

The Failure of Utilitarian Ethics in Political Economy

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A normative argument must have a normative premise whether it is explicitly stated or not. As Gordon Clark points out in one of his philosophic essays, it is simply not possible to logically arrive at the conclusion that people ought to behave in some specified way simply because someone prefers it that way (Clark, 1992, pp. 7-8). The most popular ethical philosophy to employ with respect to issues of ethical behavior at the current time appears to be utilitarianism. Yet, most people use this approach almost by default and rarely, if ever, explicitly acknowledge that such a point of reference is inherent in the arguments that they make. The result is that public policy debates are often carried on without ever acknowledging the inherent flaws in the underlying ethical theory that resides behind the scene.

Indeed, the widespread confusion over this point is one of the primary reasons why western market economies have continued to drift towards the ready acceptance of socialist policies. Edmund Opitz has rightly observed that utilitarianism with its *Greatest happiness principle* completely neglects the spiritual dimension of human life. Rather, it simply asserts that men are bound together in societies solely on the basis of a rational calculation of the private advantage to be gained by social cooperation under the division of labor (Opitz, 1992, p 131). But, as Opitz shows, this perspective gives rise to a serious problem. Since theft is the first labor saving device, the utilitarian principle will inevitably lead to the collective use of government power so as to redistribute income in order to gain the *Greatest happiness* in society. Regrettably, the rent seeking behavior that will inevitably be spawned as a result of this mind set will prove detrimental to the economy. Nevertheless, this kind of action will be justified as that which is most socially expedient so as to reach the assumed ethical end. Utilitarianism, in short, has no logical stopping place short of collectivism (Opitz, p. 132). If

morality is ultimately had by making the individual's happiness subservient to the organic whole of society, which is what Bentham's utilitarianism asserts, then there is no place for the individual person and the human rights that are so essential in securing a free market order. As a result, utilitarianism can then be used to justify some heinous government actions. For instance, the murder of millions of human beings can be justified in the minds of reformers if it is thought to help bring about utopia on earth. This is precisely the view that was taken by communist revolutionaries as they implemented their grand schemes of remaking society.

Therein lies the problem. Is the end that utilitarianism aims for truly ethical? It certainly contradicts the traditional moral philosophies. Both the older natural law philosophies as well as those founded upon religious traditions take issue with the use of force so as to gain one's material wherewithal. If it can be shown that utilitarianism suffers logically from several fatal flaws, then the rational thing that one ought to do is to reject it as a basis for making ethical judgments in policy debates in favor of a more substantive moral philosophy of life. This is the purpose of this paper. Namely, to point out the numerous shortcomings of utilitarianism. In addition, it will be worthwhile to examine a common policy issue in order to demonstrate the difference that it makes when traditional moral philosophies are employed as the foundation upon which one either approves or disapproves of a particular government action. In this case, an examination of the debate over the delivery of public goods will prove useful.

The inherent flaws of utilitarianism

As is well known, Jeremy Bentham is credited as the person responsible for developing and initially promoting utilitarianism. Bentham's philosophy employs the notions of utility and hedonism in such a way as to provide a new foundation for making ethical judgments. Of course the ideas of utility and of hedonism were already present long before Bentham lived on this earth. Yet, his assertion that ethical behavior essentially culminates in the promotion of "the greatest happiness for the greatest number" of people in society was new and it departed radically from traditional ethical

philosophies. As Frederick Copleston has written, "Bentham did not invent the principle of utility: what he did was to expound and apply it explicitly and universally as the basic principle of both morals and legislation" (Copleston, 1966, p. 4). In this regard, Bentham was acting as a social reformer who sought to change the world. He vigorously attacked traditional morality and rejected notions of both the natural law and of natural human rights.

Instead of approaching ethical philosophy in its traditional way, Bentham rested his theory solely upon the concept of psychological hedonism. That is, he used the observation from utility analysis that people seek pleasure and avoid pain as the basis upon which to devise a new moral standard of behavior. In essence, Bentham sought to make evil synonymous with pain and to make virtue synonymous with pleasure. This was his main point of departure from traditional ethics. Traditional moral philosophies tend to assert that virtuous actions will ultimately result in pleasure while evil actions will ultimately result in pain. But in traditional morality these things are never paired together as if they were one and the same thing. Rather, they exist together as causal pairs. The work of Jonathan Edwards provides an excellent example of this approach. Throughout his philosophical and theological writings, Edwards argued that a person ought to set his highest affections on God alone. In fact, Edwards argued that the benevolent love of God was the only true virtue. From this position, he proceeded to argue that such affection would move the person to live a moral life in conformity to the moral commandments of God given in the Bible. In turn, living such a life would result in the greatest possible eternal reward. This traditional approach to moral philosophy is readily espoused throughout the Bible as well. For instance, in his discussion of Moses= faith in Christ, the writer of Hebrews says:

By faith Moses, when he became of age, refused to be called the son of Pharaoh=s daughter, choosing rather to suffer affliction with the people of God than to enjoy the passing pleasures of sin, esteeming the reproach of Christ greater riches than the treasures in Egypt; for he looked to the reward (Hebrews 11: 24-26) .

The point of the passage indicates that virtuous behavior is sometimes costly and painful in the short term, but exceedingly beneficial in the long term. In fact, the traditional notion of wisdom is that the wise man is the one who prudently endures some immediate pain for a greater good. The main point of this is that Jonathan Edwards and the biblical writers never confused a person's pleasure with virtuous behavior itself, but rather saw it as a by-product of a life well-lived. Nevertheless, Bentham simply asserted that they are one and the same thing, and on this basis attempted to construct a new kind of moral guide. However, his effort suffers from several underlying flaws which render it useless in serving as an ultimate compass of what people ought to do.

The problem of making interpersonal comparisons

Among the many difficulties encountered in Bentham's approach, the first is that it is impossible to make interpersonal comparisons. It is a well-known fact that different people have different tastes. In addition, there are differences in personalities and talents that different people possess and these differences give rise to differences in their goals and ambitions. All these variations in turn give rise to a fundamental fact of human existence. Namely, that it is impossible for us to know or measure the extent of either pleasure or pain for any specific person in any particular situation. Such measures are beyond the capacity of our ability to know. While human beings can most certainly empathize with someone who is experiencing extreme hardship or enjoying great success, such efforts are only accomplished by projecting one's own inward feelings to someone else's circumstance. One person simply cannot accurately know the depth of another person's pain nor the height of his joy.

While Bentham at least recognized this problem, it did not discourage him from his ultimate pursuit. Instead, he continued to promote his new ethical philosophy and argued that it was the only way that we could go. Therefore, he pressed for a way to measure happiness. While he was never able to arrive at such a measure, he remained confident that one would soon be developed and even used the term *utils* as the units in which it would be measured. Economists have long since given up on the search for a cardinal measure of

utility. Strangely enough however, welfare economists continue to act as if we can actually accomplish the impossible task by attempting to measure deadweight losses within the context of modern price theory. It is the rise in the prominence of welfare analysis that has given utilitarianism a standing in modern policy debates. However, the essence of such efforts is to reduce the ethical judgments in such debates to the level of children fighting over who would be happier to receive an ice cream cone. With no adequate way to measure utility so as to make the necessary interpersonal comparisons, all such policy arguments are merely shouting matches where each side claims that the rewards to be received by them would greatly outweigh whatever pain might be incurred by those who are forced to bear the costs.

An inadequate conception of human nature

Another problem with utilitarianism is that it has a very narrow conception of what it means to be a human being. Within Bentham's view, human beings are essentially understood to be passive creatures who respond to the environment in a purely mechanical fashion. As such, there are no Abad@ motives, only Abad@ calculations. In these terms, no person is responsible for his or her own behavior. In effect, the idea being promoted is that human action is essentially the same as that of a machine in operation. Essentially, this notion reduces human thought to nothing more than series of bio-chemical reactions. Yet, if this is true, then there is no meaning to human thought or human action and all human reason is reduced to the point of nonsense (Lewis, 1947).¹

Beyond this problem, it also seems a little absurd to argue that since all human beings seek pleasure and avoid pain, that we can conclude that such a fact ought then be used as the foundation upon which an ethical theory ought to be constructed. As Opitz points out,

Words like pleasure, happiness, or satisfaction are what might be called Acontainer words.@ They are words needing a content, like

¹C.S. Lewis provides a very good refutation of such arguments in his book, *Miracles*.

the word Assistant. When someone tells you he is an assistant, you are told nothing about his actual job. All you know is that he is not an executive. To make it specific, the job of being an assistant needs some entity to hook up with. Similarly, happiness or pleasure. There is no such entity as pleasure or happiness; these are mental states which may be associated with many different things (Lewis, p. 128).

Since this is true, pleasure cannot be the goal of human action in and of itself. It is simply the by-product of human action which is actually aimed at the attainment of some specific goal or end. It is for this reason that qualitative issues are important. Even that great proponent of utilitarianism, J. S. Mill, came to understand this point. As a result, he too began to point out that happiness was not something that could be had directly and began an endeavor to introduce qualitative factors into his utilitarianism.

Regrettably, Mill did not press the implications of this insight to its final conclusion. If he had, he would have abandoned his utilitarianism in favor of some other ethical philosophy. The reason why this is so is that an effort to include qualitative factors into one's ethical thinking necessarily requires an appeal to some ideal. That is, Mill must have in mind some concept or idea of what human beings ought to be, rather than what they in fact are, if he is going to include qualitative factors in his analysis. When this is done, one is forced back into the mode of the traditional ethical philosophies that existed prior to the utilitarian project. If one has an ideal of what men should be, then that ideal establishes a standard of moral behavior apart from the pursuit of pleasure itself. As Copleston comments on the matter:

Hence there must be a standard of excellence; and this is not fully worked out. The relevant point in the present context, however, is not Mill's failure to elaborate a theory of human nature. Rather is it the fact that he grafts on to Benthamism a moral theory which has little or nothing to do with balancing of pleasures and pains according to the hedonistic calculus of Bentham, and that he does not see the necessity of subjecting his

original starting-point to a thorough criticism and revision (Lewis, p. 32).

The fallacy of composition

A final problem with utilitarianism that ought to be mentioned is that it is subject to being criticized because of a potential fallacy of composition. The common good is not necessarily the sum of the interests of individuals. In their book, *A History of Economic Theory and Method*, Ekelund and Hebert provide a well-conceived example to demonstrate this problem. They write:

It is presumably in the general interest of American society to have every automobile in the United States equipped with all possible safety devices. However, a majority of individual car buyers may not be willing to pay the cost of such equipment in the form of higher auto prices. In this case, the collective interest does not coincide with the sum of the individual interests. The result is a legislative and economic dilemma (Ekelund, 1975).

Indeed, individuals prone to political action, and held under the sway of utilitarian ethics, will likely be willing to decide in favor of the supposed collective interest over and against that of the individual. But then, what happens to individual human rights? Are they not sacrificed and set aside as unimportant? In fact, this is precisely what has happened. In democratic countries the destruction of human liberty that has taken place in the past hundred years has occurred primarily for this reason. In addition, such thinking largely served as the justification for the mass murders of millions of innocent people in communist countries where the leaders sought to establish the workers= paradise. To put the matter simply, utilitarianism offers no cohesive way to discern between the various factions competing against one another in political debates and thus fails to provide an adequate guide for ethical human action. The failure of utilitarianism at this point is extremely important for a whole host of policy issues. Among them, the issue of the government=s provision of public goods is worth our consideration.

Public goods as seen through the lens of traditional morality

It is common practice in teaching the principles of economics today to teach students that one area of market failure occurs when externalities exist. As such, the concept of externalities is presented as the notion that some human action spills over into benefits provided for, or costs imposed upon, third parties. This treatment portrays such spillovers, whether they are positive or negative, as if they were symmetric in nature. That is, a positive externality is merely the flip side of a coin in relation to a negative externality. On this basis, it is then argued that the existence of such externalities leads to an outcome that is less than optimal and that there is, therefore, grounds for government intervention. However, this judgment is fundamentally tied to utilitarianism as will be shown.

Murray Rothbard provided an excellent critique of this mainstream argument for government action with respect to positive externalities and public goods in his book, *Man, Economy, and State* (Rothbard, p. 883-890). In his critique, Rothbard points out that the notion of what is optimal in the sense being used by economists at this juncture is a value laden concept. That is, the underlying ethical philosophy that undergirds this conception of what is optimal is utilitarianism. In fact, all welfare economics as it is currently conducted has as a basic assumption, whether it is explicitly stated or not, that the standard of ethical judgments ought to be a hedonistic calculus. In particular, with respect to the argument for government intervention in cases of positive externalities it is argued that such a situation is sub-optimal because a greater level of utility could have been had if these externalities had been extended. This is exactly the kind of hedonistic calculus that Bentham had in mind. But, as has already been shown, such an effort begs numerous questions regarding its legitimacy.

Another point that Rothbard made in his critique is that positive and negative externalities are not symmetric when viewed from a property rights perspective that embraces a more traditional view of ethics. In fact, from this perspective the two are radically different events. In the case of a negative externality, the failure that has taken place is not a failure of the market, but a failure of the governing authority to adequately protect the property rights of all

the participants of the market. In this case, issues of pollution are the result of a violation of the property rights of some people so as to garner greater benefits for one's self. Alternatively, no such violation of property rights can be asserted in the case of positive externalities. Rather, any attempt on the part of government to extend such benefits could only be had by violating the underlying property rights of the person whose actions happen to give rise to external benefits. Nevertheless, as Rothbard points out, proponents of the need for government action will invariably attempt to make their case using two lines of attack. First, those who favor government action complain that a person engaged in an activity that benefits others does too little of it. In this case, the proposition put forward is that such gifts to the community are too small.

As an illustration of the weakness of this argument, suppose on Christmas morning a child should awake and venture into the living room of his house to see what presents there might be for him. When he arrives there, he discovers numerous gifts and begins to open them. The joy of the child's parents will naturally rise in proportion to the child's delight in receiving the gifts provided. However, if, after the last gift is opened, the child should begin complaining that the bounty he received was far too little, the parents' joy will quickly sour. Those who argue that government should extend positive externalities, might just as well argue that it also ought to intervene on the behalf of spoiled children everywhere. But this intervention would be utterly absurd. In truth, gifts are just that! They are not deserved, but are extended to others by people of goodwill. And, even if they are extended to others as a chance by-product of someone's actions, it could hardly be argued that such a gift was too little.

At this point, it might be obvious that the case for state intervention is too weak, but that has not deterred those bent on government action. A second line of attack is to *denounce [the recipient of the external benefits] for accepting a benefit without paying [the provider of it] in return*. The recipient is denounced as an ingrate and a virtual thief for accepting the free gift@ (Rothbard, p. 886). In this case, it is as if the parents, after all the presents have been unwrapped, should then extend a bill to the child for payment. Or, in

an alternative illustration, the position taken in the principles texts would suggest that because my neighbors would enjoy the sight of my yard being well manicured, that I should have a legitimate position on which to tax them so as to pay my lawn maintenance bills. While such a case is ridiculous, nevertheless, in public debate such arguments are readily offered as a reason why public funds should be expended on education, health care, and a whole host of other so called public goods.

By not realizing that positive and negative externalities are not symmetric, the entire issue of government action is skewed in favor of moving the political economy in the direction of command and control. The final result of such a movement, will inevitably be one of political totalitarianism in which any political group with enough power will seek to gain its benefits by taxing others. Alternatively, recognizing that externalities are asymmetric, will prove to be of tremendous value in sorting through all kinds of difficult cases. For example, suppose that I am the owner of ten thousand acres of land in a rural area and that ten years ago I planted trees on that land with the intention of harvesting them in twenty-five years. Suppose also that someone should buy ten acres of property directly across the road from my land and that he builds a house for himself on that property. Day after day, my neighbor enjoys the view of the trees on my property. However, when the logging begins, he may very well complain that I am imposing costs upon him by cutting down my trees. Is his argument correct? To be sure, my neighbor is losing something that he has come to value during the years that he has lived in his house. However, my neighbor does not have any legitimate complaint against me. My action simply means that I am no longer going to provide him with the gift of a scenic view. The fact that I had done so for fifteen years does not obligate me to continue to give this gift into perpetuity. The only way that my neighbor could have a legitimate complaint against me, is that I should actually cause damage to his own property in the process of cutting down my trees. In this case, I would need to compensate him for such costs. Whatever the case, by clarifying the issue within the framework of the more sound ethical philosophy of human rights to property, it will be far easier to sort out the underlying issues

involved in such disputes. Reliance upon utilitarianism in such cases will only muddy the waters.

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