Valuation-linked morality and decisions in art and finance

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Introduction

Sitting eagerly with other new students on my first week of a visual arts program, a discussion took place between the creative director of a privately owned parkland and the school's head of visual arts. The topic had shifted to ethics in art practice, and the head of the art program felt she needed to qualify her comments by stating that that she didn't want to tell us how to think. “Yes we do!”, cried the creative director, and the room shared an awkward laugh. Oscar Wilde's well known proclamation on morality immediately came to mind: “There is no such thing as a moral or an immoral book. Books are well written or badly written. That is all” (Wilde 1998, 30). On reflection, by advocating that moral norms be irrelevant to the quality of the art, Wilde makes an argument that embraces its own particular moral position - a consequentialist logic that the end justifies the means. If Wilde's rhetoric employs a consequentialist logic, it becomes clearer that he was trying to separate himself from the deontological logic that dominated moral values in the arts in early 20th century Europe. Whether it was an act of self-criticism or just an honest expression of how the arts work, the creative director's remark reflects the omnipresence of moral rhetoric in the arts.

Not dissimilar to the problematics of Wilde's desire for art to be valued beyond social moral consideration, neoclassical economists have sought to position economics as a social science beyond subjective moral opinion. Just as Wilde's position can be framed as moral, a number of authors have brought to light the moral project underlying the embrace of market liberalism. Most economists will admit that market liberalism has one single moral concern – efficiency. In its simplest form this is usually understood to be a Pareto efficient outcome, although Kaldor–Hicks efficiency may better represent this outcome. But this reflects just one element of the moral project that underlies the economics of market liberalism. For example, McCloskey argues that the discipline of economics, and market liberalism that it now champions via the neoclassical approach, is part of the ethical theory of bourgeois life (McCloskey 1996). Having neither the honor of the aristocrat, nor the ability to endure suffering as the peasant does, McCloskey argues that the only ethical standard remaining for the bourgeois is to seek profit, be entrepreneurial, and following the simple logic of utilitarianism. When the former Goldman Sachs CEO Lloyd Blankfein infamously declares, “I am doing God's work” (Arlidge 2009), the moral grounding of market exchange is difficult to ignore.

What is perhaps less obvious, and what differentiates art and finance from other social fields, is that the mechanism for valuation is often central to the moral rhetoric of each. For instance, where an artist sees her practice as originating from a deotological duty to offer alternative perspectives on society and the dominant economic logic, the method for valuing art is irrevocably linked to art's moral rhetoric. Finance professionals similarly place moral value on how valuation occurs. For example, a finance worker may view labor liquidity or the pricing of pollution as as an outcome that ensures morally just efficiency. To be clear, what defines the morally correct valuation method in art and finance is not limited to those defined by deontological and utilitarian reasoning respectively. In art and finance, valuation-linked moral sentiment can be the outcome of deontological, utilitarian or virtue ethics reasoning.

The theme of morality has been tackled in economics from principally two perspectives. Since the 1970s, a number of economics, sociologists, and philosophers have examined the compatibility of moral norms in a neoclassical economic framework, and investigated different ways of incorporating moral sentiment into consumer choice theory. As these studies frame it, morality is not linked to the valuation method itself, and so efforts to model morality in choice theory tend to be grounded in a singular (economic) concept of value. In the second perspective, a number of economists have grappled with the extent that cultural and other values such as morality can be incorporated in conventional economic models of value. Working from a more orthodox economics tradition, Throsby (2001) argues that cultural value is something separate to economic value and is comprised of multiple elements: aesthetic, spiritual, social, symbolical and historical value. From a value tradition, Klamer (2003) suggests we add one more to this list, moral value. Importantly, the value-based approach argues there are legitimate grounds for non-monetary valuation. Where we accept that non-monetary approaches are valid, and that the valuation method itself can also be a moral norm, it becomes clear there is a gap in literature that investigates to the extent to which neoclassical value theory is capable of incorporating moral sentiment that is linked to valuation methods.

Beginning from the thesis that workers in art and finance place particular moral value on how they approach valuation in their respective professions, this paper aims to bring together research from cultural economics on measures of value, with work done in economics, sociology, and moral philosophy on integrating moral sentiment into existing economic theory. In particular, the paper aims to respond to two key questions. Firstly, assuming money is an 'appropriate' approach to valuation, can we use consumer choice theory to understand the impact of moral sentiment that accrues to individuals through use of economic and non-economic approaches to value? Secondly, what are the limits of modeling morality in this way, and under what conditions does consumer choice theory conceptually fail in the presence of valuation-linked morality.

This paper begins by outlining the argument that monetary and non-monetary approaches to valuation in art and finance can be framed as both moral and ethical. Section two gives an overview of the main approaches used to integrate moral sentiment into neoclassical economic theory, as well as the challenges and limitations faced by each. In section three, I raise the core issue that even where we tolerate the limitations specific to these approaches, none consider how we might treat moral sentiment that accrues from the valuation process itself. Section four discusses how we can reconcile the use of a consumer choice framework for non-utilitarian based choices or ethics. In sections five to eight, I examine options for integrating deontological and consequentialist ethical sentiment that both rejects and favors valuation in monetary terms. Section nine discusses the limitations of these models and the broader conceptual limits of consumer choice theory in relation to valuation-linked ethics. The paper concludes with a discussion of results and potential areas for further research.

Valuation-linked morality and ethics in art and finance

Arguing the ethics of the market economy is a more contentious concept than arguing its morality. Therefore it will help to begin by outlining the difference between morals and ethics. Following Keat's characterization, ethics can be understood as being concerned with questions of human *good* – attributes that contribute to human well-being, whereas morality is restricted to questions of principles which determine the *right conduct,* particularly in relation to others (Keat 2013). In this definition, ethics requires a normative judgment of what is *good* – something which often happens at a political or social level. In contrast, morality does not require one to answer what the principle is it for. We only need to consider what is right in the social context, and so morals avoid some of the normative judgments required of ethics. This is an important distinction because efforts to incorporate moral value in to decision choice theory typically draw a distinction between sentiments that are deontology, utilitarianism and virtue ethics based. But in relying on normative methods, this approach implies we are dealing with ethical sentiment and not morality as per the definition above. Therefore, the Aristotelian question, “what good is served”, becomes a crucial filter before attempting to characterize the ethics of valuation in art and finance.

Let's begin with the perspective of finance and the argument that market exchange can be framed as moral and ethical. Despite Polanyi's (1944) argument that the development of the market economy led to the 'disembedding' of economic activity from normative order and hence the non-morality of the market economy, a number of economists, sociologists and philosophers have more recently made the case for both the moral and ethical nature of the market-based exchange. William Booth counters Polyani's argument that the market economy disembeds from community social and political life. He asserts that the market economy remains infused with community based norms and values, only that those norms reflect those of modern society (Booth 1994). Through its display of a preference for exchange relations between free and equal individuals over earlier hierarchical relations, the market economy illustrates its moral nature. This quality does not alone amount to an ethics of the market since it does not suggest the subordination of market exchange to a higher good or end (Booth 1994). Therefore we have to look elsewhere to identify the market's ethics and the normative ethical tools use the made that judgment.

A less contentious ethical justification for embracing market exchange is one based on utilitarian reasoning. Pareto efficiency, the condition where by benefits of exchange have been exhausted such that it is not possible to make someone better off without making other worse off , is for many economists *the* single ethical justification for market exchange. Compared to an exchange encumbered by imprecise qualitative measures of value or an inflexible value measure, market based exchange is argued to lead to more efficient allocation of resources. This can be framed as ethical where efficiency is seen as a higher good due to its ability to improve human well-being.

Another utilitarian rationale for embracing market exchange, it is argued, is that markets are the most effective method for achieving the 'liberal good' of autonomy (Keat 2013). Autonomy can be argued to stem from the market's ability to allows individuals to pursue their own goals based on their own determinations of value. In stating, “Money is one of the greatest instruments of freedom invented by man”, Hayek shares a similar view concerning the market's ability to promote autonomy (Hayek 2006, 93). In the context of the early 1940s, Hayek saw market freedom is being linked to a specific type of autonomy - political freedom – on the basis that market exchange is a means to resist central planning of our economic lives. Although the political context has changed, there are many who remain highly distrustful of government intervention in individual decision making and so view free market exchange as ethical from the perspective it is the best mechanism to limit outside control.

Deontological values linked to market exchange are most clearly located in the principles and rules concerning *how* exchange should occur. Rules governing property rights, transparency, access, fraud prevention, reporting, and so on, function to determine conduct of market exchange rather than a justification for market exchange in its own right. Deontological values that justify an embrace of market exchange are a little more subtle. To illustrate where this might occur, image an individual responsible for marketing in a large bank is offered free advertising work by one of the agencies they use. If that agency is also competing for major contract with the bank, the marketing manager may deem that the work should be paid for out of a duty for a honest and transparent transactions. Therefore, over and above utilitarian concerns, an individual may embrace market exchange out of the moral principles of fairness and transparency that the market is seen to embody. Returning to Hayek, in arguing that exchange offered in any other form but money sets restrictions on the size and form of what is to be received from exchange (Hayek 2006), it can be argued that his embrace of the market goes beyond utilitarian reasoning, and that he sees good in the activity of market exchange itself. Market exchange can be held to be ethical from a deontological perspective if one considers free value determination is a moral good in itself.

Reasoning based on virtue ethics provides a third means by which market exchange can be held as ethical. Among others, McCloskey (2006), Staveren (2007), and Fourcade & Healy (2007) argue that rather than producing immoral greed, the importance of reputation in market exchange leads to people being more trustworthy, more polite, and serviceable. Furthermore, participation in market exchange requires a balance between excess and deficiency (Stavern 2007). A banker that only shows interest in external rewards and demonstrates little appreciation for broader human values may struggle to connect with her clients and consequently lose business. A banker that is overly concerned with human values may be considered too soft and similarly loose work. Of course what is considered a 'good balance' is contextually dependent, but it is this way that we evaluate acts from a virtue ethics perspective. Therefore, the behavioral conditioning that occurs through market participation can be argued to provide a virtue ethical justification for embracing market exchange.

Turning to the arts, it is from predominately consequentialist or deontological reasoning that market and non-market forms of exchange are held to be ethical. Starting with consequentialist ethics, it can be argued that market exchange is unethical because it leads to poor artistic outcomes. Adorno and Horkheimer (1944) make the argument that technology coupled with capitalist exchange leads to a loss of cultural diversity. Where held to be true, musicians may view commercialization as a pathway to bland pre-defined genres, while visual artists may see it as mechanism that reduces art to living-room sized collectibles. If market exchange can be directly linked to capitalist exchange, then artists may view market exchange as ethically wrong according to the outcomes it generates.

Ethical-egoism is a form of consequentialism that defines the right behavior in terms of that which maximizes the outcome for ourselves. Reasoning is this manner, non-market exchange could be held to be ethical where an artist believes his or her long-term reputation and career will be best assisted by signaling market independence, particularly in early stages of their career where defining your 'artist type', and the accrual of cultural capital more generally, has particular long-term importance. Equally, an artist may determine that embrace of market exchange is ethical on the basis it provides the artist with funding to devote themselves to art and realize more ambitious artistic projects.

Valuation-linked moral norms that result from deontological reasoning are common place in the arts. I will discuss two particular areas where deontological reasoning occurs to demonstrate the existence of deontological moral norms rather than to provide an exhaustive list. Firstly, many artists have adopted the moral norm that art be made and exchanged as a gift rather than as a private good. This can be traced to Jean Calvin's 16th century condemning of the practice of church endowments for artists, and his argument that art should be seen as a 'gift' from god and passed on as it was received rather than sold (Nagel 2003). No doubt partly because it has been helpful in defining art as something separate to the commercial arts, the notion of art as gift remains a central tenant to many artists' practice. At a basic level, this moral norm is readily evident in the presumption and reality that artists will show their work in cafes, galleries and public institutions without monetary recompense.

A second deontological moral norm in the arts concerns the duty to maintain a degree of autonomy. Romantic deontology retains a powerful influence in the arts and may be expressed as a moral preference for autonomy, something that we all have the potential for, and the achievement of which is ultimately the end we seek for ourselves and others (Capaldi 2004). Extending this reasoning to the arts creates a moral duty to seek expression of value without subjugation to the market. In contrast to a consequentialist reasoning that suggests market based exchange is ethical based on it being the best means to achieve autonomy as an outcome, Romantic deontology frames autonomy as a practice rather than an outcome, implying artists have an ethical duty to act independently from economic and political structure in forms of exchange from the outset.

The problem of moral sentiment in the neoclassical framework

Economic models of consumer choice, and the neoclassical economic approach more generally, have struggled to deal with how to incorporate moral sentiment in price-based models of value. The existence of moral sentiment is typically framed as a question of whether an individual's utility function changes, or whether the change occurs in the individual's consumption/budget constraints.

Importantly, the existence of moral sentiment potentially threatens the soundness of many of the key assumptions underlying price-based theories of value. Consumer choice theory is built on the assumptions that i) individuals are rational utility maximizers, ii) individuals smoothly substitute one good for the other as relative prices change, iii) consumers have preferences that are predetermined and consistent, and that iv) price is an effective measure of relative-value. Socially formed moral norms potentially undermine the soundness of these assumption, and consumer choice theory more generally.

One approach to incorporate moral sentiment in consumer choice model is to treat moral norms as a type of decision rule (Goldfarb and Griffith, 1991). The standard decision rule assumes that individuals seek to optimize based on narrow self-interest. However, through interaction with others, agents may realize that narrow self interest leads to poorer outcomes and they come to perceive a need for a moral element to their interactions. Consequently they may develop a decision rule that incorporates moral concerns. The often cited example here is the prediction that agents will be more willing to display goodwill in a repeated prisoner's dilemma game. This approach is often favored by economists for the reason that the actor continues to behave in a 'narrowly self-interested' way, only from a more sophisticated game theory perspective. This means that calculus techniques of optimization can still be applied (Goldfarb and Griffith 1991b). A major criticism of this approach is that there is no guarantee that incorporating moral norms in decision rules will result in optimized behavior from a game theory perspective. In such cases, we are left without an explanation for the norm generating processes. More generally, this approach relies on a very limited view of altruism and one that goes against the essence of selfless moral acts. Such models frame altruism as egoistic and in line with the biological concepts of kin and group selection. This limited perspective of morality makes it somewhat easier to assume moral sentiment has a price, since the model assumes morality is a mean to other ends, and something we would readily drop for the right recompense.

A second approach is to treat moral sentiment as an element of an agent's constraint. Here, moral sentiment is treated as an exogenous variable in the sense that it is assumed to be externally imposed, just like other constraints (Goldfarb and Griffith 1991). Whether it is accurate to conceptualize moral sentiment as something externally derived that one accepts without question is itself a problematic assumption and limitation of this conceptual framing. Relative value is founded on the notion of scarcity, so the removal of the notion of fixed constraints severely complicates this concept. To relax the assumption that the moral norms are exogenous would severely complicate the model's ability to derive value from price.

Assuming exogenous moral constraints, the following example illustrates how this framework might function. If agent accepts the externally-derived moral norm that child labor should be condemned, she then seeks to maximize her utility subject to income and other constraint, including the constraint that no good be the outcome of child labor. From a theoretical perspective, this model would only function with deontological moral norms, since consequentialist moral norms would imply a flexibility that would undermine the non-breakable quality we expect from constraints (Tippit 2014). Although Kuran and others attempt to enable breakable constraints, it doesn't resolve the restricted nature of morality that these models are capable of dealing with (Kuran 1998). Treating morality as a fixed constraint implies moral sentiment cannot be priced in monetary terms, but it encourages the goods connected to the moral constraint to be valued in monetary terms for the sake of modeling ease .

The third and dominant method for incorporating moral sentiment into consumer choice modeling is to treat morality as part of an agents preferences. To give some perspective of the work done here, it can be useful to follow the approach taken by Khalil and contrast two 'extreme' positions to conceptualizing morality as preferences (1997). The key issue dividing the approaches of Etzioni and Becker is the extent to which moral sentiment as a taste can be smoothly substituted for other tastes (Khalil 1997). If we treat moral preferences like any other preferences, then we should be able to smoothly substitute bundles of goods along indifference curves without experiencing regret. Becker considers economics as the study of all ends, both material and moral, subject to scarcity (Khalil 1997). In this sense, he embraces the view that one can simply substitute away from a moral good for another bundle of goods generating equivalent utility and be psychologically indifferent. While this provides a neat solution to the integration of morality into consumer choice modeling, its implications are questionable (Dowel et. al. 1998). For example, smooth substitution implies complete indifference between honesty and corrupt behavior with sufficient compensation.

At the other end of the spectrum, Etzioni argues that 'moral utility' and 'pleasure utility' are not commensurable, and therefore not substitutable. The limitation of Etzioni's model lies in the implied disconnectedness of the moral and pleasure based utility, and the extension that we then have a 'moral self' and 'pleasure self' in decision making. The problem is that in many instances what's 'morally right' is heavily connected to material costs and benefits (Khalil 1997). This separation of moral and pleasure based utility also implies that moral preferences are exogenous since they are uninfluenced by other choice decisions (Khalil 1997). A number of contributions to this field have aimed at relaxing the strong assumptions of Becker's and Etzioni's frameworks, of which Tippit provides a good summary (Tippit 2014). Importantly, from a value perspective, Becker's model says morals like other goods can be valued in monetary terms while Etzioni's model says moral values are not commensurate with price.

In frameworks that treat moral sentiment as a preference, we run into a familiar problems associated with preferences in consumer choice models: the assumption of pre-defined and consistent preferences is difficult to maintain since it implies individuals tastes remain uninfluenced by the social setting in which consumption occurs. Moral 'tastes' are formed and reshaped in social context where reflection occurs, so the idea that morality be treated as something intrinsically formed and set in stone is a particularly problematic assumption (Dowel et. Al 1998). From an empirical perspective, the moment we allow moral and other tastes to change over time, we make it very difficult to test for internal consistency of choices, since any otherwise inconsistent display of preferences can be explained away by a change in tastes (Sen 1977). Consequently, not only is it a stretch to assume pre-defined and consistent preferences, the assumption is empirically difficult to clearly accept or reject.

Complication of valuation-linked moral sentiment

Efforts to incorporate a moral element in to the model of 'economic man' have run into numerous challenges, some of which have been described above. While not all of these approaches imply morality can be priced, for the most part they are aligned with the view that it is appropriate to use a monetary approach to value morally-neutral goods. None of the approaches outline above directly consider situations where the moral issue itself concerns the approach to valuation. Etzioni's model comes closest, in that it suggests certain moral goods are valued on different terms to others goods. However, his dualist model does not directly acknowledge that the valuation itself may be the moral good. Etzioni's argument that we separate choice decisions for moral and morally-neutral goods arguably makes intuitive sense where the two types of choices can be clearly separated. However, this framework appears ill equipped to deal with moral decisions when moral value is contingent on a neoclassical approach being used. In other words, how can we separate moral and pleasure choices if the approach to valuing pleasure choices is bound to a moral value.

If we seek to understand the decisions of professionals working in fields such as art and finance, where the approach to valuation takes on a particular moral importance, it is important to know the impact of moral norms on the valuation of the goods and services they work with. Where the approach to valuation itself becomes a moral norm, the key question is whether we can capture this form of moral sentiment through a modified consumer choice model of valuation, or whether this fundamentally undermines the theoretical integrity of the neoclassical approach to value.

Suitability of consumer choice framework for non-utilitarian based choices

Models of consumer choice are premised on the individual ultimately making choice decisions based on maximizing utility subject to constraints. Before investigating whether moral-linked sentiment can be integrated with consumer choice theory, it is important that we can reasonably assert that this assumption holds. Where we cannot assume that the logic underlying choices *dominantly* follows utility maximization, it no longer makes sense to model behavior within neoclassical consumer choice theory. For example, if the logic for a set of exchanges is dominated by principled belief regarding how one should act rather than a concern for how that he or she will be impacted - an idea close Sen's (1977) concept of 'commitment' – then modeling choices behavior via a neoclassical consumer choice framework would be inappropriate. However, if we can assume these same goods are inseparable from a broader exchange where utilitarian reasoning prevails, then there is a conceptual argument for attempting to incorporate valuation-linked morality into neoclassical consumer choice theory.

There are principally two ways that we can reconcile the apparent conflict of deontological-based valuations occurring in a utilitarian framework. The first is simply to assume it is not possible to separate choices made from deontological reasoning from other choices made from a utilitarian perspective. This may arise because there are scarcity considerations applicable to all choices which implies valuation cannot occur in isolation. For example, a young film maker believes a good film is one that follows certain principles in its making. Given the cost of making a film, she can only realize the film if she sets her deontological principles in the context of a broader series of utilitarian-based choices.

A second explanation relies on the notion of an individual having multiple preference sets concerning the same goods. One way to understand this phenomenon is via identity economics, or the notion that an individual can have multiple 'self-identities'. Artists, bankers, and everyone in between, have competing identities of professional, partner, parent, friend, son, daughter, and so on. Importantly, alternative identities may demand different ethical approaches with respect to valuation. An 'artist' identity may be guided by deontological ethics, while the 'parent' or 'partner' identity may follow a utilitarian approach. Where there is conflict over the preferred valuation approach across identities, determining the most appropriate valuation method may come down to which ever identity is made salient at the time of choice. For example, Cohn et al. (2014) find that finance workers behave more in line with rational self interest when their professional identity is made salient. On the other hand, the decision may come down to a complex evaluation of the ethical position of each of an individual's identities and their corresponding valuations.

Sen's work on meta-rankings provides another clarification of how we can proceed where an individual displays multiple and conflicting, yet equally valid moral preferences. In essence, Sen suggests we may express a preference to have a different set of preferences to those currently displayed in choice behavior (Sen 2002). In this way, meta-ranking allow us to morally rank our preferences. This does not necessarily mean that we act according to meta-rankings, since our decisions are influenced by a compromise between moral preferences and other aims which may not be morally reconciled. For example, a banker who chooses to devote a significant amount of time to work may have a preference that she could forgo the money and live by a different set of preferences. She would rank the second set of preferences higher based on meta-ranking, but she may ultimately choose the set of preferences associated with working in the bank because she's developed a psychological dependence on her work. The set of preferences an individual actually works with may also correspond to his or her highest ranked meta-preference, but this is largely dependent on context dependent meta-rankings. The concept of meta-preferences therefore provides an explanation for why a person might act in line with utility maximization even though they would prefer to act according to a different set of moral rules.

Modeling deontological ethics of non-monetary valuation

Attempts to incorporate moral sentiment that is the product of deontological reasoning are typically done by treating the moral norm as an exogenous constraint. Here, an individual evaluates choices subject to normal budget constraints, in addition to the constraint that valuation occurs in line with the deontologically reasoned moral norm relating to valuation. Since we know that moral constraints are breakable, which is certainly the case for valuation decisions, we need to move beyond a model with fixed constraints.

Kuran's (1998) model of breakable constraints offers an intuitive framework from which to conceptualize how value-related deontological principles impact choice behavior. Adhering to a moral norm which says exchange should be valued in non-monetary terms can be conceptualized as a constraint that reduces the set of moral opportunities available to the individual. For instance, an artist may take on the moral constraint that she won't work with commercial galleries because it would demand a monetary valuation of her art. Because a reliance on grants is unstable, she must work outside of art to survive. To meet her moral constraint, her consumption options contract to what is possible based her income. In Kuran's model, the utility that an individual receives is the product of both intrinsic utility or utility derived directly from the good that is actually exchanged, plus moral utility, the psychological benefit generated from acting in line with our moral values. When we act at the edge of our moral limit or moral opportunity set, the moral utility we receive is zero. So, for example, if an artist does the minimum necessary to placate their duty to avoid commercial sales, they get no moral utility. But when the artist goes further and actively engages in a range of activities to recast how art be valued, they generates moral utility.

Continuing this example, the artist always has the option to work with commercial galleries, and in this sense the constraint is breakable. If we act beyond our moral opportunity set, we 'break' our moral norm and receive negative moral utility or experience moral dissonance. What is interesting about applying this model to the arts and other fields is that it says an individual may be motivated to break moral norms when their total utility increases from doing so. When the moral dissonance resulting from breaking moral norms is outweighed by the increase in intrinsic utility, the individuals total utility increases by breaking moral norms. This model then provides a simple framework for understanding the motivation for why someone may go along with monetary valuation when they feel that the process is otherwise morally wrong.

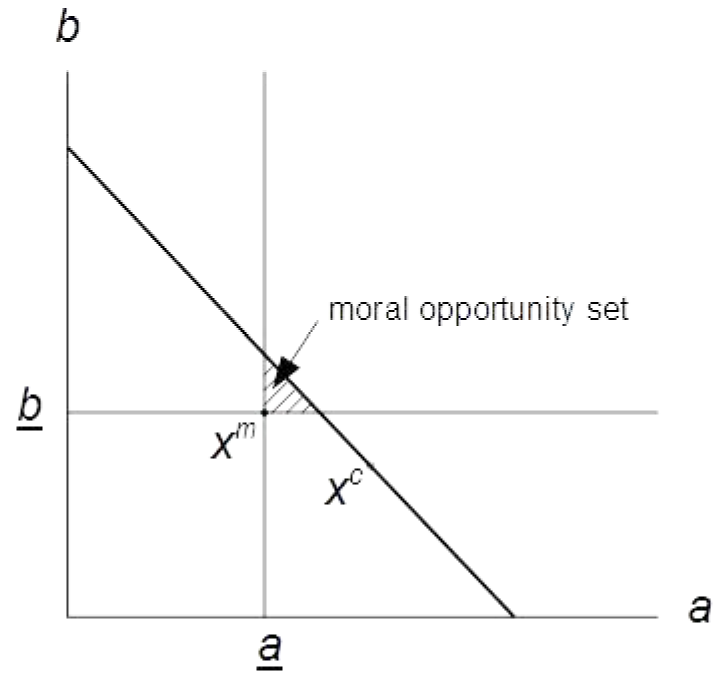

Figure 1: If a and b are goods that carry moral value, the individual is morally at ease when $x^m = (\underline{a},\underline{b})$ and receives moral utility when $a > \underline{a}$ or $b > \underline{b}$. The shaded area or moral opportunity set represents options that meet the the moral constrain and lie within the budget constraint. The individual can choose to break the moral constrain and choose x^c where $b < \underline{b}$, resulting in some moral dissonance.

The model in the figure above assumes two moral constraints, defined in terms of reaching an minimum amount of *a* and *b*. Although the model says we may need to trade off one against the other due to our budget constraint, the moral constraints are jointly achievable. Moral dissonance (utility) only accrues when an individual chooses a consumption bundle outside (inside) his or her moral opportunity set. Where the decision maker has two or more 'identities', we potentially need a model that will allow for conflicting moral constraints.

Let's assume the decision maker has two identities – a dominant non-artist identity that follows utilitarian reasoning to determine monetary valuation is right, and an artist identity that follows a deontological logic that says valuation should be done in non-monetary terms. The non-artist identity will confirm to her moral constraint when a minimum number of valuations occur in monetary terms. Valuing art in monetary terms may imply the non-artist does more than what is required to meet her moral base, and so she receives moral utility from the act. One the other hand, the same individual's artist identity experiences moral dissonance when valuation is in monetary terms. According to Kuran's model, it is not necessary that the moral utility experienced by one identity exceeds the moral dissonance experienced by another identity to justify an act in utilitarian terms. When the dominant identity follows a utilitarian logic, total utility can be represented by:

$$U(x) = I(x) + M(x,x^m)$$

where $I(x)$ is the individual's intrinsic utility and is the $M(x,x^m)$ is the moral utility associated with the exchange of x based on the conflicting moral constraints associated with the exchange, x^m. This says that even if the individual experiences little moral utility from one identity and significant moral dissonance from the other, so long as intrinsic utility, $I(x)$, increases enough, the person can justify the choice to price their art.

Where an individual has two moral constraints that conflict, that person's moral system becomes unfeasible and there is an empty moral opportunity set. All else being equal, deontologically moral-norms favoring non-monetary valuation of art, coupled with more dominant utilitarian-based moral-norms, leads to moral dissonance concerning valuation. Where this occurs, there may be an incentive to shift towards 'morally cheaper' non-art goods, which in turn leads to a reduced monetary value of art and lower art production. Since the perceived value of art is a function of a much wider set of values, it is not clear if monetary valuation of art lead to the overall value of art rising or falling. Although this analysis suggests monetary valuation of art causes its economic value to fall, the cultural value of art may rise to reflect the symbolic value of the greater sacrifice the artist endures in producing art. Rather than face this decision, artists may invoke strategies that limit the moral dissonance of making and pricing art. On method involves compartmentalizing choices so that choices so that some are made as 'artist', while others are made as 'non-artist' (Kuran 1998).

Modeling deontological ethics of monetary valuation

Where deontological reasoning determines that monetary valuation of goods is ethical, market based exchange that occurs beyond an individual's moral base generates moral utility which may increase total utility. In contrast to the situation where moral constraints lead to a contraction of consumption options due to reduced income, where moral norms advocate monetary valuation, the individual experiences an expansion of consumption options by following these norms. We can again model an individual's utility function as:

$$U(x) = I(x) + M(x,x^m)$$

where $I(x)$ is the individual's intrinsic utility and is the $M(x,x^m)$ is the moral utility associated with the exchange of x based on the moral constraints associated with the exchange, x^m. In this case, to meet their moral constraint, the individual must ensure a minimum number or type of goods have been priced. The more an individual acts in line with this moral norm, the more consumption options expand to reflect the higher income from greater commercial exchange. An individual will achieve positive moral utility where the relative amount of priced goods, x exceeds their moral base x^m.

So long as the ethical position holds over all goods, all else equal the model predicts that the individual will have an incentive to continue expanding the range of goods that are subject to monetary valuation as it both expands the individual's budget constraint and enables the person to reap larger levels of moral utility. Assuming the individual experiences diminishing marginal moral utility above their moral base, and that the individual begins to incur costs associated with monetarizing goods that are less suited to this valuation form, there will be an upper limit on the utility that can be achieved from this activity. If we assume a utilitarian rationale dominates the deontological incentive to monetarize exchange, the individual will cease pursuing monetary valuation at this point. If not, the individual will continue efforts to monetarize exchange on principle at the potentially cost of lower personal well-being as measured by utility.

Modeling consequentialist ethics of non-monetary valuation

Where outcomes rather than the act itself determines what's right, consequentialist ethics are typically incorporated into choice theory via the agents preference function. As mentioned earlier, most models lie somewhere between the extremity of Becker's model with smooth trade-off between preferences for moral and other goods, and Etzioni's model, which holds there is disconnection between moral and non-moral decisions reflecting moral and non-moral preferences are non-commensurate and therefore inaccurate to think of trade-off occurring.

Dowel et al. (1998) propose an approach that allows for trading off moral preferences with those of other goods, but recognizes this trade-off is 'lumpy'. This reflects the idea that marginal trade-off doesn't work with morality – we tend to view immorality as a series of stages or 'moral cliffs' rather than a smooth transition from slightly immoral to the completely immorality. The model enables variation of the impact of immoral acts to reflect the seriousness of the act. With this in mind, we can write the utility function for the individual who places ethical value on how valuation occurs as follows:

$$U = A(I)f(X_1, X_2, \ldots X_n)$$

where X_i are the consumption goods, and I is an index of immoral behavior with respect to consumption and ranges from 0 for moral behavior to a larger positive number the greater the immorality of an act. $A()$ is a function that shifts the utility for any given X values. The greater the immoral behavior, I, the lower the $A()$ function. We also assume that a person's wealth increases with immoral acts and declines for more moral acts. Therefore, the actor needs to consider the consumption bundle which maximizes utility subject to their budget constraint, as well as how the wealth constraint shifts according to the morality of the consumption bundle chosen.

An artist may use consequential reasoning to determine that it is ethically wrong to value art in monetary terms because it leads to inferior artistic outcomes. All else equal, we assume the artist maximizes utility when artworks are exchanged on a non-monetary basis and all other goods and services are exchanged on a monetary basis. Here, the artists utility function can be described as:

$$U = A(O)f(X_1, X_2, \ldots X_n)$$

and is maximized subject to the budget constraint

$$W(0) = f(P_1X_1 + P_2X_2 + \ldots + P_{m}X_m)$$

and where $m \leq n$ to reflect that some consumption goods may not be priced. An artist increases her wealth constraint by expanding the set of cultural goods she is willing to sell such that total number of priced goods, m, approaches n. At the same time, expanding the number of cultural goods available for sale is perceived to be ethically wrong and causes an inward contraction of the artists utility function across all goods. If we define this level of immorality as D, the artist has the following budget constrain and utility function:

$$W(D) > W(0)$$

$$U = A(D)f(X_1, X_2, \ldots X_n) < U = A(O)f(X_1, X_2, \ldots X_n) \quad \text{for all } X_i$$

Only a slight inward shift of the artist's utility function occurs for minor deviations from what's considered ethically right, but once an ethical 'cliff' has been passed a significant inward shift of the utility function results. For example, allowing a record company use an artist's work on an album cover might be considered a minor ethical deviation. In contrast, allowing a luxury luggage maker use an artist's motives on the company's leather goods is expected to cause a larger inward shift of the artist's utility function.

The model predicts artists will have an incentive to act against valuation-linked moral norms when the impact on utility is small relative to the increase in budget constraint. Where an individual defies valuation-linked moral norms, the combined monetary value of the exchange bundle will rise to reflect the higher utility achieved. The impact on the economic value of cultural goods is a little less clear but we can nevertheless make some predictions. Even though the newly monetarized cultural good previously had no market price, it would would be a mistake to assume it previously had no economic value. Despite the difficulty of determining the economic impact, I would argue that economic value of previously unpriced goods will fall for two reasons. Firstly, Simmel (2004) argues that value is a positive function of distance from the desired object. By making a cultural good available for sale, the users perceived distance from the goods narrows, causing economic value to fall. Secondly, although it captures it imperfectly, economic value is impacted by cultural value. Hutter and Frey (2010) provide a number of examples from art history to support this argument. Assuming unethical acts cause an erosion of both the artist's and work's cultural value, as is the foundation of the ethic position concerning valuation in the first place, it is expected that economic value of the good concerned declines where an artist defies valuation moral norms with respect to it.

Modeling consequentialist ethics of monetary valuation

Where consequentialist reasoning indicates monetary valuation is ethical, the outcome is broadly in line with that predicted for deontological reasoning. Where an individual is able to expand the range of exchange goods that are priced beyond her moral base, she will made better off both in terms of her utility function and her budget constraint measured in monetary terms. At a higher level of utility for each good, and with an expanded budget constraint, both the amount and monetary valorization of goods in the consumption bundle will rise.

As outlined in the previous section, the incentive to break a consequentialist valuation ethic typically occurs where expansion of the budget constraint more than compensates the loss of utility across all goods. At first glace, rejection of monetary exchange appears to produce the opposite effect – a reduced utility function and budget constraint. However, there are two situation where it the actor perceivably has an incentive to limit monetary exchange. Firstly, it we allow for income delays, there may be an incentive to deny the ethics of pricing exchange where there is an expectation it will lead to an increase in the individual's *future* budget constraint. For instance, a banker can defend his actions to provide a service without monetary compensation if he feels it will increase his expected future income. Secondly, an actor may incur costs in the process of expanding the range of monetarily exchanged good. Contrary to expectations, there may be a point beyond which income begin to decline as an actor seeks to monetarist goods that aren't naturally suited to this valuation form. Despite an ethical imperative to price and a fall in utility from deviating from this logic, the utility maximizing actor will have an incentive to reduce monetary exchange where an increase in income more than compensates for the loss in utility across each consumption good, resulting in a higher level of overall utility being achieved.

Limitations to modeling moral sentiment in models of consumer choice theory

There are potentially numerous approaches to integrating valuation-linked ethics into consumer choice theory, and the models presented above represent just two of these. While the analysis has attempted to identify some important issues relating to how goods in art and finance are impacted by valuation-linked ethics, the models remain limited by a number of key assumptions that may become untenable in the context of specific forms of ethical reasoning. In certain situations, these limitations may render theoretical predictions from consumer choice theory effectively meaningless.

An obvious limitation of the approach to incorporating morality within consumer choice theory is the necessity of assuming individuals seek to maximize utility subject to constraints. While this assumption may approximate most exchange decisions, there is much greater potential for behavior to deviate from utilitarian reasoning when moral sentiment is specifically attached to how valuation occurs. Assuming the logic underlying a majority of decisions can be approximated by utility maximization, a critical question is whether decisions that deviate from utility maximization can realistically be isolated from others decisions which do not. While it can be difficult to identify professional decisions that are isolatable from broader concerns of resource scarcity and its tendency to frame choices in utilitarian thinking, there is certainly the potential for the more ideologically minded within art and finance to make a range of consumption choices according to a deontological rather than utilitarian logic. Where this occurs, modeling valuation moral norm within consumer choice theory is likely to be of little descriptive value.

A second limitation associated with incorporating valuation linked ethics into consumer choice theory concerns that latter's effective reliance on monetary measures of value. While consumer choice theory does not demand the budget constraint to be measured in any specific valuation form, the impracticality of needing to know an individual's set of indifferent curves makes application of revealed preference theory particularly attractive from an empirical perspective. Through its ability to infer indifference curves from observed market exchange, revealed preference theory makes consumer choice practically dependent on monetary valorization.

In the presence of valuation linked moral norms, a reliance on monetary valuation poses greater risk of inaccurate or inappropriate valuation. Where value is multi-dimensional in the sense that a good has economic value, aesthetic value, social value, and so on, monetary measures are often incapable of capturing the full spectrum of a good's values. The presence of moral norms favoring non-monetary valuation approaches does not necessarily signal the existence of multi-dimensional values, but it suggests a higher likelihood of the existence of values that are poorly captured by monetary measures. In such cases, consumer choice theory defined in monetary terms is likely to be an inaccurate starting reference for thinking about the impact of valuation-linked moral norms. In summary then, where there is a gap between our understanding of value and how we communicate it, attempts to incorporate the impact of moral sentiment in a framework of monetary valuation is likely provide a distorted and incomplete understanding of how morality impacts valuation and our choices.

A third limitation of attempting to incorporate valuation-linked morality within consumer choice theory concerns the types of goods that this model infers are subject to exchange. Where we begin from the assumption that value ends up being communicated via price regardless of our moral position – and this is the case where we wish to invoke revealed preference – then we effectively limit goods to being 'private goods'. A more sophisticated model may allow for public goods based on measures of contingent valuation. The tendence to assume exchange concerns private goods is potentially problematic because it may lead the observer to falsely perceive certain acts to be moral or altruistic when we are in fact observing consumption of a non-private good. By assuming goods are private, we may end up attempting to model moral norms that do not exist.

Klamer (2016) argues that art and other cultural goods can often be characterized as 'shared goods'. Shared goods require us to broaden our concept of what a good can be, but since they have value and resist ownership in the sense we must give up something to have them, they can be consisted a good that warrants economic consideration. Shared goods have many of the characteristics of 'commons goods' – they are shared by a group of people without clear ownership, benefits of using the goods are enjoyed by members, the goods is excludable to non-members, and there is rivalry both inside and outside the group. What differentiates shared goods from commons goods is that user benefits accrue in proportion to participation, and unlike most goods, which are destroyed through consumption, shared goods are actually produced through consumption. Building on the Howard Becker's view of art as conversation, Klamer (2004) argues that art goods are shared goods for several reasons: i.) value is located in the knowledge and debate around artworks rather that the objects themselves, ii.) only by sustaining the conversation does this knowledge remain valuable, iii.) there is a type of membership required to participate in the conversation which is jointly owed by those who participate in it, iv.) there are no economic rights to ownership, v.) participation in the conversation is a good with benefits, v.) production of the conversation is jointly done in the process of consuming the benefits of the conversation.

Where we understand art purely as private good, certain acts do not make sense from a utility maximization perspective. Artists and art users contribute considerable resources to the arts which are often disproportionate to the private goods they receive in return. Therefore, when viewed as private goods, many acts are more easily labeled acts of morality since they defy a logic of egoistic utility maximization. Once we understand art as a shared good, it may no longer be necessary to label acts as altruistic. The resources that are contributed to making an exhibition, publishing a book, or volunteering in a museum, are not simply a cost but also represents consumption of the shared goods itself. So in expanding our definition of goods to include shared goods, it may be inappropriate to make adjustments to utility to reflect a measure of moral utility since there is a clear good with benefit connected with what we otherwise label as moral acts. Acts that appear to be an expression of valuation-linked morality may in fact be linked to shared goods. For instance, rather than framing art production as a deontological-based ethic to exchange art as gift, it may simply be understood as a decision that matches production and consumption of art as shared good. To deviate from non-monetary exchange might be seen as forcing property rights onto a shared good, and consequently stripping it of use value. In this way, the notion of shared goods raises some doubts regarding the necessity to model morality in certain exchanges.

A final limitation associated with integrating moral norms into consumer choice model concerns the issue of crowding out altruistic behavior. Frey and Oberholzer-Gee (1997) argue that where civic duty already exists, attempts to monetarily compensate individuals tends to 'crowd-out' that person's civic duty. The authors suggest this can be explained either by strategic behavior, whereby individuals attempt to game compensation givers by pretending to be unmoved by the compensation with the aim of greater compensation, or by the signaling effect of the compensation offer, which leads the decision maker to assume the costs of acting in line with civic duty to be greater and leads to a reduction in non-compensated expressions of morality. Klamer (2016) argues that civic duty is highly contingent on the individual's sense of being an 'owner' of that which is being contributed to. So crowding out can also be understood as the outcome of an effort to compensate moral behavior that leads to a decline in an individual's sense of ownership in the goods they contribute to.

The issue of crowding out represents a challenge to consumer choice modeling because its impact appears to be highly context specific, resulting in a great deal of uncertainty regarding the modeling of something that has a potentially material impact. In their survey of empirical studies that measure the impact of crowding out from government provisions or subsidization, Nyborg and Rege (2003) modestly state, “The empirical evidence concerning crowding-out effects of government provision is somewhat mixed” (Nyborg and Rege 2003, 399). Responding to the question of how much private contributions to a public good decline for every dollar of government compensation received, the authors highlight that empirical studies range range a *crowding in* effect of 89 cents per dollar to more that *complete crowding out*. Nyborg and Rege (2003) also demonstrate that the diversity of empirical findings is equally matched by a diversity of theoretical predictions regarding the impact of crowding out. In general, theoretical predictions concerning the crowding out effect are sensitive to the presumed motivations for private contributions to a public good, which is often (but not always) reflected in the individual's utility function.

Given the difficulty of accurately capturing the impact of crowding out, if we then choose to simply ignore it's impact then policy efforts to compensate or encourage moral behavior may lead to an over-estimation of the impact of morality. This is particularly relevant in the arts where artists may feel morally compelled to contribute to the cultural field with little monetary recompense. With arts organizations making the argument that this amounts to the provision of a quasi-public good, there is political pressure to compensate artists for their 'altruistic' act. If we take Klamer's view that crowding out is often connected to a perceived dilution of 'ownership', the crowding out impact of government compensation is highly dependent on the specifics of that compensation and how it is perceived. For example, if artists perceive that funding for their artist run exhibition space amounts to a loss of control of that good, there may be a perceived loss of ownership and a reduction in non-compensated activities. Another modeling challenge is that compensation need not be in monetary form. This has particular relevant in the context of morality which is linked to non-monetary forms of valuation. While this may be possible to model theoretically, it presents numerous empirical challenges to providing any reliable estimation of the impact of crowding out. Therefore, from the perspective of modeling the impact of morality on choice behavior, crowding out adds an additional a layer of complexity and uncertainty that undermines the potential for meaningful results from modeling derived from consumer choice theory.

Conclusion

By making a number of assumptions concerning the dominant basis for decision making, it is possible to reconcile and model valuation-linked morality within the framework of standard consumer choice theory. Assuming this theoretical modeling holds it is possible to consider consumption decision process according to whether monetary valuation be held as ethical or unethical from both a deontological and consequentialist perspective.

The issue of whether the ethics of non-monetary valuation has a greater impact than ethics of monetary valuation is contingent on two related concepts: an individual's moral base and the set of exchanges that are subject to analysis. Assuming an individual's utility function is affected by his or her moral choices, utility is only affected once they sufficiently deviate from their moral base or minimum moral obligation. As a result, any approach to valuation will have greater potential impact where there is a wider scope for an individual to deviate from their moral base. For a collection of goods that are commonly valued and exchanged in monetary terms, there is less scope for generating moral utility from broadening monetary exchange since there will be fewer goods to impose monetary valuation on. While deviation from monetary valuation is possible, there is less incentive given both the budget constraint and utility generally benefit from maintaining valuation in monetary terms. One the other hand, where another individual deems non-monetary valuation of certain goods to be ethically right, there will be greater scope for moral utility by deviating from monetary valuation within a set of goods that are typically priced. As a consequence, market-derived empirical data is likely to suggest the ethics of monetary valuation to be relatively weak compared to the ethics of non-monetary valuation. However, given the majority of everyday valuation decisions are not based on monetary measures, empirical data that looks beyond observed market exchange is likely to show a much stronger ethical impact of monetary valuation.

Beyond the intuitiveness of the above findings, theoretical modeling of the impact of valuation-linked morality is compromised by the numerous limiting assumptions required, and the reality that the impact of valuation-linked morality is highly context specific. Beyond a theoretical exercise in what is possible, models outlined in this analysis are therefore likely to represent highly simplified understanding of the actual decision process that occurs when moral sentiment is attached to forms of valuation. In light of the complexity of decisions influenced by morality, how are we then to understand the decision process? Dewey and Klamer offer a practical and arguably more realistic understanding of the consumer choice process where moral sentiment and competing values render simple optimization conceptually difficult. Dewey advocates 'dramatic rehearsal', by which we play out complex options in the mind (Dewey and Tufts 1932). Borrowing from Aristotle, Klamer argues that individuals typically resolve complexity and incommensurate values by *phronesis*, a process by which we apply all our knowledge to reach a instinct-based practical wisdom to be used in decision making (Klamer 2016). Although these approaches imply models of consumer choice that incorporate valuation-linked morality are unlikely to reflect actual behavior, their position should serve as a challenge to future theoretical and empirical research in this area.

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