

Ethics and Economics—The Context of an Ambivalent Relationship

Arthur Wagner, PhD

E-mail: arthur.wagner@adventisten.de

ABSTRACT: Early mankind was concerned about the relationship between ethics and economics—subject, which has often been a source of political and social tension. In the context of current society in which we talk more about an economic imperialism and its negative consequences, it becomes increasingly difficult to establish a balanced relationship between ethics and economics. Even more it is required an acute necessity to analyze more deeply the degree of interference of these two disciplines in order to establish a common denominator and highlight the specific chances of each. For a balanced report, characterized by cooperation, is essential in a positive development of society.

KEY WORDS: ethics, morals, economics, essential—complementary premises monistic—dualist concept.

The relationship between the moral and the economic domain and between ethics and economics concerns human thinking since ancient times.¹ Expanding the market economy—starting

with 17 centuries and 18 and involving personal property and the competition—further emphasized this topic.² The countless economic scandals between the years 1960–1980 contributed to the establishment of “economic ethics” as an academic discipline.³ The renowned association of economy researchers with 130 years of tradition, “Association for Social Policy”, inaugurated in 1986 the “Economics and ethics” Committee.”⁴

It is apparent that today the communication regarding the relationship between ethics and economy is still needed. In this sense there are no definitive answers, universally valid, but a regular update of the speeches is required. And this article is intended as a discussion about locating the issue in the context of “economic ethics” such as the importance of essential and complementary premises.

Theoretical framing of the subject

To specifically locate the theoretical framing of this issue in the economic ethics it is first needed to distinguish from a phenomenological point of view between two concepts of fundamental research: one “monistic” and another “dualist”⁵. The monistic concept starts from the premise that ethics and economics are just two different forms of analysis of inter-human problems, while the dualist concept regards them as two different, independent, principles of potential conflict with one another.

So the suspicion regarding reductionism is valid only in the context of the monistic concept, but not in the dualist one, which from the start is based on two different principles,⁶ and has a higher plausibility due to real experiences of many managers who are often forced to choose between moral and economic values.⁷ Despite this fact a large international research line is based on

the monistic concept. This implies that the unsolved problems of the dualist concept will be presented further.⁸

It is generally considered as a weakness of the dualist concept that the two principles—economic and moral—are seen as contradictory, which makes their cooperation impossible and implausible.⁹ Different variants of the dualist concept reveal this problem from the perspective of different difficulty levels.

1. Where there is a primacy without compromise of ethics against the economy,¹⁰ implementation becomes almost impossible: for economic actors are not obliged to risk—in the context of competition—an “interruption”¹¹ of economic logic. In addition the politico–social consequence of this concept is that organizations formed for profit will be seen as opponents of ethics and morals, which must be “stopped”¹², and which, for conception reasons, will be excluded from start from the position of partners in the fight “for a better world”. (K. R. Popper)

2. The mediation alternative between ethics and economics,¹³ really promotes economy as an independent field, but it does not specifically regulate the relationship of cooperation between it and morals. Therefore the decisions will be made ad hoc.

3. This objection is also valid in the case of the variant that is based on distinct communication logics (N. Luhmann). But the question arises here too: how is this realized exactly?

4. The variant that starts from the premise of the existence of “action spaces”—such as the specific ethics of the entrepreneur¹⁴—offers ethics only action space in favorable circumstances, which become fewer and fewer in the context of globalization.

So the dualist concept—in spite of its obvious plausibility—contains a lot of unresolved issues from a theoretical point of view. Therefore it is not surprising that many researchers, especially in the economic field operate on a monistic concept.

This line of research is called the “economic ethics”¹⁵, to which the reductionism objection is raised. The economic approach to moral accepts and legitimizes at the same time—in the constructivist scientific context—other scientific approaches. But the question arises: to what extent these have a significance or influence on the “economic ethics,” issue which will be debated in the final reflections.

Other approaches to morality

The fundamental assumption of the rebuilding critics from an economic point of view of morality is the idea that human behavior is not determined by explicit economic calculation—a very conclusive fact. Individuals behave properly or their socialization, according to what they were transmitted, or what they learned from parents, friends or other role models. Individuals also behave according to the gathered experiences as well as expectations of a certain institutions, and too little to ideals, utopias or their own philosophy.¹⁶

Regarding human behavior a lot of scientific theories have been made so far within the following disciplines: anthropology, philosophy, psychology, sociology, pedagogy, experimental economic research and philosophical and theological ethics. It is indeed a key topic to ask the question regarding the limits of human capacity for processing information or explain what exactly constitutes a “mature self–interest”¹⁷ and how individuals can be educated in this regard.

According to a constructivist methodology it is to be remembered that these academic disciplines tackle, from a systematical point of view, more questions than economic science, which in the context of this article shall not be further deepened. Yet two differences

will be mentioned, intending to highlight the potential of simple differences to develop different theories altogether.

1. Economy investigates how people react to different situations. It elaborates a *fixed pattern*, eg. “Homo economicus” after which it varies the framework conditions. For example: introduce a measure to prevent corruption or tax waiver of VAT, and consequently analyzing reaction changes according to variations in situational conditions. In the discipline of psychology these experiments are conducted contrary: a *fix situation* is developed (in laboratory experiments) that varies by different types of individuals. So psychology assigns a different behavior to several human variables: socialization, own philosophy of life, age, gender, character, etc.

2. Philosophy and theology are traditionally concerned with the entire human existence and “the essence of matter.” This topic is not emphasized by any other subjects, so that one can see a clear difference between the sciences. Indeed the social sciences use—due to concern for human interaction—a preconception about “man”, but in their specific focus on the topic of selective interest they only use the term cautiously, giving up a detailed explanation. It is believed that the economy needs in its work only the determination of the terms “rational animal” and “social animal”.

An economist doesn’t challenge—or should not challenge—that individuals have the so-called “moral motivations”¹⁸; or also that philosophical ethics, education, psychology and other subjects already mentioned can develop different scientific theories on these issues. Also an economist does not dispute that these theories give valuable insights into the business due to specifying the existing essential restrictions in the economic model of *preferences-restrictions*. What is questionable though is that it is a falsification of “homo economicus” (based on constructivist

methodology), and on the other hand it is not obvious at all that on this basis can a plausible theory of economic ethics be build. Where there are such attempts, it is explicitly stated in part, and on the other hand it implies that high altruistic reasons or “mature self-interest” are able to produce the strongest moral imperatives against the materials pressures of the economy.¹⁹

The essential premises of morality

The concept that morality is able to dominate the economic logic actually evades the basic question of A. Smith, K. Marx and M. Weber, namely: how long are altruistic and moral motives as well as the “mature self-interest” able to withstand the pressure and competition conditions in the economy.²⁰ In this context it is about implementing an ethical concept in terms of competition of a real economic market. It is about the ability to capitalize morality through a few moral competitors and at the same time about moral stability in these conditions.²¹

It is necessary that every ethics to systematically analyze economy’s answer: moral can have stability in society only if it is compatible with the incentives, or whether is made compatible²² through political order. Because in the case of dilemmatic structures the dominant strategy is a miscalculation, it is recommended only a morality which can be rebuild as Nash equilibrium.²³

This argumentation of this report model between morality and economics can be exemplified through an image: Morality is like a glacier—whose 7th part is on the surface, while 6/7 are invisible under water. Those dealing with ethics are attracted to the shine of morality, values, the attractiveness of a mature personality but lose sight of the economic foundation, almost imperceptible from a phenomenological–introspective point of view.²⁴

This escape is not harmful as long as morality is compatible with the incentives—which are usually seen in civilized societies. Social conventions, traditions, cultural and legal system—so the entire complex of formal and informal institutions—contribute here that morality be applied practically without the fear of exploitation.²⁵ Children are socialized in these societies precisely for these reasons in the moral context, these taking over and then internalizing the extract of collective experiences throughout the cultural history under the form of some moral rules.²⁶

Experimental economic research²⁷ analyzes the behavior of individuals modeled from a cultural point of view,²⁸ and discover the preferences of fairness and justice, an aversion to lack of equality as well as selflessness (conditional and unconditional).²⁹ These results cannot be denied as such. It however remains an open question: who will these attributes belong to—the individual or cultural conditions? If from a strategic—theoretical point of view an assignment for the individual occurs—as it tendentially happens in economic—experimental research—then the whole theory falls apart in a lot of results or partial theories.³⁰ But if there is an assignment for the cultural conditions—traditionally classic—then the methodical unity of theory remains unaffected by all the necessary differentiations, winning additional new possibilities.³¹

However it is not always necessary to take into account the preferences of fairness in their economic foundation—sometimes this can be, eg. in personal management, even very counterproductive.³² Problems arise, however, usually unconsciously, when the economic base changes. Then moral rules come into conflict with economic experiences. The subject of “economic ethics” is precisely the way to treat these situations. If ethics, pedagogy or other idealistic theories propose that morality to stand up **against** the economic logic of incentives,

if they talk about the destruction of economic logic and try to stop the economizing of all aspects of life, then they operate unaware, precisely against its own foundation. The result will be the morals of calling, postulation and blaming one another. From a socio–political point of view this attitude leads to the more fundamentalist visible opposition towards economy and its synonyms “neoliberalism”, “capitalism”, “utilitarianism” and to all sorts of theories of decadence and conspiracy—that are as old as the universal history.

If individual aspiration for personal advantage or whether economic theory really needs a correction, then it cannot come through morality in terms of competition of the market economy, but only through an improvement in the advantage calculation, through an improvement in the economy.

This idea has very old roots: “Honor your father and your mother that your days may be long in the land given to you by the Lord your God.” (Exodus 20: 12) The long version based on economy of the fourth commandment summarizes itself in the small catechism thusly: “Honor thy father and thy mother.” It further addresses children, not knowing the full meaning. But systematically it means: moral rules should be seen as practical forms, abbreviated, in which are condensed the experiences and deep reflections.

Usually people can deal with such forms. But if the economic base changes—eg. deficits or conversely by an explosion of new technical, social, political or economic possibilities—then it is needed for the moral to be again redesigned/redefined in the long version. Without an implementation based on moral incentives a valid normative cannot be obtained. Even if morality is based on the desires, interests and preferences of the individual, it embodies them in the “advantage” field (self–interest)—objective filling of the traditional economy—and expands it in two dimensions

(although this expansion has to do with emphasizing and not reducing the advantage).

First short-term calculation is replaced by a long-term one—the dimension of time—and then the individualist calculation is replaced with an interactive one—social dimension. From its own point of view the last dimension is more important than the first, because the individual only interactive—i.e. using other qualities—can achieve its optimum individual.

An economic ethics accompanied by an economic method can thus “see” more than those theories which approach morality from a phenomenological, introspective or verbal-analytic point of view, because it “sees” the invisible economic condition of morality as well as the points where moral development acts, both in appearance and in moments of erosion. This is of particular importance in the current time because people—due to globalization—have lost their orientation. Economic reconstruction of ethics leads us into the situation to explain the essential properties of morality. But “a morality that ... thinks it can overcome the knowledge of economy rules is not a morality but moralism, so opposite of morality.” These are the words of the representative of an institution who has passed through bitter experience, trying to impose moral or faith positions against the rules of scientific basis: Joseph Kardinal Ratzinger³³.

Complementary premises of morality

The essential prerequisites require their expansion through additional premises. There are questions or issues which the economy does not face, to which it does not have an answer, but there are essential questions in the orientation of human behavior and to which ethics or theology can provide an answer.

Here I “see” other sciences deeper than economics, just because they are closer to human nature. Such questions are for example: what makes sense today to understand by a “good life” by happiness or “eudaimonia”? What models offer tradition? What moral standards have formed different cultures? What is the relationship between different moral values? Can there be a coherent system of values? How does a moral education look? It is oriented to Kohlberg’s scheme or not? What factors influence the formation of preferences—the parents’ home, church, school, groups of friends? From a theoretical point of view and generally formulated, an “economic ethics” based on an economic method needs ethics especially in three contexts.

First it needs to show to what extent and in what way the basic terms of economy contain basic principles of ethics. This is the concern of H. Albach, who in management science, considers as ethical principles of economic nature the following: the principle of administration, the principle of earning, the principles of equality and brotherhood in the context of reciprocity of production factors, financial balance principle and the principle of autonomy.

Secondly economy ethics needs an ethical input in its work in the form of moral ideals, utopias and visions of a successful life or about a social order where all people can live in freedom, dignity, justice, without fear and shortages. This input traditionally comes from ethics, theology, literature and art. Yet these ideas are not regarded as concrete behavioral instructions, but as heuristic instructions, of searching “in foro interno”—according to T. Hobbes. They lead the search toward institutions compatible with incentives that make possible the implementation of these ideas in real life conditions. Ethics as a heuristic is the key word: through ethics we get a type of guidance, which acts as a compass and not like a navigation system.

Finally modern societies are organized through rules-based systems. But they cannot make all decisions based on rules. Thus all rule-based systems are incomplete, just because they raise the level of flexibility in adapting to new situations.

Ethics comes into play precisely in the concretization of some incomplete rules, especially the entrepreneur's ethics: it takes over the company in detail, based on legal rules and formal organization. Thus much space remains for traditional ethics. As a heuristic form it can achieve higher efficiency than as a system of concrete instructions, because heuristics penetrates all economic reflections.

Final thoughts

This debate has tried to show that the economism, accompanied by reductionism and imperialism—if properly understood—are not only harmless, contrary to popular belief criticism, but may also represent a gain in ethics. On the other hand, economy without ethics only has a functional character, being detached from the reality of human existence. However not only the critics, but the economists themselves do not clearly see the methodological status of the economy, which leads to mutual misunderstandings. Here it is about a methodological theoretical concept, meaning selective or specific, which from a systematic point of view cannot claim exclusivity, but only awareness of a very high degree of abstraction. Economy does not prevent interdisciplinarity, on the contrary it depends on it. Yet, throughout history the relationship between ethics and economics is an ambivalent, unclear one.

But both sciences—ethics and economy—have their specific role in human existence, providing answers and solutions to various questions and topics. It is therefore necessary to achieve

a balance between their interests and between materialism and idealism, between solidarity and progress, between globalism and regionalism, between society and the individual. And a balance—which is not a fixed position—always involves a high degree of tension, practically manifested in the opening and disposal of repeated renewal of the political and social discourse.

My wish is that those who get involved because of the moral cause in the areas of ethics, theology or pedagogy, and who feel marginalized in a defensive position by economic successes or their actors, can be restored to cooperate in a common cause, for ethics gives economy the human dimension.

NOTES

¹ Scherer, (2003) S.39–60.

² Herms, (1991) S.178–197.

³ Steinmann, (1989/1991) S.3–32; Suchanek, (2001) S. 86.

⁴ Here it is about a first superficial characterization. Later it will become clear that in the basic structure of constructivist methodology can not exist a monism.

⁵ Albach (2005) S. 809–833.

⁶ Ulrich, (1996), 137–171.

⁷ Küpper, (2005) S. 835

⁸ Comp. Homann (2002) S. 45ff.

⁹ Steinmann (1995) S. 143–174.

¹⁰ Klassisch Ulrich (1997); limited to entrepreneurs Steinmann ethics, Löhr (1989/1991) and (1995).

¹¹ Ulrich (1996) S. 156.

¹² Scherer (2003) S. 95.

¹³ Klassisch Koslowski (1988).

¹⁴ This argument is used by classical writers of different origin, such as: Steinmann, Koslowski, but not Küpper (1988) and (2005), special S. 839f.

¹⁵ Suchanek (2001).

¹⁶ Kant (1785/1786) A B S. 126. comp. Jonas (1979/1985) S. 262.

¹⁷ Herms (2001/2004) S. 196.

¹⁸ Vgl. Homann (2004).

¹⁹ Wieland, (2001) S. 8–21.

²⁰ Frank, (1993) S. 159–171.

²¹ Ulrich, (1996) S. 137–171.

²² The meaning of formal and informal institutions is to reward the desired interactions and penalize the undesirable ones.

²³ Suchanek (2001).

²⁴ Wieland, (2001 si 1999).

²⁵ Frey & Bohnet (1996) S.292–307 Comp. Habermas 1991; Hermes (2002/2004) S.178–197.

²⁶ Hermes (2002/2004); Buchanan (1985) S. 35–47.

²⁷ As to the economic experimental see Schoefer (2005).

²⁸ Suchanek (2001).

²⁹ Frank (1996) S. 187–192.

³⁰ Herms (2001/2004).

³¹ Herms (2001/2004) S.178–197.

³² It is possible that his collaborators do not feel taken seriously in personal identity, which has a strong moral dimension. So in the process of producing the moral it is needed to appear as moral. Wieland (1999; 2001).

³³ Ratzinger (1986) S. 58.