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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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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

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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

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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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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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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