

## MORAL HAZARD

### Cost/Benefit Analysis:

#### Sin and Mitzvah

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### TB MOED KATAN 5A:

REBBI YEHOShUA BEN LEVI SAID, "WHOEVER EVALUATES HIS CONDUCT WILL MERIT TO SEE GOD'S SALVATION."

You've probably heard the story before, or at least a variation. The specifics are not important here. The structure is as follows:

A certain businessman (Sinner) seeks to include a certain scholar (Rabbi) in a crooked business deal. The Sinner assures the Rabbi that the deal is financially foolproof. "You will earn more money than you can imagine," Sinner tells Rabbi, "Think of all the charity and good deeds you will be able to do with that wealth." All the Sinner wants in return is the Rabbi's blessing. But the Rabbi declines to participate and declines to give his blessing. Furthermore, he tries to dissuade the Sinner from the project entirely. "There is something," Rabbi tells Sinner, "not right with this deal." The Sinner does not heed the Rabbi's advice, follows through with the deal, loses everything and returns crying. The deal was flawed. Sinner asks Rabbi: "How did you know that the plan would fail?" The Rabbi responds, "I did not know any such thing. I only knew that God forbade a transaction of this kind. How can one find success if God is against him?" There is little the Rabbi can do to console the Sinner but manages to get him to commit to only honest and upstanding deals from now on.

The moral of the story: crime does not pay.

But, as can be attested by almost anyone who has tasted stolen chocolate, this simply is not true. Crime does pay. Crooked business deals can, and often do, make people richer.

This is not only a matter of perspective—it is not simply that we, as humans, perceive gain where, in fact, as God knows, there is none. There is gain. To some, this gain is morally unacceptable. Sin should, according to such an opinion, be devoid of benefit. But to an economist, awareness of benefit without awareness of cost is insufficient. An economist is concerned with profit—the difference between cost and benefit. According to Rashi, Rabbi Yehoshua ben Levi's statement from Moed Katan refers to just such an economic evaluation. Rashi states that "whoever evaluates his conduct" refers to a person who compares the benefit of a sin to the eventual punishment and compares the cost of a mitzvah to the eventual reward. A similar sentiment is expressed in Pirkei Avot 2:1: "Calculate the cost of a mitzvah against its reward, and the reward of a sin against its cost."

In this sense, an economist is bothered as much by rainy days amidst sunny days as by so-called good things happening to so-called bad people, and there is something intuitive about such wide-angle thinking. But what is fascinating about Rashi's statement is that it actually implies an economic definition of sin and mitzvah: a sin is something for which the costs outweigh the benefits; a mitzvah is something for which the benefits outweigh the costs.

Regarding sin, therefore, it is not so much that crime does not pay but rather that the payment gained from sin will inevitably be less than the cost. And regarding mitzvot, we see on a regular basis that there is a cost involved in their fulfillment: usually a combination of time and money for positive commandments and forgone pleasures for negative commandments. It is a disservice to the righteous to undermine these costs. In extreme circumstances, the cost of performing a mitzvah can be excruciating, as we find in the case of Esther who, in the process of saving the Jewish people, became forbidden to her husband. Nevertheless, we believe that the benefit and the reward of a mitzvah will exceed any detrimental outcome. And so, from a business perspective, it is prudent to perform mitzvot, whatever the cost.

The above definition of sin can be rearranged in the negative: something for which the benefits outweigh the costs is not a sin. This is quite different from the more extreme position that would state that something for which there is any benefit is not a sin.

The distinction is comparable to two economic business models: the profit-maximizing firm and the revenue-maximizing firm. Following Rashi's perspective, our goal as Jews is to maximize profit so that benefit outweighs cost. The other perspective, in which there can be no benefit accrued from sin, seeks to maximize revenue so that benefits are as large as possible, unrelated to costs. (Since, according to such a model, there does not exist a cost to positive deeds or a benefit to negative deeds, maximum revenue is equivalent to maximum profit. Contrasting revenue with profit, however, assists in further understanding the model presented by Rashi.)

The revenue-maximizing firm is generally seen as inefficient, as can be understood by this simple example. Imagine two firms, Firm A and Firm B. Firm A is a multi-million dollar company. Firm B is a sidewalk lemonade stand. Firm A seeks to maximize revenue. Firm B seeks to maximize profit. Firm A earns millions of dollars each year in revenue. Firm B has yearly revenue of \$32. But Firm A suffers costs that far exceed revenue, resulting in significant debt (negative profit). Firm B has a total yearly cost of \$12. Their profit is \$20. Soon, Firm A has no choice but to declare bankruptcy, even though it met its objectives and maximized revenue. Firm B, despite the fact that it has far less revenue than Firm A, is a more successful business than Firm A because it sought to maximize profit.

Sin, according to Rashi's model, has benefit. It is even possible that the benefit garnered from sin can exceed the benefit obtained through the performance of a mitzvah. A person with the intention of maximizing revenue may find that sin is the best route to take. Naturally, this is an inefficient approach because the costs will, by the definition of sin, over time (and, perhaps, after death), exceed the benefits. But with a revenue-focused approach, sin may be necessary. With a profit-focused approach, however, Rashi's model demands the performance of mitzvot.

Of course, our understanding of revenue and profit in regard to sin and mitzvah is hazy. We accept that there is some form of after-death experience, but we cannot possibly (are not equipped to) grasp what this really is. Therefore, when we speak of the benefit of a mitzvah, we cannot make exact pronouncements. The same goes when speaking about the cost of sin. But we take for granted that the benefit of a mitzvah, whatever it may be, has one essential characteristic: it exceeds the action's cost. For sin, the opposite is true. In terms of profit, it is understood that mitzvot always have positive profit (benefit outweighs cost) and sins always have negative profit (cost outweighs benefit). However, the specific amount of the discrepancy between cost and benefit, certainly at the time the action is performed, is only fully understood by God.

It is therefore accepted that sin, though perhaps beneficial on some level, will inevitably be disadvantageous due to the excessive costs that will result from its performance. Similarly, the performance of a mitzvah will always be worthwhile in the long-run despite its costs.

But accepting these facts is not sufficient. Rebbi Yehoshua ben Levi speaks of someone who "evaluates," not merely someone who is aware. Why is it important to evaluate the cost of a sin in comparison with its benefit if it is already known that the cost will always exceed the benefit? Why should I compare the cost of a mitzvah to its benefit if I already know the benefit will be greater?

Two practical reasons come to mind:

1. The evaluation process integrates the mind into the experience. Sometimes that which appears to be a mitzvah is actually a sin, and vice versa. By considering the costs and benefits involved, it can sometimes be easier to determine whether an action is mandated or forbidden.
2. It is important to be aware of the benefits of sin for the sake of teshuva (repentance). If, for example, something is stolen, it is impossible for the criminal to

do proper teshuva without returning the misappropriated object. Along those lines, therefore, the attempt should be made to relinquish any benefit obtained through sin. To fully understand these benefits, one must enter into a forthright evaluation process. (Naturally, in this case, the evaluation process usually takes place after the sin has already been performed.)

But evaluation also has significance for its own sake. Life is often simpler if we imagine ourselves in self-imposed mini-cages, limiting or eliminating decision-making based on choices we have made in the past. The choice to maintain a certain lifestyle, to listen to God, should not be a one-time decision. It should be a constantly recurring decision. To this, I think, more than either of the reasons listed above, is what Rabbi Yehoshua ben Levi refers.

Evaluating the benefit of sin in comparison with its cost forces the recognition that there is a choice involved, reflecting a belief. The same goes for a mitzvah. This is a challenging way of life, demanding the constant reassessment of one's decisions and causing faith to be tested on a regular basis. Anyone who can honestly evaluate all of his/her actions, never ceasing to compare costs and benefits, and still live in the manner prescribed by the Torah, certainly deserves to "see God's salvation."

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