

MS 8947

The paper is well written---it always astonishes me that people can write well in a language other than their own! One tip for the future: don't write <However,>. I know you've been told to avoid "But." But the rule is nonsense, and the best writers of English routinely start sentences with But and And.

It a way---as you admit---the results of the paper are obvious, aren't they? As soon as morals are specified as endogenous to prices and incomes they are. . . endogenous to prices and incomes. Your contribution is to bring in two goods and a cognitive dissonance function.

Therefore I would suggest dropping the proofs. Proofs, when you think about it, are useless (and are never---I repeat, never---found in theoretical physics, for example: the physicists are interested only in results, not proofs of a mathematics-department sort). Just give the derivations. Anyone with access to Mathematica can check them, after all. No one is going to disbelieve your rather obvious conceptual results, at any rate as qualitative possibilities, which is all the unscientific rhetoric of "proof" offers.

But then it is good that you do not just leave it at that. You try to confront the argument with data. I wholly approve, and I think other economists---especially if you have in the meanwhile lightened the heavy "theoretical" rhetoric of the first part of the paper, with all the numbered Propositions and so forth---will also approve.

But you use statistical significance (that is, fit, judged by an arbitrary level of significance) as a criterion of importance, and you do not give enough information for anyone to judge the size of the coefficients. You need to read Dierdre McClosky on this, who has been very fierce against it for years, and sit and think quietly about your procedure and its scientific purpose---admittedly, your procedure is entirely routine in our strange field. Looking into the magnitudes in a way more serious than checking to see whether the fit is "significant" according to R. A. Fisher would greatly increase the plausibility of your results.

I note that you have not read anything in ethics. I think you should. No economist, alas, is going to complain that you have ignored the best thinking about your subject. Economists believe that they can make up on the spot something so trivial as ethics. Does it help you to feel the force of my complaint if I note that before the rise of behavioral economics the economists were equally confident that they could make up on the spot something so trivial as individual psychology? Do you see the analogy? If you do, perhaps I can persuade you to adopt a more scholarly and scientific attitude on the matter. I'd suggest starting with James Rachels elementary book---really quite a good one---called *The Elements of Moral Philosophy* (as you know, "moral" and "ethical" are interchangeable in English, one from Latin and the other from Greek). Take the book (though an undergraduate text) seriously, reflect on its connections with economics: it will make you a better economic scientist, believe me. Then perhaps read seriously in Amartya Sen's tentative attempts to bring ethics into economics---and note especially his notion of commitment, in which (quite contrary to your model) the point is that being ethical hurts. Then branch out into serious, professional writing by philosophers. Again Dierdre has written the book, called something like *The Virtues of the Bourgeoisie* (it was

published last year, judging from the reviews I've seen).

When you do the reading I think you might start to doubt the central device in your present paper, namely, "Deviating from the original moral value comes at a utility cost." What that specification does is reduce all of ethics to utility. Ethics is about actions, not goods, but of course I can understand an economist wanting to attach ethics to goods, about which he knows. Think even that step over, though.

Certainly it is plausible that some of ethics comes to us the utilitarian, goods-consumption way, and that they adjust as we consume more. You make a good case---or, rather, Goebbels did---that utility, interest, income determines our ethics, some. It's in the "some" that the problems come, don't they? For example, modern copying technologies of all sorts have made plagiarism a lot easier. But neither you nor I would think for a moment of engaging in it. Now why is that? Because it is not a matter of utility. I am economist. I believe in price and income effects. They apply to rats and pigeons as much as to humans. But you and I are human, too, and so are the people we study.

You need perhaps to treat the Goebbels connection you've discovered a little more seriously than your embarrassed, PC-avoiding footnote does. For example, it's one other implication of your way of looking at ethics, and Goebbels', that state intervention on a massive scale to make "bad" goods more expensive is a grand idea, because in the end the consumers will come to see as good the government-induced consumption bundle, and after all the taxing authority should decide what's good and bad. The State of Alabama recently outlawed the selling (not the use: it is a pure price effect) of sex toys. It faces a Supreme Court challenge. Its justification, of course, is that by making them expensive it will wean people from such a terrible things as dildoes. Likewise Goebbels intended to make the "good" of exterminating Jews acceptable through usage. That he largely succeeded with the German and a number of other people is a powerful argument for cognitive dissonance and your argument.

But is it ethics? Goebbels' colleague Hermann Goring said famously, "When I hear the word 'culture,' I reach for my gun." To which Malcolm Muggeridge remarked, "When I hear the word 'gun,' I reach for my culture." When I hear the word "utility" I reach for my ethics. Are you doing the opposite?