Responsible Decision Making

by

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2008
“To get an overall assessment of the ethical standing of an activity it is necessary not only to look at its own intrinsic value, but also at its instrumental role and its consequences on other things.”

“The advantages of consequential reasoning involving interdependence and instrumental accounting, can be combined not only with intrinsic valuation, but also with position relativity and agent sensitivity.”

(Amartya Sen: On Ethics and Economics)
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1. Introduction: Responsibility and Choice

The main idea of the book is that responsibility implies choice. This means that the responsibility perceived by the decision maker largely determines his or her choice. The greater the adequacy of the decision maker’s conception of responsibility in the given situation, the greater the chance that s/he will make a decision which is an appropriate response to the situation.

In the praxiological tradition, Wojciech Gasparski introduces the “triple E” criteria for judging human actions. The triple E refers to effectiveness, efficiency, and ethics (Gasparski, W. 2002).

Józef Maria Bocheński, a Polish philosopher affiliated with the University of Frieburg, introduced the differentiation between thinking and serious thinking. The objective of the latter form of thinking is knowledge, a cognitive value. Gasparski argues that a similar concept should be introduced to differentiate between action per se and action that is aimed at economic value. Thus, economic action would constitute serious action. Seriousness is measured by positive values of the effectiveness dimensions of the action. But seriousness also requires that the social-axiological context of actions be taken into consideration, under pain of any of them being considered unacceptable in a given culture.

The analysis of human actions in terms of the triple E is the condition for the highest-ranking of serious actions—wisdom. Wisdom is the technique that refers to the strong character of the acting subject. Praxiology, says Bocheński, is one of those disciplines in which we can find assertions corresponding to the injunctions of wisdom (Gasparski, W. 2002).

In my view effectiveness, efficiency and ethics reflect three irreducible aspects of human choices. Stakeholders, goals, and ethical norms constitute the value-space within which decisions are made. Responsible decision making means finding an optimal balance among the differing “callings” in human choice situations.

The aim of this book is to develop a normative model of responsible decision making that is consistent with the main psychological and sociological theories of human choice behavior.

Decision scientist Kenneth R. MacCrimmon made important distinctions among different types of decision theories. Decision theory deals with either “is” or “ought.” The former means that the theory focuses on how people do make decisions while the latter means that theory focuses on how people should make decisions. Both “is” and “ought” theories can assume either real persons or ideal persons (MacCrimmon, K.R. 1995: pp. 256-267.).

In this way we can arrive at a total of four clusters:
(i) “Is” theories assuming real persons;
(ii) “Ought” theories assuming real persons;
(iii) “Is” theories assuming ideal persons;
“Ought” theories assuming ideal persons.

The responsible decision making model developed in this book deals with the category of “ought” but assumes real persons, not ideal ones. Although real people may not make decisions as they ought to according to the responsible choice model advanced here, they are capable of using the model directly in real world situations if they want.

The most important choices are made in complex choice situations. In such situations the choice has wide-ranging consequences, and not only the decision maker but also other parties are affected by the outcome of the choice.

Responsibility is unavoidably present in complex choice situations. This is the main reason the standard economic model of choice is not adequate in solving large, multi-agent problems of economics and public policy.

Throughout this book, the term “responsibility” is used in different ways in a variety of contexts. The book focuses on prospective moral responsibility in the decision-making context. I do not differentiate between persons and organizations. The responsible-decision-making model can be applied to both types of moral agents.

A lot of work has been done in ethics on the topic of retrospective moral responsibility. However, we have only one comprehensible theory of prospective moral responsibility. It is presented by Hans Jonas in his opus magnum The Imperative of Responsibility (Jonas, H. 1979, 1984).

According to Jonas, responsibility means caring for the beings involved in our actions. This imperative presents a basic nonreciprocal duty toward other beings, including nonhuman beings and future human beings.

Jonas’ theory of responsibility has important similarities with Carol Gilligan’s understanding of female morality. Gilligan interprets the moral experience of women as an ethic of care, which is contrasted with the ethic of rights represented by men. In mature morality these two disparate modes of moral experience are connected. A mature concept of responsibility should integrate the reverence for rights emphasized by men and the nonviolence of care represented by women.

The standard model of choice in economics and other social sciences is the well-known rational choice model. The model states that the agent should maximize her or his utility function in order to be considered rational. It requires that the agent’s preferences are transitive and complete. (In circumstances of risk and uncertainty there are additional requirements, such as continuity and independence concerning the agent’s preferences.)

The rational choice model represents a formal theory that says nothing about what human agents prefer or should prefer. Regardless of whether their preferences are self-interested, altruistic or even sadomasochistic, the agents may be equally rational in making their own choices. I refer to this model of choice as the weak form of rationality.

In economics and other social science literature, we often find a much stronger version of rationality. Assumptions of self-interest and perfect knowledge are added to the rational choice model. This is the famous Homo Oeconomicus model, according to which agents
maximize their self-interest under perfect knowledge of the consequences. This model has a substantive claim about what people want or should want. I refer to the Homo Oeconomicus model as the strong form of rationality.

Both the weak and the strong forms of rationality have been heavily criticized by psychologists, sociologists, economists, political scientists, and philosophers on descriptive as well as on normative grounds.

Nobel laureate economist Herbert A. Simon states that the rational choice model has very strong claims concerning the cognitive capacity of human beings. Real world people have rather poor cognitive capacity and the information available to them is quite limited in most cases. Real world agents are not capable of maximizing their utility functions (if they have any). Instead of maximizing, they make “satisficing” decisions. According to Simon, human rationality is essentially bounded.

Princeton University psychologist Daniel Kahneman criticizes the rational choice model on the basis of experimental research. It has been found that people usually make myopic choices. They lack the skill to predict the utility of their chosen options. In addition, people have fallible memories that lead to incorrect evaluations of their past experiences.

Behavioral-decision researchers have discovered that people systematically violate the axioms of rationality, especially in circumstances involving risk and uncertainty. The most famous cases are the Allais' paradox, the Ellsberg’s problem, the preference-reversal effect, and the framing effect. These violations of rationality are so fundamental that no hybrid, nearly rational model can possibly capture this type of behavior.

Nobel laureate economist Amartya Sen criticizes both forms of rationality. He refers to the weak form as internal consistency of choice and to the strong form as maximization of self-interest. Sen shows that internal consistency cannot guarantee a person’s rationality. A person can always choose exactly the opposite of what would enhance those things she or he wants or values. Some correspondence between the choice and the aims and values of the agent is certainly required.

Sen notices that selfishness as a universal pattern of human choice behavior may be false, but universal selfishness as a requirement of rationality is patently absurd. The self-interest view of rationality does not reflect the complex motivations of agents in their economic affairs (duty, loyalty, and goodwill in addition to self-interest).

Cornell University economist Robert Frank emphasizes the strategic role of emotions in making choices. Frank shows that passions often serve our self-interest because we face important problems that are simply unsolvable by rational action. The modular-brain theory seems to support Frank’s arguments. According to this new theory, the brain is organized into a host of separate modules. Not all modules are equally well connected to the central language module of the brain that is viewed as the center of our rational consciousness. The rational choice model reflects only the working of the language module of the left hemisphere of the human brain. However, a lot of information is simply not accessible to the language module of our brain.

Columbia University sociologist Jon Elster contrasts rational action with norm-guided behavior. While rational action is outcome oriented, social norms are not. Social norms
have a grip on the mind that is based on the strong emotions that their violations can arouse. According to Elster, human actions are determined jointly by self-interest and social norms. Social norms are only partly shaped by self-interest. They have an independent motivating power.

Communitarian philosophers such as Charles Taylor, Michael Sandel and Alasdair MacIntyre forcefully criticize the liberal conception of the self, which is the underlying assumption of the rational choice model. They consider this conception of the self as being basically an atomistic one that denies the relational, intersubjective nature of human agency. It also neglects the constitutive role of communities and moral traditions in the deliberation of choices individuals ultimately make.

Sociologist Amitai Etzioni has developed the “I & We” paradigm, which sees individuals in perpetual dialogue with their communities. Etzioni describes human choice behavior as an attempt at finding a balance between pleasure and morality. He advances a co-determination model in which choice is affected by both pleasure and morality, which are in turn partly shaped by one another.

The rational choice model can also be criticized from an environmental point of view because the sustainability of natural systems cannot be assured on the basis of individual self-interested choices.

Feminist criticism states that the rational choice model presupposes a male-biased conception of the human person known as the separative self.

Harvard University sociologist and political scientist Jane Mansbridge has developed a tripartite scheme of human motivation. She identifies duty, self-interest, and love as irreducible motives of human behavior. This model goes back to David Hume, who acknowledges the rich variety of human behavior when speaking about principle-driven, interest-driven, and affection-driven actions. Mansbridge favors the coincidence of duty and love with self-interest. She argues that in society, some “ecological niche” should be arranged for non self-interested behavior to be protected from self-interested behavior on the part of others.

Choice can best be seen as problem solving. The agent experiences some tension between the perceived state of affairs and the desired state of affairs. There is a gap between “is” and “ought” in the given situation.

Complex choice situations usually present ill-structured problems where the solution is far from clear or trivial. Russell L. Ackoff coined the term “mess” to describe such decision situations. The decision maker should use some heuristics for framing the decision he or she is facing. First the decision maker sets his or her aspirations concerning the solution of the problematic situation. However, other normative-affective factors are also at work, namely, ethical norms that apply in the given context and perceived other parties that can be affected by the outcome of the decision maker’s choice.

Ethical norms represent a subclass of social norms. They pose specific demands, which place duties on the decision maker. A great variety of duties may apply in complex
choice situations. The decision maker may have perfect or imperfect duties that are either universal or special.

The affected parties are often called stakeholders in the realms of business and public administration. Stakeholders are those parties that can be affected by the choice of the decision maker, and they are not limited to individuals, groups and organizations. Natural entities such as biological creatures, ecosystems and the Earth as a whole might also be included among the stakeholders of a decision. Similarly, future generations should be considered as stakeholders if their positions are affected by the choice of the decision maker.

Goals and alternatives are not prearranged and given for the decision maker. The applicable ethical norms, the aspirations of the decision maker, and the perceived stakeholders together form the normative-affective basis that serves in the search for goals and alternatives. Goals and alternatives are not independent of each other but rather co-evolve. The generated alternatives influence the goals that are already in motion.

Business ethicist Kenneth E. Goodpaster has presented the most developed model of moral responsibility in an economic context. He proposes that moral responsibility should be understood as rationality and respect in making decisions.

Rationality is described by the following attributes: (i) lack of impulsiveness, (ii) care in mapping out alternatives and consequences, (iii) clarity about goals and purposes, and (iv) attention to details of implementation. This concept of rationality resembles Max Weber’s “zweckrationalitat” and is closely related to Herbert Simon’s notion of procedural rationality. It does not imply that the decision maker is preoccupied with maximizing her or his self-interest only.

Respect means having a special awareness of and concern for the effects of one’s decisions and policies on others. It goes beyond seeing others as being merely instrumental to accomplishing one’s own purposes and goals. Respect for the lives of others involves taking their needs and interests seriously.

Goodpaster’s responsibility model is largely a consequentialist model of choice. It seems to favor an evaluation of the decision alternatives in terms of consequences from the perspectives of both the decision maker and the stakeholders.

A consequentialist accounting can be criticized on different grounds. In complex choice situations there are phenomena whose consequentialist evaluation presents decision traps. We may think of marginal contributions as those described by American ecologist Garret Hardin in his famous “tragedy of the commons” model, effects that are distant and/or dispersed in space and time, and consequences that are highly uncertain and partly unforeseeable.

The consequentialist accounting is also challenged from a deontological point of view. The essence of deontology is that the value of an act is determined not by its consequences but by its conformity to a relevant moral principle or duty. Philosopher Thomas Nagel generates crucial examples in which the agent has good deontological reason not to do something unless it would lead to good consequences.
I think it is better to deconstruct the ambiguous notion of “respect.” I propose to define respect by referring exclusively to altruistic orientation toward the affected parties. Also, I propose to introduce deontological considerations as a separate component into the model of responsibility.

In this way we get a robust model of moral responsibility. Responsible decision making is characterized as a synthesis of deontological considerations, rationality in goal achievement, and respect for the stakeholders. This model might be called the 3R model since responsible decision making equals reverence for the applying ethical norms plus rationality in goal achievement plus respect for the affected parties.

To arrive at a realistic and operationalized model of ethical decision making some basic findings of decision psychology should be thoroughly investigated.

The prospect theory developed by Daniel Kahneman and Amos Tversky is an alternative theory of decision making under conditions of risk. Based on their experimental studies, Kahneman and Tversky conclude that the value function of decision makers is convex for gains and concave for losses. They also state that decision makers are more sensitive to losses than to gains.

The matching law was formulated by Harvard psychologist Richard J. Herrnstein after decades of experimental study. It states that individuals tend to equalize reinforcement across alternatives. The salient difference between the matching law and the utility maximization principle is that matching is based on average returns instead of marginal returns. The matching law predicts that individuals allocate suboptimally because they equalize average satisfaction at some expense in overall gains.

Complex choice situations often present incommensurability for the decision maker because of differing value dimensions. It is observed empirically that decision makers seek to avoid making tradeoffs across incommensurable value dimensions. This regularity has been confirmed by the game experimental results of the Nobel laureate German economist Reinhard Selten.

The natural heuristic of decision makers facing incommensurability is depicted by Herbert A. Simon. He states that decision makers concentrate initially on improving the most critical problem area until it has achieved a satisfactory level of performance.

Complex choice situations have the following basic features: (i) more than one decision alternative is available to the decision maker; (ii) at least one ethical norm applies to the decision maker; (iii) the decision maker has at least one goal to achieve; (iv) at least one stakeholder is present in the situation.

Responsible decision making involves finding and implementing the decision alternative that best fits to the idea of responsibility in the given context of choice.

Kahneman-Tversky value functions can be introduced to determine the deontological, goal achievement, and stakeholder values of the decision alternatives. In this way every decision alternative is evaluated from three different perspectives, namely the perspective of the ethical norms, the perspective of the decision maker’s goals, and the perspective of the stakeholders.
I propose using the *maximin rule* for making responsible choices. It implies the maximization of the minimum payoff of decision alternatives. The rule is intuitively well known to chess players who select the branch that will provide the best response in the face of an aggressive opponent. However, it was formally described as early as 1912 by the Austrian logician Ernest Zermello. The rule was developed further in game theory by the Hungarian-American mathematical genius John von Neumann.

Responsible decision making means selecting of the *least worst alternative* in the decision space of deontological, goal-achievement, and stakeholder values. The underlying principle is that the decision maker should find an optimal balance across different value dimensions.

Responsible choice provides a *Pareto optimal result* in the sense that given the set of decision alternatives, it is not possible to increase the payoff in any decision alternative in one value dimension without decreasing its payoff in at least one other value dimension.

Rational choice can be considered a reduced form of responsible decision making. If there are neither applying ethical norms nor affected parties in the choice situation, then the ethical-decision-making model falls into the rational choice model.

The procedural model of responsible decision making can be summarized as follows:

(I) Framing the choice situation by
   (i) identifying the applying ethical norms;
   (ii) mapping out the affected parties;
   (iii) defining goals and generating alternatives.

(II) Multiple evaluation of each alternative regarding
     (i) the ethical norms;
     (ii) the goals to be achieved;
     (iii) the affected parties.

(III) Selecting the alternative whose minimum payoff is maximal in the decision space of deontological, goal-achievement, and stakeholder values.

Complex *real world cases* can be solved by using the responsible-choice framework. Multiple satisficing solutions are attainable if equal attention is paid to all of the relevant value dimensions, that is, if deontological, goal achievement and stakeholder considerations are regarded simultaneously and the least worst options are consistently chosen.

The responsible-decision-making model can provide new insights into some basic problems of economics and public policy.

*John Rawls*’ famous principle of justice can be defended on the basis of responsible choices made by people when they know perfectly well their own positions in a society. Responsible people in average, above-average and below-average positions will accept the “difference principle.”
The so-called *Paretian Liberal Paradox* and other difficulties in aggregating individual preferences cannot be solved on the basis of information provided by the self-interested preferences of individuals. In the evaluation of states of affairs, deontological and stakeholder evaluations should also be used in order to broaden the information base for the evaluation of the state of affairs.

In *prisoner's dilemma situations*, if each agent pursues her/his self-interest, the result will be suboptimal solutions. In light of the responsible-choice model, the cooperative and noncooperative strategies can be reevaluated. Responsible agents who evaluate the strategies from multiple perspectives can arrive at optimal, that is, multiply satisficing solutions.

Cost-benefit analyses can provide misleading results if environmental and social externalities are present and a high degree of uncertainty is involved. In such cases monetary evaluation of the state of affairs is not enough, no matter how sophisticated the applied procedure of assessing costs and benefits is in monetary terms. The state of affairs should also be evaluated from the ecological and social points of view. The maximin rule implies that a project is worthy of being undertaken if the worst aspect of the state of affairs with the project is better than the worst aspect of the state of affairs without the project.

The *ethical performance* of a business organization can be determined by evaluating its activities from the perspective of the applying ethical norms. The *social performance* of a business organization can be determined by evaluating its impacts on the stakeholders. Profit-generating activities of a business organization are acceptable if they do not violate the relevant ethical norms and cause no harm to the stakeholders. Hence *nonviolence* emerges as a necessary and sufficient condition for the ethical and social acceptability of profit making.

Any economic arrangement affects *nature, society and future generations*. An economic arrangement is hardly legitimate if it produces negative payoffs for these primordial stakeholders. *Justice* among nature, society and future generations is established if the economic arrangement produces approximately equal values for nature, society and future generations. This may lead to an extension of the biblical adage to the form, “Love Nature and Future Generations as your own Society”.

Complex choice situations require *multiperspective* considerations. The crux of the matter is how the evaluative space of decision making is defined. The informational basis of business and public decision making should be extended to include ethical, social and ecological values.

The universal substitutability of values propagated by mainstream economics should be challenged. The *quality* of life can be preserved and enhanced if decision makers pay equal attention to all the relevant value perspectives in the decision situation. The maximin rule permits only limited tradeoffs among different values to keep life as diverse and complex as possible. Responsible decision making is not a luxury; rather, it is a precondition of life worthy to live.

One may think that the maximin rule used in the responsible decision making model is just not good enough today. Given the worsening trends of inhabitation on the planet and
unchecked proclivity of humanity, it can be doubted that compromising ourselves for the least worst of the choices under consideration in any prime decision to be made will mean a sustainable future for humanity. It is true that the maximin rule does not necessarily produce a desirable outcome in any given situation. However, it is aimed at achieving practically feasible and ethical solutions in complex choice situations where there are multiple conflicts among the ethical norms, the decision makers’ goals and the interests of the stakeholders. In many real world cases arriving at more desirable solutions requires redesigning the whole system in which the decision should be made. But this problematic is beyond the scope of a study about responsible decision making.

The Appendices of the book push things forward. They focus on the implementation of environmental principles in the European Union and alternative globalization strategies of multinational companies.