born at risk." They face a positive probability of dying. If the individual has bequest motive, he may be better off, in an expected utility sense, with life insurance than without it. Individuals are not only born at risk in that death is possible, death is inevitable. Principles also have lives. They are kept alive by action. However, for principles, death is not inevitable, it is merely possible. Principles are embodied within individuals as virtues. When a person dies, his virtues die with him. The principles that have sustained him need not. Still, if a principle was sufficiently threatened and was valued by a person, not only for the duration of his life but beyond it, then he may rationally risk his life defending it. He may be willing to do so to keep alive the best within himself, so to speak.

## **Appendix**

In decision theory, I regard the decision to risk one's life as having some theoretical characteristics in common with the decision to purchase life insurance. In the decision to purchase life insurance, the decision-maker faces a risk (probable loss). His original position is one of uncertainty (and disequilibrium). There is a positive

probability of death regardless of which decision the person makes. In a decision such as this, a person may accept a “fair bet” or even an unfavorable one, because it is preferred relative to his original position (Becker and Ehrlich 1972, 627). With actuarially fair insurance, the expected monetary values of the alternatives facing the uninsured person are the same. However, if diminishing marginal utility is assumed (risk aversion), the expected utility associated with the insured state exceeds the expected utility of the uninsured. For example, if a person’s human capital is estimated to be \$50,000 if he survives and zero if he perishes, then the expected value with no insurance is \$25,000 ( $\pi_a \times \$50,000 + \pi_d \times 0$ ), if the probability of surviving is fifty percent. An unloaded single-term policy would cost \$25,000 ( $\pi_d \times \$50,000$ ). If it is assumed for purposes of illustration that his utility function is  $(V^{1-p}) / 1-p$ , where  $p=.5$ , his expected utility with no insurance would be 223.6, but with a policy would equal 316.2. If the premium is loaded, the expected value in the insured state will exceed that in the uninsured, yet the individual may still be better off purchasing a policy (although he will not fully insure), if the expected utility is greater with insurance than without it. (This analysis makes the simplifying assumptions that the same utility functions apply to both states of nature, that both alternatives have identical weights, and that there is a bequest motive).

What is notable about this discussion is that under certain circumstances the individual could be willing to take an action that results in a worse state in an expected value sense. This is in part because he starts at a position of uncertainty to begin with. Humans are “born at risk” in the sense that they are certain to die. The uncertainty is when. This may have implications, not only for the decision to purchase life insurance, but for other decisions as well. As mentioned, this reasoning may be relevant in explaining how (although not why) a person may choose to risk his life.

Under normal circumstances a person may not be willing to take an action that could (with a high probability) lead to his death. However, within certain contexts, an individual may rationally risk his life. This could partly be due to a “bequest” motive—that legacy is important to the person. There are significant conceptual distinctions between risking one’s life and purchasing life insurance. The important point is “that there is a logical rationale for accepting an

alternative in which the expected value is less than the status quo, even when that person is risk averse” (Touchstone 2006, 301).

## Notes

1. In his autobiography, *The Man without a Hobby*, Tibor Machan discussed with Armen Alchian (at an Institute for Humane Studies seminar in April 1970) the question of whether freedom was simply a preference, like golf or tennis, or a “universal value.” Professor Alchian held the former view. Later, in 1986, Alchian revealed to Machan that “he had changed his mind about freedom” (Machan 2004, 212). He had come to see it as a value that is “hardwired.”

2. Frank Knight distinguished between risk and uncertainty. Risk is defined as a decision which, for a given action, has more than one outcome and the associated probabilities are known or are calculable. Uncertainty relates to situations in which more than one outcome is possible for a given action, but the probabilities are unknown (Baumol 1977, 458).

3. Although principles should be consistently followed, there are exceptions. Context is important. In *Ayn Rand: The Russian Radical*, Chris Matthew Sciabarra (1995, 245) noted that a parent would not necessarily be honest with his child’s kidnapper.

4. There may be circumstances in which it would be prudent to break with a “rule.” For instance, when an ambulance is trying to get through an intersection, typically cars stopped at red lights that are obstructing the ambulance’s path will attempt to get out of its way. This could involve a driver “running the light.”

5. Bayes criterion assumes unknown equi-probabilities. I am assuming a variation on Bayes procedure in which probabilities are capable of being estimated. I have used the more generic term “value” here, which could mean monetary value or utility. In some cases the more specific term “utility” is relevant. In the life insurance example shown in the Appendix, the distinction is important because the insured state may result in a lower expected monetary value than the uninsured, yet yield greater expected utility.

6. This does not mean that a person would evade reality. See Touchstone 2006, 289.

7. I have not included all of the risks of crime. There are other risks besides the risk of death. There are the risks of getting caught, of incarceration, and of injuries, for instance. These reduce the net payoff for criminal behavior. There are also intangibles, such as the shame of being incarcerated. Some might argue that for the criminal element, incarceration may be a badge of honor. If that were indeed the case, it would be very easily achieved. Incarceration is still something, generally speaking, that criminals try to avoid.

8. It is true that some occupations have greater probabilities of dying associated with them. However, to some extent the greater risks are reflected in the pay differentials received for risky occupations relative to non-risky jobs. Also, preferences and personality are important factors in career choice. Those individuals who prefer the challenge of dangerous occupations may find the slow death of, say, office work far more “risky” in some respects. Risks that go “beyond the call of duty” are discussed in a section by that name and in the Appendix.

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