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### **Issues and Themes in Moral Economics**

Abstract:

This chapter summarizes the main issues and themes of the book and shows its contributions to the development of moral economics. Zamagni suggests that we can harness market interactions by re-defining the market in a non-individualistic way, as a network of mutually beneficial relations, along the lines suggested by the civil economy paradigm. Bouckaert underlines that thinking of economics as a relational dynamic opens a space for human creativity without losing the embeddedness in a system of meaning and purpose.

Following Amartya Sen economic reason can be understood as reasonableness of preferences, choices and actions. Zsolnai argues that reason requires that economic activities are achieved in ecological, future-respecting and pro-social ways. But Peter Rona warns that the corporation was born as the device for severing the unity between the act and responsibility. He concludes that 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. Helen Alford suggests that economics needs to be more reflective about its underlying ideas. Whereas the tradition of jurisprudence is well established in the legal field, economics has no equivalent tradition of self reflection.

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Following the tradition represented by Kenneth Boulding (1969), Amartya Sen (1987), Amitai Etzioni (1988), Herman Daly and John Cobb (1989), Anthony B. Atkinson (2009) and more recently George E. DeMartino and Deirdre N. McCloskey (2016) this book constitutes a manifesto for reclaiming economics as a moral science.

This chapter summarizes the main issues and themes of the book and shows its contributions to the development of moral economics.

In his paper “Economics as if Ethics Mattered” Stefano Zamagni (University of Bologna) states that mainstream economics is founded on the paradigm of axiological individualism according to which economic actions originate from subjects whose features and purposes are those of the utility maximizing *Homo oeconomicus*. This stance makes it conceptually impossible for the economic-scientific discourse to meet with ethics. Zamagni suggests that we can harness market interactions by re-defining the market in a non-individualistic way, as a network of mutually beneficial relations, along the lines suggested by the civil economy paradigm.

Zamagni argues that virtue ethics has the capacity to resolve the opposition between self-interest and interest for others, by moving beyond it. The virtuous life is good not only for others but also for the actor. Zamagni warns that there are cases when the conscious pursuit of one’s self-interest is incompatible with its attainment. In several instances a seemingly “irrational” response based on the principle of reciprocity leads to better results than the one conforming to the canons of the exchange of equivalents paradigm. This paradox is the opposite of the one exemplified by the Invisible Hand.

Zamagni believes that the discipline of economics needs the relational perspective. A relation of reciprocity considers the force of “between” as M. Buber (2000) suggests. In economics this is captured by the concept of relational good. It is urgent to abandon the assumption of homogeneous motivation for all economic agents. The economic world is inhabited by a plurality of types of subjects: some are anti-social (the envious or the malicious) while others are pro-social (who act with the public interest in mind). The personal dispositions of agents matters. Gift as gratuitousness always counterposes its logic of overabundance to that of equivalence, typical of contracts.

Zamagni refers to Akerlof and Kranton (2000) who emphasize the importance of identity in economic interactions. Identity means to recognize oneself and be recognized. The self-recognition dimension implies self-knowledge, the memory of oneself and one's own experience of life; the dimension of being recognized recalls the need of every person to be inserted in a network of relations facilitating self knowledge thanks to information provided by those with whom the person interacts.

Zamagni underlines that reciprocity occupies the intermediate position between exchanges and pure altruism. With S. Kolm (2000) he suggests an understanding of reciprocity as a series of bi-directional transfers, independent of each other and at the same time interconnected. Independence implies that each transfer is voluntary, i.e. there is no external obligation capable of acting on the mind of the agent. In reciprocity there is much more freedom than in the market exchange where the transfer in one direction becomes obligatory by the transfer in the opposite direction. The bi-directionality of the transfers characterizing reciprocity is what differentiates it from pure altruism, which consists in one-directional transfers. Zamagni argues that reciprocity is important because it can stabilize pro-social behavior and/or modify endogenously the preference orderings of the agents.

In his paper "Teleological Reasoning in Economics" Luk Bouckaert (Catholic University of Leuven) recalls Aristotle's Politics as the prime example of the teleological approach to economics. Aristotle defines economics as the art of creating the material and social conditions for the survival of the *oikos* or household. Simultaneously, Aristotle integrates economics in a social matrix that subordinates economics to politics and ethics.

Bouckaert notes that modern economics is anti-Aristotelian and anti-teleological. Modern economic actors are supposed to be driven by autonomous preferences and free choices. The market functions as an equilibrium mechanism that promotes welfare for everyone in an unintended way. Adam Smith interpreted this effect of the market as the 'Invisible Hand'.

In his paper Bouckaert explores how a personalist approach to economics can overcome some of the failures of modern economics. Thinking of economics as a relational dynamic opens a space for human creativity without losing the embeddedness in a system of meaning and purpose.

In his paper “Economic Rationality versus Human Reason” Laszlo Zsolnai (Corvinus University of Budapest and European SPES Institute, Leuven) analyses the rationality assumptions of mainstream economics and shows that they are empirically misleading and normatively inadequate. He argues that the world ruled by self-interest based rationality leads to ‘unreason’ from a wider ecological and human perspective.

Amartya Sen (2004) suggests that economic reason can be understood as reasonableness of preferences, choices and actions. Zsolnai argues that reason requires that economic activities are achieved in ecological, future-respecting and pro-social ways. Intrinsically motivated economic agents who balance their attention and concerns across diverse value-dimensions are able to do this. Organic agriculture, the Slow Food movement, ethical fashion, fair trade initiatives and ethical banking show the viability of true economic reason under the circumstances of present day “rationally foolish” economic world.

In his paper “Rediscovering Personalism for Economics” Hendrik Opdebeeck (University of Antwerp) suggests that we can rediscover the personalist philosophy in searching for new models for business and economic actions. At the core of Jacques Maritain’s “Humanisme intégral” (1936) is the idea that man is a person who is spiritual in nature, endowed with free will, and thus autonomous in relation to the world.

For Maritain the community is central: the true goal of the temporal order is thus more than the mere tallying up of individual needs. It concerns the good life of the entire community—the common good or *bonum commune*. But the temporal *bonum commune* is not the ultimate goal, as it is subordinated to what transcends temporal welfare —the attainment of freedom and spiritual perfection of the human person.

In his paper “Happiness and Human Flourishing” Knut J. Ims (Norwegian School of Economics – Bergen) explores the concept of human flourishing drawing on two traditions, the Aristotelian–Thomistic virtue ethics tradition and the new research tradition of positive psychology. These traditions may seem very different in origin, but they have some fundamental similarities. Martin Seligman, one of the founders of positive psychology has summed up human flourishing using the acronym PERMA, where each letter indicate one element; **P**ositive emotions, **E**ngagements, **R**elationship, **M**eaning and **A**ccomplishment.

Seligman emphasizes the problems of hedonic pleasure and “happyology” in describing human flourishing.

Knut Ims concludes that the Aristotelian and Thomistic ethics capture the dyadic aspects of human wellbeing: the wellbeing that people experience as they live their lives, and the judgment they make when they evaluate their life. Both employ a virtue ethical perspective, which means that they are concerned about the importance of good character and how to build good characters as part of living in a good society.

“Understanding Financial Crises: The Contribution of the Philosophy of Money” Toon Vandeveldel (Catholic University of Leuven) remind us that the origin of money lies more in the religious and legal sphere than in the economic realm. Money was used in the exchange between men and goods and in order to compensate for manslaughter, rather than for facilitating the satisfaction of material needs. ‘Vergelding’, the conversion of guilt into debt was a means to prevent revenge and violence. But soon unease cropped up: the possibility to express everything that is valuable in monetary terms was felt as a form of violence against the soul of men and things.

Aristotle has tried to fit money in a teleological view of the world, but he was faced with the ambivalence of money. Money was deemed to be good as a unit for calculation and as a means of exchange, but it was distrusted as a value reserve. However, Vandeveldel argues that it is impossible to separate the three functions of money, as many utopian reformers of the monetary order have tried to do.

Toon Vandeveldel underlines that nowadays we experience the violent potential of money in the coercion to pay back our debts. Debts have to be repaid, otherwise the debtor will be destroyed as an autonomous subject. The conflict between various categories of debtors and creditors is the most prominent form of “class struggle” we face in our society. It is also a clash between various conceptions of distributive justice.

In his paper “Economics and Vulnerability: Relationships, Incentives, and Meritocracy” Luigino Bruni (Lumsa University – Rome) warns that a significant body of philosophical work in virtue ethics is associated with a critique of the market economy and economics. The market depends on instrumental rationality and extrinsic motivation; market interactions

therefore fail to respect the internal value of human practices and the intrinsic motivations of human actors. By using market exchange as a central model, mainstream economics normalizes extrinsic motivation, not only in markets but also in social life more generally; therefore economics appears as an assault on virtues and on human flourishing.

Luigino Bruni argues that this critique is flawed, both as a description of how markets actually work and as a representation of how classical and neoclassical economists have understood the market. He shows how the market and economics can be defended against the traditional critique from virtue ethics, and crucially, this defense is constructed using the language and logic of virtue ethics. Bruni proposes an understanding of the purpose (“telos”) of markets as cooperation for mutual benefit, and identifies traits that count as virtues for market participants. His conclusion is that the market need not be seen as a virtue-free zone.

In his paper “Ethics, Economics and the Corporation” Peter Rona (Blackfriars Hall, University of Oxford) argues that the corporation was born as the device for severing the unity between the act and responsibility. Henceforth responsibility is coterminous with legal liability or the management of competing interests among shareholders and other stakeholders. He examines the philosophical foundations of this paradigmatic change and concludes that positivist economic theory, when combined with the function performed by the corporate veil – in effect the institutional device for the removal of ethical considerations from economic decision making apart from those embodied in legally binding norms – 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.

In their paper “Are Business Ethics Relevant?” David W. Miller and Michael J. Thate (Princeton University) notice that the relevance of business ethics can be a question of utility, which considers profits, cultural concerns, and social capital regarding organizational health. But there are underlying suspicions regarding the relevance of business ethics. First, in corporate contexts, “ethics” is often conflated with compliance, and becomes the domain of compliance and risk management. Miller and Thate’s point is not to disparage compliance officers or their departments. Rather, the point is that there are limits of assigning “ethics” and the valuation of actions as “ethical” to a place or office within corporate contexts. Such approaches will necessarily be reactive to and driven by law, code, and policy.

Another suspicion concerns the relevance of one's personal ethics within what Miller and Thate refer to as an "ethical field." The ethical field is where diverse ethical agents, with differing ethical contexts and convictions, inhabit space. The effect and influence of one's ethical actions or convictions depends on where one lives within a given ethical field. This field approach to ethics stresses that an agent's ethical actions and convictions are enmeshed within social relations. And, of course, power relations within any given field are always asymmetrical.

Miller and Thate emphasize that religious ideas can help shape and inform the ethics of peoples and business cultures. Attentiveness to that is an impactful way to engage business school students and business people to think afresh about ethics as character and culture. Thinking about ethics through the lenses of the "Right", the "Good", and the "Fitting" can help guide people through ethical grey zones, informing them toward richer and wiser ethical decisions.

In his paper "Economy of Mutuality" Kevin Jackson (Solvay Brussels School of Economics and Management) posits the concept of economy of mutuality as a mediation space for shifts in emphasis between market and social structures. He develops a triad of business archetypes. In each archetype, alternative emphasis goes to elements of profitability and financial independence on the one hand, and poverty alleviation and solidarity on the other.

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 to new clientele. 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.

Jackson argues that the trio of archetypes also serves as alternative teleological exemplars of the purpose and nature of business. Archetype 1 presupposes the essence of business as profit maximization. Under Archetype 2, business is a means for creating varieties of value for a broad range of stakeholders. For Archetype 3, the purpose of business is serving the common good, with profits secondary and derivative.

In his paper “Economic Wisdom for Managerial Decision-Making” Mike Thompson (GoodBrand, London, CEIBS Shanghai and University of Victoria, Vancouver) argues that Aristotle’s “phronesis” can be explained as social practice wisdom, a discursive system linking mind and social practice to produce wellbeing and human flourishing. Mike Thompson uses the contemporary conceptualization of phronesis and its related metatheoretical construct of wisdom principles to bring a practical dimension to wise decision-making.

The chapter first reviews progress in the understanding of wise leadership within leadership studies and the principles of wisdom proposed by McKenna et al (2009). Against this taxonomy it then recontextualizes the numerous calls in leadership literature for qualitative, research. It presents samples and interprets the resulting theory based in original material from interviews with 184 managers generated by the Wisdom Project.

Michael Thompson concludes that an economic wisdom is present in the minds of managers. Economic wisdom could offer resources for management education and development across all business domains to address the challenges of the VUCA world with a more realistic, holistic and planet-friendly approach.

In his paper “Catholic Social Thought and Amartya Sen on Justice” Johan Verstraeten (Catholic University of Leuven) states that Sen’s (2009) “Idea of Justice” is not only the most inspiring and reasonable response to Rawls’ (1971) “Theory of Justice” but also an important challenge for Catholic Social Thought. Verstraten underlines that Catholic Social Thought and Sen’s Idea of Justice have much in common.

Verstraten argues that despite the emphasis on individual freedom in Sen’s capability approach, the convergence between his approach and Catholic Social Thought is strong. Verstraten articulates several points of resemblance: the role of indignation and emotion, the implications of a realistic anthropology (“seeking institutions that promote justice rather than institutions as themselves manifestations of justice”), freedom as responsibility, human rights as rooted in our shared humanity, valuing religious wisdom in justice theory.

In her paper “Charity and Money: Reflections on Caritas in veritate” Helen Alford (Pontifical University of St. Thomas Aquinas – “Angelicum”, Rome) addresses the problem of charity as a theological virtue in relation to money. She uses “Caritas in veritate” (Benedict XVI, 2009) as a basic reference. The central message of the encyclical is as follows: “In order to defeat underdevelopment, action is required not only on improving exchange-based transactions and implanting public welfare structures, but above all on gradually increasing openness, in a world context, to forms of economic activity marked by quotas of gratuitousness and communion.” In line with this reasoning Helen Alford warns that three aspects of development should be considered: “exchange-based transactions”, “public welfare structures” and “quotas of gratuitousness and communion”.

“Caritas in veritate” places man before the astonishing experience of gift. Gratuitousness is present in our lives in many different forms, which often go unrecognized because of a purely consumerist and utilitarian view of life. The human being is made for gift, which expresses and makes present his transcendent dimension. Helen Alford recalls that today we tend to ignore the gratuitous dimension of human life; we think we can sort out our own problems without reference to the transcendent. The cause of this is very definitely identified in the encyclical as sin, and original sin in particular. As a result, we deprive ourselves of hope.

Helen Alford concludes that economics needs to be more reflective about its underlying ideas. Whereas the tradition of jurisprudence is well established in the legal field, economics has no equivalent tradition of self reflection. But this is gradually changing. In “Caritas in veritate”, however, we are challenged to go further than philosophy, to see what light theological reflection can throw on economics.

In his paper “The Ethics of Development in the Age of Globalization” Zsolt Boda (Institute of Political Science, Hungarian Academy of Sciences and Corvinus University of Budapest) employs the ideas of Denis Goulet (1995) that “development” is a normative and value-laden concept which refers to a multi-dimensional phenomenon. Development should include improvements of material welfare, but also of social conditions, political empowerment, the cultural foundations of self-esteem and ecological conditions.

Boda argues that despite some of its achievements the current development model fails to meet important challenges, like the environmental one. However, this is not accidental:

development led by global business is unable to embody the necessary social, cultural, and environmental aspects. An ethical development requires the transformation of global business and economic regulatory rules (for instance those set by the World Trade Organization), but it also needs a complex social, political, and institutional infrastructure that can ensure the translation of the different dimensions of development into decisions and practice.

In their paper “Transdisciplinarity, Governance and the Common Good” François Lépineux (Rennes School of Business) and Jean-Jacques Rosé (Centre Norbert Elias EHESS-CNRS, Marseille) state that humanity has entered into a stage of world unification where many issues become global and the preservation of global common goods is challenging. They argue that the era of globality calls for a complex and transdisciplinary approach. Their main argument is that multi-level governance mechanisms should be developed to preserve global common goods based on the principle of subsidiarity. The global water crisis is a crucial example of the need for developing such mechanisms.

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