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

Peter Ulrich

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Integrative Economic Ethics

Integrative Economic Ethics is a highly original work that progresses through a series of rational and philosophical arguments to address foundational issues concerning the relationship between ethics and the market economy. Rather than accepting market competition as a driver of ethical behaviour, the author shows that modern economies need to develop ethical principles that guide market competition, thus moving business ethics into the realms of political theory and civic rationality. Now in its fourth edition in the original German, this first English translation of Peter Ulrich's development of a new integrative approach to economic ethics will be of interest to all scholars and advanced students of business ethics, economics, and social and political philosophy.

PETER ULRICH is Full Professor of Economic and Business Ethics and Director of the Institute for Business Ethics at the University of St Gallen, Switzerland.

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

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Frontmatter

[More information](#)

Contents

<i>List of figures</i>	<i>page</i> viii
<i>Preface</i>	ix
<i>Translator's note</i>	xii
Introduction: orientation in economic-ethical thinking	1
Part I Fundamental concepts of modern ethics and the approach of integrative economic ethics	11
1 The phenomenon of human morality: the normative logic of interpersonal relations	13
1.1 The moral disposition as part of the <i>conditio humana</i>	13
1.2 Morals and ethos as two sides of lived morality	19
1.3 Modern ethics and the problem of relativism	25
1.4 The humanistic core of the moral principle: the normative logic of interpersonal relations	31
1.5 The developmental stages of moral consciousness	37
2 The moral point of view: philosophical developmental lines of rational ethics	43
2.1 The Golden Rule and the Judaeo-Christian commandment to love one's neighbour	44
2.2 The standpoint of the impartial spectator (Adam Smith)	48
2.3 The categorical imperative (Immanuel Kant)	52
2.4 The rule-utilitarian generalization criterion	57
2.5 Discourse ethics	62
3 Morality and economic rationality: integrative economic ethics as the rational ethics of economic activity	79
3.1 Economic ethics as applied ethics?	80
3.2 Economic ethics as normative economics?	89
3.3 The integrative approach: economic ethics as critical reflection on the foundations of economic reason	100

Part II Reflections on the foundations of economic ethics I: a critique of economism	111
4 'Inherent necessity' of competition? A critique of economic determinism	115
4.1 The origins of modern market economy: the calvinistic ethos as a context of motivation	116
4.2 The systemic character of modern market economy: the 'free' market as a coercive context	120
4.3 The partiality of inherent necessity and the economic-ethical problem of reasonable expectation	131
5 'Morality' of the market? A critique of economic reductionism	147
5.1 Historical and doctrinal background I: the prestabilized harmony in the economic cosmos (classical period)	150
5.2 Historical and doctrinal background II: the utilitarian fiction of common good (early neoclassical period)	158
5.3 Methodological individualism and the normative logic of mutual advantage (pure economics)	166
Part III Reflections on the foundations of economic ethics II: rational economic activity and the lifeworld	185
6 The question of meaning: economic activity and the good life	189
6.1 The elementary sense of economic activity: securing the means of human subsistence	191
6.2 The advanced meaning of economic activity: furthering the abundance of human life	196
6.3 The discovery of personal meaning under conditions of competitive self-assertion	207
7 The question of legitimation: economic activity and the just social life	216
7.1 Fundamental moral rights as the ethical-political basis of legitimation	220
7.2 The well-ordered society and the conditions of legitimate inequality: on John Rawls's principles of justice	227
7.3 Economic citizenship rights as the basis of real freedom for all	240
Part IV A topology of economic ethics: the 'sites' of morality in economic life	269
8 Economic citizen's ethics	273
8.1 The basic problem of civic ethics: liberal society and republican virtue	276
8.2 Deliberative politics: the public sphere as the site of economic citizens' shared responsibility	288
8.3 Professional and private life as sites of economic citizens' self-commitment	303

Cambridge University Press

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

Peter Ulrich

Frontmatter

[More information](#)

Contents	vii
9 Regulatory ethics	315
9.1 The basic problem of regulatory ethics: market logic and 'vital policy'	319
9.2 Deliberative order politics: the market framework as a site of morality – whose morality?	341
9.3 The global question: competition of national market frameworks or supranational sites of regulatory morality?	359
10 Corporate ethics	376
10.1 The basic problem of corporate ethics: 'profit principle' and legitimate business activity	379
10.2 Instrumentalist, charitable, corrective or integrative corporate ethics?	398
10.3 Deliberative corporate policy-making: the 'stakeholder dialogue' as a site of business morality	418
10.4 Elements of an integrative ethical programme for corporations	437
<i>Bibliography</i>	443
<i>Index of subjects</i>	471
<i>Index of names</i>	479

List of figures

Figure 0.1: Overview of the general systematics of integrative economic ethics	<i>page 6</i>
Figure 1.1: The categories ‘morals’ and ‘ethos’	25
Figure 1.2: Basic ethical concepts	31
Figure 1.3: Developmental stages of moral consciousness according to Lawrence Kohlberg	40
Figure 2.1: Developmental lines of the moral point of view	44
Figure 2.2: Basic types of rational action	68
Figure 3.1: The three-pole relationship of ethics, economics and comprehensive economic reason	80
Figure 3.2: The two-dimensional character of socio-economic rationality	107
Figure 3.3: Approaches to economic ethics	109
Figure 4.1: Lifeworld and economic system	129
Figure III.1: Two basic dimensions of economic activity in the service of life	186
Figure 7.1: Categories of human and civic rights	227
Figure 7.2: Four variants of the right to a basic income or to work	255
Figure IV.1: ‘Sites’ of the morality of economic activity	271
Figure 8.1: Ideal-typical basic models of civic virtue and civil society	279
Figure 9.1: The systematic dividing lines between paleo-, neo- and ordo-liberalism (ideal-typical conception)	323
Figure 10.1: Possible interpretations of entrepreneurial profit orientation	381
Figure 10.2: Corporate ethical approaches and their relationship to the profit principle	399
Figure 10.3: Internal two-stage conception of corporate ethics	411
Figure 10.4: Elements of an integrative ethics programme for corporations	442

Cambridge University Press

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

Peter Ulrich

Frontmatter

[More information](#)

Preface

At the beginning of the road leading to this book stood the creation of the first Chair of Economic and Business Ethics in the Economics or Business Faculty of a German-speaking university. This happened at the University of St Gallen in Switzerland in 1987. It was my privilege to take on this demanding task. My habilitation thesis *Transformation der ökonomischen Vernunft (Transformation of Economic Reason)* provided the foundation for the development of the St Gallen approach of *integrative economic ethics*, which differs fundamentally from existing international approaches. It is satisfied neither with the dominant concept of applied ethics in Anglo-Saxon countries, which employs ethics simply as a corrective *against* economic rationality, nor with ‘moral economics’ as a functionalist reduction of ethics *to* economics, such as is advocated by an influential school of economic thought in the German-speaking countries. The integrative approach endeavours rather to throw light upon the inherent normativity of economic rationality itself and to develop a comprehensive idea of ethically integrated economic rationality. The integrative approach also describes a third path beyond the usual alternatives in regard to the social framework in which a literally ‘civilized’ market economy must be embedded. Economic ethics is understood as what it implicitly or explicitly always inevitably is: a domain of political philosophy.

The book *Integrative Wirtschaftsethik* was published in the summer of 1997 after a developmental phase lasting ten years. In the intensive German-language debate on this young but highly topical discipline it met with a lively response. The integrative approach quickly established itself as one of the leading conceptions in its field. Interest in the book has also steadily grown outside the German-speaking world. That is why enquiries about an English edition have become more and more frequent. The reason, as far as I can see, is that no comparable overall conception exists to date in the Anglo-Saxon literature.

The English version presented here is based on the third revised German edition of 2001 but goes beyond this publication, as it includes improvements and topical new material planned for inclusion in a fourth

Cambridge University Press

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

Peter Ulrich

Frontmatter

[More information](#)

x Preface

German edition (to be published in early 2008). Furthermore, the referenced literature has been comprehensively reworked for the English edition, in order to provide English sources wherever possible. This applies particularly to the original English sources and the standard English translations of works in other languages.

A project of this kind presupposes the commitment of an entire team over a longer period of time. Without the initiative of my research assistant Heiko Spitzeck, who stubbornly ignored my repeated hesitation and forged ahead, it would never have got off the ground. The next piece of good fortune was finding and winning James Fearn of the University of Konstanz as a professional translator for the project. As a native speaker of English who has lived for decades at Lake Constance doing interdisciplinary translation work in the humanities and social sciences, he was 'our man for the job'. His commitment to the difficult translation task was more than I could repay, in every sense of the word. He not only set about the search for suitable solutions to brain-teasing translation problems with great élan, but also used the resources of the University of Konstanz in order to identify a large part of the English translations and English originals of the literature quoted. His obliging nature and his calm and collected British manner made working with him a pleasure.

My research assistant Eric Patry also played an enormous part in the project. He took upon himself the complicated editorial process of preparing the text for publication and tirelessly supported me for months. That was great! Heiko Spitzeck, in the meantime in New York on a St Gallen scholarship, helped us further with the identification of English sources that could not be found in German or Swiss libraries. Likewise Florian Wettstein in Boston, MA, was always ready to provide assistance. Dorothea Baur, who is also a research assistant at our small Institute for Economic and Business Ethics in St Gallen, and Ulrich Thielemann, vice-president of the institute, were fully committed to critical reading of translated chapters as well as Eric. Finally, Eric, Dorothea and Ulrike Knobloch, lecturer at the institute, carefully worked out the indexes. I am deeply grateful for all of this support. And, of course, the support and almost never-ending patience of my wife Karin was just as indispensable.

That the outcome of this project can now be published by Cambridge University Press is in no small measure due to Paula Parish, Commissioning Editor of the publishing company. She promoted the evaluation process with so much goodwill. In this context I would also like to thank the three expert academic consultants for their favourable statements.

For readers who, like the above-mentioned consultants, are in a position to read both the English and the German versions of the text, it should be said that there are sometimes substantial differences between

Cambridge University Press

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

Peter Ulrich

Frontmatter

[More information](#)

Preface

xi

the texts, which are the result of changes in the content or of linguistic and stylistic modifications. They have either been formulated by me and checked by the translator or proposed by the translator in the interests of readability and authorized by me.

PETER ULRICH

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Frontmatter

[More information](#)

Translator's note

A number of concepts frequently used in the German literature on economic ethics have no direct equivalent in English or carry connotations and associations which may not be immediately evident to an English reader. The central term *Wirtschaftsethik* has been translated with 'economic ethics' when it is used in the sense of integrated ethics as advocated in this book. It has been translated with 'business ethics' where it specifically refers to one of the traditional approaches (business-oriented, instrumentalist, corrective, etc.) which the book challenges.

Wirtschaftsbürger has been translated as 'economic citizen' and *Wirtschaftsbürgerrechte* as 'economic citizenship rights', 'economic citizen's rights' or the 'civic rights of economic citizens'. These terms have in the meantime been well established in the English-language discussions on basic income and on multicultural economic communities. The terms *Wirtschaftsbürgerethik* and *Wirtschaftsbürgertugend* have no direct equivalents in English. The general, non-economic terms 'citizen virtue', 'citizen ethics' and 'citizen's ethics' are widely used in English, particularly in the context of the debate on republicanism. It has, therefore, been decided to coin the expressions 'economic citizen virtue' and 'economic citizen ('s) ethics' by extension.

The concepts of *Ordnungspolitik* and *Ordnungsethik* derive from the work of the ordoliberal school, particularly Walter Eucken and Franz Böhm, who insisted that the market economy is only a partial order which must be embedded in a higher overall order resting upon values beyond the economy. It is the function of the state to regulate the market (*Ordnungspolitik*) and to ensure that it operates in accordance with ethical standards which guarantee the human, social and ecological compatibility of economic activities (*Ordnungsethik*). *Ordnungsethik* is concerned with the normative questions of orientation and justification, *Ordnungspolitik* with the effective implementation of a corresponding overall conception of the market economy. *Ordnungsethik* has been translated as 'regulatory ethics' when it refers to the regulatory framework of the market established by the public authorities. In other contexts, such as corporate ethics, the

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Peter Ulrich

Frontmatter

[More information](#)

Translator's note

xiii

term 'institutional ethics' is also used. Accordingly, *Ordnungspolitik* is generally translated as 'regulatory politics (or policy)' in the context of specific regulatory measures. In wider contexts 'institutional politics (or policy)' is also used. In complex adjectival constructions 'regulatory' is preferred ('regulatory political problems'). A further central idea of ordoliberalism is Alexander Rüstow's concept of *Vitalpolitik*. Rüstow argues that the true purpose of the economy lies in the service of values beyond the economy, in the service of human dignity. *Vital* is whatever promotes the *vita humana* and a life which is worthy of a human being and hence *Vitalpolitik* takes into consideration 'all the factors on which the happiness, well-being and contentment of man truly depend' (Rüstow). It is translated here as 'vital policy', a term English readers have become familiar with as a result of its adoption (and modification) in the (translated) works of Michael Foucault. The adjectival form 'vital-political' has been hyphenated in order to distinguish it from the general English meaning (vital political issues etc.). A related concept also coined by Rüstow is the *Marktrand*. This term emphasizes that the market is only a means to an end, whereas the *Marktrand* designates those areas of human life which are an end in themselves and possess a human value of their own. They are 'a hundred times more important' (Rüstow) than the market itself, as they are decisive for the development of cultural and educational patterns and the moral and social guidelines of behaviour. *Marktrand* has been translated as 'the boundary of the market'.

The term *Ökonomismus* was probably first employed by Gerhard Weisser, for whom it meant the conviction that the postulates for the shaping of economic life can and must be drawn *from our economic thinking* alone. The advocates of *Ökonomismus* maintain the self-sufficiency and autonomy of economic rationality, which is forced upon us by the inherent logic of the market. They argue in a reductionist and deterministic fashion for a 'pure' and 'value-free' economics which has no place in its axiomatics for ethical categories. The term *Ökonomismus* is, therefore, negatively loaded. It has been translated directly as 'economism' with the corresponding derivative form 'economistic'.

Mention should also be made of the use of hyphenated adjectives (*ethisch-praktisch*, *politisch-ökonomisch*, etc.) which are at present much more widespread in German than in English literature. An English reader may perhaps find them stiff, but they have mostly been preserved and directly translated in the text (ethical-rational, etc.) as they serve a useful semantic purpose and can be found among academic writers (e.g. Lawrence Kohlberg) in the Anglo-Saxon world.

James Fearns