

Peter Rona  
Blackfriars Hall  
University of Oxford  
and  
Laszlo Zsolnai  
Business Ethics Center  
Corvinus University of Budapest

### **Agenda for Future Research and Action**

#### Abstract

This concluding paper summarizes the main messages from the book about the restoration of economics as a moral science. It is argued that economics, unlike the natural sciences, does not have an ontologically objective subject, because economic life, unlike matter, is the product of human intentionality. Economic phenomena are always necessarily incommensurate because they occur in historical time and space.

People make their economic decisions by employing practical knowledge (or wisdom). Practical knowledge is the human capacity for the reflective and critical evaluation of our reasons for action. It is the totality of our capacities – including feelings, tastes, experience, impulses and rational reasoning – ordered and filtered to critically evaluate sources of our lives we engage and deploy in making decisions. Accordingly, economics is a form of practical knowledge or reason.

Gift and gratuitousness are basic facts of human life. Persons, communities and organizations are endowed with natural, social, cultural and spiritual wealth as free gift. In their economic functioning they should acknowledge, preserve and enrich their material and non-material heritage. The adequate response to gratuitous giving is gratefulness and generosity toward those who provided the gift.

This concluding chapter summarizes the main messages from the book about the restoration of economics as a moral science. One set of propositions we developed relates to research and addresses how it is possible to incorporate intentionality and ethics into economics as a discipline. The other set of our propositions concentrates on practice and seeks to find answers to how new ethical models of economic action and policy can be developed and implemented. We hope that our propositions – be they imperfect and incomplete in their present form – will inspire both research and action in a meaningful way.

(1) Economics, unlike the natural sciences, does not have an ontologically objective subject, because economic life, unlike matter, is the product of human intentionality. The objects of economics are objects of thought - in the words of Thomas Hobbes are 'made with words' -- that come into being through language and perception that posits them as its objects. The tool-based language of modern economics, expressed in the form of models constitutes its own reality and does not represent an objective reality outside it. A clear distinction between theory and its objects cannot be drawn because the objects of economics are the product of theory.

(2) Intentionality is a constitutive and irreducible element of economic phenomena. Unlike the objects of the natural world, economic objects are mind-dependent. Intentionality is then intertwined with reflexivity, because the variables of economic events affect each other through the agency of human beings, who are both the objects and the subjects of those events. Economic phenomena are always necessarily incommensurate because they occur in historical time and space.

(3) People make their economic decisions by employing practical knowledge (or wisdom). Practical knowledge is the human capacity for the reflective and critical evaluation of our reasons for action. It is the totality of our capacities – including feelings, tastes, experience, impulses and rational reasoning – ordered and filtered to critically evaluate sources of our lives we engage and deploy in making decisions. Accordingly, economics is a form of practical rather than theoretical (in Kantian terms 'pure') knowledge or reason.

(4) In economic life ontologically different types of agents function. People acts as persons having free will and conscience. Organizations – be they incorporated or unincorporated – act

as artificial persons with varying degree of moral capabilities. Economic interactions are ontologically different when they occur between persons, between organizations, or between persons and organizations. Ontologically different economic interactions cannot be described by one single model. Distinct strategies should be developed for improving the ethicality of interactions between ontologically different types of agents.

(5) Contrary to the atomistic assumption of mainstream economics about economic agents relationality plays a primary role in economic life. The major determinant of the economic agents' choices is the impact of the decisions on the network of their relations with others. By their choices and actions economic agents maintain and reinforce, initiate and develop or break and destroy their relationships with other agents. Identity and self-knowledge is crucial in managing the agents' nexus of relationship. Good, meaningful and mutually beneficial relationships contribute significantly to the well-being of the agents and increase the sustainability and competitive advantage of their functioning.

(6) Economic agents harbor heterogeneous motivations. Some of them are prosocial, others are antisocial while the rest consists of self-interest. Motivations of economic agents are partly stable but may change by the context of behavior. Belief systems, including economics influence the motivations of economic agents as well as the construction of context within which they act. Virtuous circles should be developed where prosocial dispositions and supportive social contexts help to form positive economic behavior. Practicing virtues is important because it stabilizes pro-social behavior and/or modifies endogenously the preferences of agents.

(7) In well-functioning market exchange economy, political governance and social reciprocity work together in a balanced and concerted way. Exchange-based transactions, public welfare structures and quotas of gratuitousness and communion are needed to serve the common good, that is to attain social wellbeing, inter-generational justice and ecological sustainability.

(8) Gift and gratuitousness are basic facts of human life. Persons, communities and organizations are endowed with natural, social, cultural and spiritual wealth as free gift. In their economic functioning they should acknowledge, preserve and enrich their material and

non-material heritage. The adequate response to gratuitous giving is gratefulness and generosity toward those who provided the gift.

(9) Human happiness and wellbeing is a multifaceted and complex phenomenon. Aristotelian and Thomistic ethics adequately capture the dyadic aspects of human wellbeing: the experience of people as they live their lives, and the judgment they make when they evaluate their life. Good and virtuous character is a precondition of human flourishing. Modern happiness research and positive psychology revealed that hedonic pleasure plays a limited role in determining human flourishing. Meaningfulness has a much bigger role in it which involves integrating past, present, and future of the person and is linked with purpose in life.

(10) The corporation was born as the device for severing the unity between the actor and the act. Due to this severance, responsibility has become coterminous with legal liability or the management of competing interests among shareholders and other stakeholders. The positivist economic theory, when combined with the function performed by the corporate veil destroys the unity between the action, the actor and the moral responsibility for the action with the result that the corporation must do without the basis for a morally authentic life. Despite the often heroic efforts of ethically minded CEOs the ethical prospects of corporate functioning is rather limited because the actions of its agents are the product of rule-based roles. Unincorporated organizational forms have a greater capacity to function in ethical, social and environmental friendly ways.

(11) Different business archetypes can be identified in economic life. Archetype 1: Business enterprises conducted primarily as for-profit institutions to the end of financial sustainability. Financial self-reliance is a precondition of a firm's survival and for remaining capable of continuously expanding products or services. Archetype 2: The social and financial missions of business enterprises are merged; a coordination of social and financial functions is at the heart of the "promise" of the company as a sustainable enterprise. Archetype 3: Businesses are run with principal allegiance to social missions – outreach to the poor, environmental rectitude, and other facets of sustainability. The archetypes express alternative strategic orientations for individual business enterprises, namely profit-maximization, sustainability-orientation, and serving the common good.

(12) Money is extremely powerful but ambiguous institution. Its basic functions as a unit for calculation, means of exchange and reserve for value cannot be separated from one another. The potential of money for coercion and violence, and its morally corrupting power cannot be easily neutralized. Ethical banks and sustainability oriented investment initiatives are heroic efforts to resolve the inherent contradictions of money and monetary systems in economic life.

(13) The existing economies function with a considerable justice deficit. In order to produce material wealth they accumulate and continuously create socio-ecological burden for the poor and marginalized people, for nature, and for future generations. Mainstream economics bases economic actions and policies on individual preferences and the only conception of justice is the efficient allocation of resources. The resulting state of affairs is the increasing social inequality, deprivation of large number of people and destruction of the biosphere, including climate change and biodiversity loss.

(14) Justice is a multifaceted concept. No single totalizing theory can capture the complexity of it. We need to explore multiple justice claims and synthesize them into a “justice matrix”. A multidimensional understanding of justice requires reinventing the models of economic action and policy on the basis of the socio-ecologically embedded person who has both self- and other-regarding goals and preferences. Economic rationality should be replaced by a broader conception of reason which requires that an action is based on right motivation, executed by fair processes, and leads to desirable outcomes.

(15) Global common goods such as climate stability, biodiversity, water and the like are crucial for the survival of humanity. They require new governance mechanisms to deal with the scale and complexity of the problem. Based on the principle of subsidiarity, multi-level governance mechanisms should be developed to preserve global common goods. The current development model led by global corporations fails to meet this important challenge. Ethical development models require the transformation of business functioning and economic regulatory rules. It also needs a complex social, political, and institutional infrastructure that embraces the environmental, human, social, cultural and spiritual dimensions of development and translates them into decisions and practice.

