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978-0-521-87796-1 - Integrative Economic Ethics: Foundations of a Civilized Market Economy

Peter Ulrich

Excerpt

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Introduction: orientation in economic-ethical thinking

It has often been said that man must stand at the centre of the economy. This statement is certainly correct, but it is now necessary to make this general dictum more precise.¹

Economic activity based on division of labour is a societal process designed to satisfy the human need to preserve and sustain the quality of life. It seems to lie in the nature of things that a rational social form of economic activity must be oriented towards *the service of life*² if it is to be meaningful. Consequently, in the words of Alfred Müller-Armack, man must indeed have a central place in the inherent logic of the economic system.

All well and good! In the practice and the theory of the modern market economy, however, we more and more frequently encounter what is called the inherent logic of the economy as a strangely anonymous and *coercive* logic. It occasionally contradicts our intuitions and governing ideas about the good life and just ways of living together in a well-ordered society of *free* and equal citizens. This logic condemns some people to unemployment and subjects others who are still on the labour market to increasingly hard pressure to perform at work. In this way it incessantly improves ‘productivity’ or what we regard as productivity, yet it still fails to provide everyone with what is minimally necessary for a life worthy of a human being at a national, let alone at a global, level. And it brings about a relentless economic growth, which creates high living and consuming standards for a part of the human race, but at an ecological expense which has long become a permanent problem. From the point of view of its conduciveness to a good life, the inherent logic of the ‘modern’ economy

¹ A. Müller-Armack, ‘Die zweite Phase der sozialen Marktwirtschaft – Ihre Ergänzung durch das Leitbild einer neuen Gesellschaftspolitik’ (1960), reprinted in *Genealogie der Sozialen Marktwirtschaft: Frühschriften und weiterführende Konzepte* (Berne et al.: Haupt, 1974), pp. 129–45, at p. 134.

² On this concept see n. 4 in the Introduction to Part III.

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is evidently not the *whole* truth about economic reasonableness. What it lacks is the ethical dimension of rational (reasonable) economic action.

As a result, more and more people are beginning to doubt whether an economic rationalization process which is increasingly gaining a momentum of its own does actually operate in the service of life. The need for a fundamental reorientation in regard to economic progress and an ethically well-grounded containment of the market economy is growing. At the same time, however, the actual development is in the opposite direction, towards an increasingly radical independence of a 'free' market, which has meanwhile unleashed its forces worldwide. Questioning the acceptability of this development by no means implies a rejection of the market economy but only of its exaggeration towards a total market *society*. Not markets but citizens finally deserve to be free in modern society. The market economy must, therefore, be *civilized* in a literal sense.

This, in a few words, is the topical background to the growing recent calls for the new interdisciplinary field of *economic ethics*. Seen in this light, economic ethics is the focal point of an epochal challenge: How is economic rationality, as forced on us by the inherent logic of the market, to be firmly linked with ethical reason, by which we mean the normative logic of the reciprocal relationship between free human beings? This *civilizing* context of the market economy must be fundamentally clarified and redefined in the service of a future world fit to live in.

One might at first sight be surprised at the need for a new hybrid discipline called economic ethics. Are we not dealing here with one of the oldest questions of that venerable discipline which once arose, not by chance, out of moral philosophy and fittingly characterized itself until a hundred years ago as *political economy*? Well, in principle, yes. But this discipline has developed in the meantime into a 'pure' economics, which imagines it is 'value free' and no longer has a place in its axiomatics for ethical categories. Of course, the representatives of this discipline which has distanced itself so remarkably from all considerations of concrete service to life may well as citizens be just as concerned about the development of the real-world market economy as other thoughtful contemporaries; nevertheless, within the paradigms of their theoretical approach, they are scarcely able to comment reasonably on the increasingly evident divergence of the anonymous yet often strangely biased inherent logic of the market and the ethical logic of interpersonal relations. What is more, contemporary *mainstream economics* is, as we shall see, to a certain extent more a part of the problem than a sound basis for its solution. For it provides models only for the 'self-referential' functional logic of an idealized market system and consequently attempts to subsume the ethical problems of *social economy* purely and simply under economic *systems*

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rationality. Where human needs or social concerns cannot be adequately met in the abstract functional logic of the market economy system, or where they even contradict it in principle, 'pure' economics then argues often enough – and without reflecting on its own normative standpoint – *against* such demands for humanity and service to life in the economic practice of society.

The 'need for precision' which Alfred Müller-Armack referred to is consequently moving more and more into the centre of the socio-political discussion. There is much to be done in this respect in the field of traditional economic thinking. Above all, it is necessary to explore and clarify precisely the fundamental *difference* between the perspective of economic rationality, which has such powerful effects in the real world, and a perspective of ethical-practical reason which has still to be defined. It is evident that this requires an equally intensive examination of modern ethics and economics. Because of its (scientifically quite legitimate) paradigmatic restriction to the categories of economic rationality, pure economics lacks the indispensable philosophical ethical categories. Fortunately, contemporary philosophical ethics has made remarkable progress in terms of 'precision' in recent years and, as 'applied ethics', has begun to intervene more and more in the great practical and socio-political debates of our time. But, as will be shown, it is not enough simply to 'apply' ethics to the sphere of economic activity as the alternative to or corrective for economic rationality. Normativity always lies behind the economic logic of the market – consequently we have to lay it bare *within* economic thinking and to reflect upon it in the light of ethical reason. It is important to understand precisely the thought processes followed in accordance with the inherent logic of the market and to find the hiding places of its normative moments. This allows us to examine the practical (political) programme adopted in its name and to uncover its implicit circumvention of the ethical questions involved in economic action. This task, the critical reflection on the normative foundations of the inherent logic of the market, is the specific task of an economic ethics (worthy of the name), which is more than 'applied ethics' on the one hand and 'normative economics' on the other.

The approach described above characterizes the conception of *integrative economic ethics* presented in this book. This specific term is justified, even imposes itself upon us, because the approach proposed deviates substantially from the major positions represented in the international discourse on business and economic ethics. In accordance with the desire for a critical reflection on normative foundations mentioned above, the general methodical aim of this new conception of economic ethics can be defined as an ethically rational orientation in politico-economic thinking

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without abandoning reflection in the face of the implicit normativity of 'given' economic conditions. Since Kant's 'What is Orientation in Thinking?'³ this means the methodically disciplined endeavour to achieve a justification of validity claims which is guided by reason and dispenses with all presuppositions. This, in turn, requires 'the ability to think for oneself and to make independent decisions'.⁴ It is precisely this independence of moral judgement oriented on self-chosen principles which Kant describes as *autonomy* and defines as the constitutive capacity of a 'rational being'.⁵ Whoever uses his tongue in this sense to speak rationally by 'speaking for himself because he has thought for himself and not merely repeated someone else'⁶ is a 'mature' person. Only those who do not let others speak for them can be mature. Kant calls the reflective path to maturity and to autonomous orientation in thinking 'enlightenment' or 'man's emergence from his self-incurred immaturity'.⁷ Autonomous, enlightened thinking and mature speaking are critical in the sense that they subject their own position, without reservation, to the requirement of justification by argument. In the possibility not simply to accept given conditions uncritically but to question them as to their ethical-rational justifiability, the most noble task of modern rational ethics is expressed: to assert the freedom of man to determine his own life.

Modern economic ethics cannot be satisfied with less than this fundamental self-requirement of modern ethics, particularly as critical reflection in the domain of economy must confront extremely influential ideologies and the viewpoints of powerful interest groups. To this extent a rational ethics of economic activity of the kind envisaged by integrative economic ethics is always at the same time an unconditional and comprehensive critique of ideology. Precisely because it refuses to draw back in the face of any supposed or actual inherent necessities, at least in its philosophical conceptions and intentions, it is the best antidote to

³ I. Kant, 'What is Orientation in Thinking?', in Kant, *Political Writings*, ed. H. Reiss, transl. H. B. Nisbet (Cambridge Edition of the Works of Immanuel Kant: Cambridge University Press, 1991), pp. 237–49. See also J. Mittelstrass, 'Was heisst: sich im Denken orientieren?', in O. Schwemmer (ed.), *Vernunft, Handlung und Erfahrung. Über die Grundlagen und Ziele der Wissenschaft* (Munich: Beck, 1981), pp. 117–32.

⁴ F. Oser/W. Althof, *Moralische Selbstbestimmung: Modelle der Entwicklung und Erziehung im Wertebereich*, 2nd edn (Stuttgart: Klett-Cotta, 1994), p. 51.

⁵ See I. Kant, 'Groundwork of the Metaphysics of Morals', in Kant, *Practical Philosophy*, transl. and ed. Mary J. Gregor (Cambridge Edition of the Works of Immanuel Kant: Cambridge University Press, 1996), pp. 37–108, at p. 99.

⁶ Th. Adorno, 'Kritik', in Adorno, *Kleine Schriften zur Gesellschaft* (Frankfurt: Suhrkamp, 1971), pp. 10–19, at p. 10.

⁷ I. Kant, 'An Answer to the Question: What Is Enlightenment?', in Kant, *Political Writings*, pp. 54–60, at p. 54.

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ideologies of all kinds. Hence it aims to make a contribution to the development of mature and responsible economic citizens.

This obviously implies that integrative economic ethics does not intend to provide directly ‘applicable’ answers to specific questions of economic life or guidelines for politico-economic decisions. Its intention is rather to clarify the *form* of rational thinking about fundamental issues in economic ethics. The aim of providing a systematic elaboration and mediation of economic-ethical *orientation knowledge* sketched above is subsumed under four governing ideas, which are developed in the corresponding four parts of the book. Their characterization can, therefore, be linked to a brief survey of the structure of the book (Figure 0.1).

First, an attempt will be made to lay down a consistently pursued ‘line of thought’ founded on rational ethics. In comparison with other books on the subject, considerably more emphasis will be placed on a careful clarification of the moral point of view of rational economic ethics (Part I). A fundamental understanding of the moral point of view and a full awareness of the importance of methodically disciplined ethical reflection are indispensable preconditions for independent thinking on economic ethics. Two approaches are taken to the unfolding of this one perspective on ethics, for which a general validity is claimed, although it is of course open to criticism. First, the phenomenon of human morality, its constitutive significance for the nature of man and its universal basic structure are elucidated from the familiar perspective of real life experience (Chapter 1). Then the intellectual and philosophical developmental path of the moral point of view in the history of thought will be briefly traced from its first formulation to the most highly developed explication in discourse ethics (Chapter 2). At this point it will be possible to establish a sound basic conception for a rational ethics of economic action and to distinguish it from widespread but insufficient approaches in economic ethics, all of which abandon critical reflection at characteristic points (Chapter 3). The clarification of the resulting integrative approach to economic ethics will then lead us on to its three fundamental tasks, which provide the basis for the three subsequent parts of the book.

Second, in accordance with the proposed unconditional reflection on foundations, a critique of ‘pure’ economic reason (rationality) will be undertaken (Part II). It is necessary to discover why and how the inherent logic of the market supposedly succeeds, in its own eyes, in rejecting ethical claims in the sphere of economic action either as ‘impossible’ or even as ‘unnecessary’; impossible because it seems as if we have no choice in view of market conditions, which are seen as coercive, and unnecessary because ethical questions about economic actions are apparently best ‘looked after’ within the categories of pure economic rationality. Behind

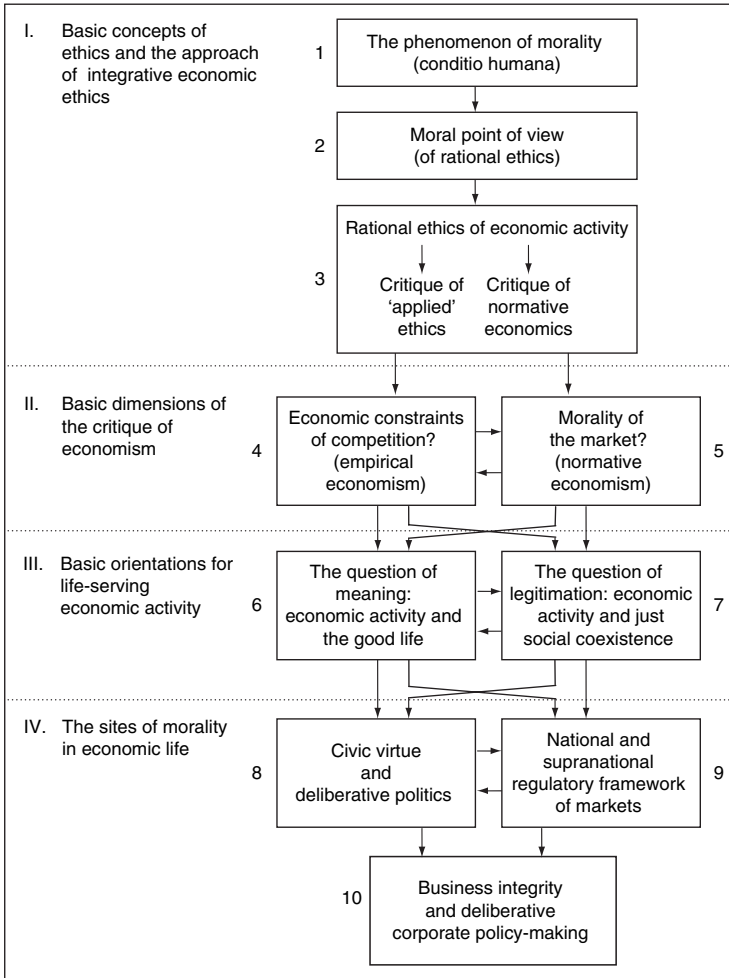


Figure 0.1. Overview of the general systematics of integrative economic ethics

this remarkable normative self-sufficiency of pure economics a tendency to economism shines through: the autonomy, absolutism and normative primacy of economic points of view. In this book the critique of *economism* is seen as an important task of reflection on the foundations of economic ethics, as economism is, as we shall see, the ultimate and perhaps most powerful major ideology of all time. Two fundamental manifestations of economism must be distinguished. The empirical variant, according to which ethics is more or less ‘impossible’ in economic affairs, thinks in

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terms of inherent necessity and the constraints of the circumstances (Chapter 4). The normative variant, according to which ethics is ‘unnecessary’, rests upon the conviction – whose many facets are historically well documented – that the market itself is the best guarantor for ethical correctness in business (Chapter 5). Both variants of economism will be subjected to a systematic examination in regard to their normative basis.

Once these economic blind spots have been identified and overcome our vision is free for the treatment of the basic questions of practical reason in a ‘civilized’ economic life (Part III). The basic idea of the integrative approach in this regard aims to overcome the currently popular two-world conception of economic rationality and ethical reason in favour of an (integrative) idea of socio-economic rationality in which a rational-ethical point of view is already embedded. This guiding idea of rational economic action (already introduced in Chapter 3) at the same time defines the moral point of view of a rational ethics of economic activity. It serves as the starting point for the discussion of more concrete orientational viewpoints relevant to the two elementary ethical questions about an economy in the service of life: the question of the sense of economic activity in regard to the good life (Chapter 6) and the question of the legitimacy of the socio-economic conditions (relations) from the point of view of just forms of social life (Chapter 7). In both dimensions highly topical questions of a new orientation of economic and social policy for a future fit to live in are discussed. It is one of the distinctive marks of the integrative approach that it understands economic ethics in this sense as part of a political ethics which embeds a ‘civilized’ market economy in a well-ordered society of free citizens. In contrast, a great part of the international literature on business and economic ethics pays scant attention to the advanced – and exciting – political-philosophical discussion on foundational issues and even undercuts it systematically.⁸

Fourth, and finally, integrative economic ethics includes an ethical topology, i.e. a systematic treatment of the ‘sites’ of morality and socio-economic responsibility in the life of a modern society (Part IV). In accordance with the philosophical-ethical and political-philosophical horizon of reflection, it rests upon a deepened view of the relationship between individual and institutional ethics. In place of the customary (twofold) division of economic ethics into institutional ethics and corporate ethics, which by and large reflects only the familiar academic

⁸ This critical assessment is shared from a philosophical standpoint by W. Kersting, ‘Lexikalisch erfasst: Wirtschaftsethik und ethisches Wirtschaften’, *Zeitschrift für Politik* 42 (1995), pp. 325–30, at p. 329.

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distinction between political economy and business administration, it offers a differentiated conception of reciprocally related levels of responsibility. To this we add economic citizen's ethics as the third systematic 'site' of morality. This in itself combines individual-ethical elements with the politically and philosophically enlightened concept of a well-ordered society by taking up the indispensable idea of republican civic virtue. We propose consequently to characterize it as *republican liberalism*. With this concept certain reductionist elements of traditional political liberalism and, even more so, of economic neoliberalism are clarified and overcome. Moreover, a link is forged with the most progressive models of *deliberative politics*, which achieve a balance between the discourse-ethical ideal of free democratic politics and political realism (Chapter 8).

With the help of this fundamental critical orientation it is now possible to proceed to a precise, more sharply focused delimitation and critique of the most important regulatory political conceptions of the market economy (old or classical, ordo- and neoliberalism). This goes far beyond the customary systematics of the standard textbooks, whose approach to ethical and political questions seems vague and obsolete. It will be shown that none of the positions discussed does justice to the all-important primacy of the principle of service to life over the logic of the market. This is also true of the ordoliberal conception and the 'economic style' of the social market economy, in spite of their claims to the contrary. The dire consequences can be seen in the current symptoms of political disorientation in regard to the institutional framework of the market. In place of these approaches a formal concept of the normative tasks of a conception of order is presented, which is adequately specific from an ethical standpoint and is nonetheless open in regard to its actual fulfilment in the democratic process. As a particularly significant test of the various conceptions of political order, their treatment of the ethical and political challenge of globalization will be critically investigated (Chapter 9).

Corporate ethics will also be subjected to an unconditional fundamental reflection on its multi-layered inter-relations. First of all it will be shown – more consistently (and thoroughly) than in previously published accounts – why the so-called 'profit principle', which continues to run wild not only in the standard academic approach to business administration but also in corporate ethics, cannot be justified, even in the recent version of the shareholder value concept. In the light of their treatment of the profit principle, which is not a principle at all, four different basic conceptions of corporate ethics will be distinguished and discussed. We shall see that the integrative approach alone consistently avoids the economic abandonment of reflection. Its central ideas of business integrity,

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republican sharing of responsibility for the institutional framework of market competition and deliberative corporate policy-making enable the clarification of the links to civic ethics as well as to institutional ethics, aiming at a deeper and more literal understanding of the nowadays widely used term ‘corporate citizenship’ (Chapter 10).

How far the proposed approach of an integrative economic ethics is sound enough to fulfil the task of bringing systematic order into an unbelievably complex topic is a question which is presented for discussion here. The book will achieve its goal if it helps us to find an orientation of economic-ethical thinking which is free of ideology and unconditionally guided by reason, as uncomfortable as this may be for certain brains of thought. A corresponding new veracity in dealing with the fundamental value questions of the economic ‘creation of values’ presupposes that the prevailing economistic circular thinking is seen through more and more and that the *whole* of economic reason is recognized as the decisive horizon for a civilized economy which has a life-serving future. This is an ideal which at the moment requires a great deal of autonomous self-reflection and occasionally the courage to contradict the *Zeitgeist*. But this fact need not speak against the practical orientational power of the perspectives outlined or against their closeness to life and their (critical) relationship to reality. Alois Riklin, who, as a former vice-chancellor of the University of St Gallen, played a decisive role in the creation of the first chair of economic and business ethics in a German-speaking country, put it in a nutshell: ‘One is not realistic if one has no ideals.’⁹

⁹ A. Riklin, *Verantwortung des Akademikers* (St Gallen: VGS, 1978), p. 201.

*Part I***Fundamental concepts of modern ethics and
the approach of integrative economic ethics**

The difficulties involved in meeting the requirements for a rational foundation of a modern ethics are considerable. On the one hand, the traditional mere declarations of belief in moral concepts based on religious or dogmatic convictions can no longer fulfil the expectations of an ‘ethics without metaphysics’¹ which can be justified by rational means alone. On the other hand, an ethical relativism is gaining ground – as a supposedly ‘postmodern’ reaction to the breakdown of traditional ‘fixed values’ and authoritative moral doctrines. This ethical relativism regards the rational foundation of moral obligations as impossible from the outset and virtually degrades moral issues to purely subjective questions of taste.

The main emphasis of the following introduction to a modern understanding of ethics is placed on the unfolding of a humanistic rational ethics that sees itself as a third way between dogmatism or fundamentalism on the one hand and relativism or scepticism on the other. As part of an enlightened ‘cultivation of reason’² it pursues reflection on the *general* normative preconditions of the good life and just social relations of free and self-determined persons, which can be reasonably understood by all men of ‘good will’.

We begin with the clarification of the *phenomenon of human morality* from the familiar perspective of those who have always participated in a moral community. The specifically modern idea of a rationally justifiable universal moral principle is already clearly present at this stage (Chapter 1). But it is only in what follows that we pursue the methodically demanding central ideas of an orientation in ethical thinking guided by reason in order to describe the most important developmental lines of the philosophical-ethical explication and justification of the rational moral

¹ See G. Patzig, *Ethik ohne Metaphysik*, 2nd edn (Göttingen: Vandenhoeck & Ruprecht, 1983).

² Kant, ‘Metaphysics of Morals’, p. 52.