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# Is Ethics Rational? Teleological, Deontological and Virtue Ethics Theories Reconciled in the Context of Traditional Economic Decision Making

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## Abstract

This article examines the most prominent ethical theories from the view point of economic rationality. Authors argue that utilitarian perspective which used to be connected with classical concepts of rationality in economics is not the only approach to understand reasoning behind the human behaviour. Moreover, Virtue ethics developed by Aristotle more than 2000 years ago, gives modern perspective to the questions of morale and ethics, connecting individuals to broader communities and explaining their motivation and actions. Similarly, deontological theories that from the first sight might seem as contradicting to rational choice, explain human behaviour when examined at the macro level of analysis. This conceptual analysis concludes that various elements from different theories on ethics are able to provide more profound model of reasons behind human behaviour in comparison to basic assumptions in classical economics.

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## 1. Introduction

Motives that stand behind human behaviour have been an important question for investigation in various social disciplines. Economics is one of the sciences where complicated theories are substantiated on the basic assumptions considering human behaviour that are taken for granted and not questioned. Moreover, economic science tries to help solving practical problems. The development of practical problems does not consider boundaries between

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different branches of science. Particularly affected are those branches that study human behaviour and that have been reduced to theoretical concepts for theoretical reasons (for the sake of simplifying) and that foresee the removal of values and moral standards – something that has been previously applied towards economics. Economics is a regulatory science with assumptions and forecasts on micro and macro phenomena, based on a notion that human beings are completely rational – the so-called *Homo Oeconomicus* – who make all decisions with personal interests in mind and with no concern for others (Casson, 1995; Ulrich, 2012).

In this article authors are analysing three major groups of theories on ethics from the viewpoint of ability to explain reasoning behind human behaviour. Teleological theories and utilitarianism for a long time have served as a basis for assumptions on economic choices that individuals are making in everyday lives. Deontological ethics and Kantian imperatives are stressing universal moral principles that should be implemented by individuals, whereas Virtue ethics developed by Aristotle puts individuals in complicated net of embedded relationships that is the only path to achieve real happiness and satisfaction. In the discussion part of the article authors are providing summary of the key elements from all three main theoretical branches of ethics in connection to the concepts of economic rationality. Then new model on the reasons behind human behaviour is proposed that takes into account both economic and moral motives.

Nowadays, it has been proven that human economic behaviour is much more complex than the assumptions of *Homo Oeconomicus* model. Numerous experiments have proven that people usually follow universal principles of fairness, including those situations with no punishment for unfair conduct.

Here follow the findings from empirical studies:

- (i) Individuals care about their own material well-being;
- (ii) Individuals take into consideration interests of those whom they know very well;
- (iii) Individuals are ready to sacrifice their own material well-being to reward those who have been kind to them and to punish those who have treated them unwell;
- (iv) Individuals take into account the well-being of those outsiders whose interests have been affected by the decisions of individuals;
- (v) Individuals care about their own reputation in the sense of what others think of their behaviour;
- (vi) Individuals care about their self-conception (Jolls, et al., 2000; Bowles and Gintis, 2011).

Neoclassical economics' assumptions about human rationalism applied in the decision making have been criticised for a long time. For example, Frank Knight, considered to be the founder of Chicago School of Economics (Casson, 1995) due to his major influence upon his distinguished students – Milton Friedman, George Stigler and Allen Wallis – in his publication “Ethics of Competition and Other Essays” (1935) compares the so-called economic man with a social man by claiming that human behavioural motives are mostly dependent on ethical values prevailing in a relevant social group (Knight, 1935).

In English literature, notions “morality” and “ethics” are frequently used as synonyms that have originated from different stems – the Latin word *moralitas* and the Greek word *ethikos* (Boatright, 1997).

Morality describes a sociological phenomenon – a presence of certain rules and standards in the society. Moral norms present in each society serve as a basis to ensure human intercommunication that is mutually beneficial. Without such fundamental rules as “Don’t kill!” and “Don’t steal!” a stable society would not be possible. However, it should be noted that not all rules are related to moral norms. For example, eating with a knife and a fork is part of a cultural etiquette while crossing the street on a green light is part of observing traffic regulations and not an adherence to social moral standards.

The word “ethics” is frequently applied when talking about moral standards of a particular social group or a profession (such as medical ethics and not a medical morality). The word “ethics” conveys also another meaning. Ethics combined with logic, epistemology and metaphysics is a traditional cognitive sphere that originated in Ancient Greece. It can be descriptive or regulatory. Descriptive ethics studies current norms and behavioural standards that exist in a certain social group or tries to understand processes of an ethical argumentation or decision making. On the other hand, regulatory ethics carries out a theoretical scrutiny of moral principles based on the argumentation and fundamental moral principles.

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