

# European Economic Ethics Research

## A Diagnosis

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### *Die europäische Forschung in der Wirtschaftsethik – Eine Diagnose*

*The purpose of the European Economic Community's founders was not only "mercantilist", but "economic", in the broader sense of the term "economics". If there has been a specific model of Europe, it has been the social market economy. But the crisis of the welfare state has raised doubts about key features of that model. Does Europe have anything particular to offer in the economic realm? The approaches of economic ethics that have been developed in Europe have a lot to say in the formation of a "Euroethos". The article tries to show the main European approaches and to delineate the traits of a European proposal.*

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### 1. Is the European Union also an ethical-economic project?

There is a long history behind the establishment of the European Union, although it was only after the Second World War that Robert Schuman took the first step towards creating the European Community: integrating and jointly managing Franco-German coal and steel production in order to increase wealth and, above all, lay the foundations for harmony. It was thought that a European Federation could gradually be formed from this position. The European Coal and Steel Community was set up in 1951 with the Paris Treaty. In 1957 the 'Six' (Germany, France, Italy, Belgium, the Netherlands and Luxembourg) signed the Treaties of Rome, by means of which the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) were created. From this point the process of building the European Union went on in several different stages.<sup>1</sup>

It is undeniable that the European Union's creation as an economic community stemming from the Coal and Steel Community led voices from the left to criticise the fact that the European Union had in the first line been born as a 'Europe of Merchants', which only gradually would insist on also becoming a 'Europe of Politicians' and, later on, a 'Europe of Citizens'. In the meantime, the first target has been

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<sup>1</sup> The Single Act (1986), the Maastricht Treaty on the European Union (1992), the Amsterdam Treaty (1997) which includes the concept of "European citizenship", and the Charter of Fundamental Rights (Cologne, 1998).

achieved to a greater or lesser extent; the second is still a long way off, and the third even further away. But the actual fact is – as scholars and citizens say quite truly – that without a Citizens' Europe it will be very hard to achieve a political and economic Europe, which is why it is urgent to build that Europe of Citizens.

On the other hand, it is also true that the purpose of the European Economic Community's founders was not only '*mercantilist*', in the exclusively monetary sense of the term, but '*economic*', in the broader sense of the term 'economics'. If economics has the aim of helping to create a good society, as we will defend in this paper, then one must acknowledge that the founders of the European Community were setting out to build a pacific Europe, based on creating wealth and common tasks calling for peoples' cooperation rather than coming into conflict. The economic workings should have a positive-sum outcome and help to build peace.

The founders of the European Community were implicitly agreeing on Kant's view that striving for peace is an ethical-judicial duty, as practical reason utters its irrevocable veto: "[t]here ought to be no war (...), because this is not the way one should seek their right" (Kant 1968b: 354). But they also agreed with Kant that there are just as well reasons for seeking peace based on the commercial instinct, because the commercial spirit cannot coexist with war (Kant 1968c: 368). Thus, it was necessary to foster trade in order to take the regulatory idea of a perpetual peace as a guide.

The path taken by the Community and the European Union clearly has taken a winding route, and the different *referenda* on the Draft of the Constitutional Treaty have produced such discouraging results that it has been necessary to draw up a new Reform Treaty. One of the crucial points of discussion has precisely been the economic realm: leftist sectors quite rightly have pointed out that the first part of the Draft of the Constitutional Treaty covered social rights, amongst other fundamental rights, but that the following parts failed to provide the mechanisms required to protect these. In fact, it seems that the social Europe has given in to neoliberalism.

In any case, political experts consider it vital for the Union to thrive and grow in order to become an increasingly relevant reference in the world system apart from the United States, China or India. The European Union, as a transnational union, constitutes a pioneering experiment which cannot be ruled out. It is nevertheless quite certain that going ahead with it requires designing the traits of a certain European *éthos*, a 'Euroethos', and the way economics is conceived and undertaken in practice has a central role in this *éthos*.

If there has been a specific, albeit non-exclusive European model, it has been the social market economy, which has attained a much higher level of equity in the economic sphere than other models. In this respect, Michel Albert talked of the Rhenanian capitalism opposed to the Californian version in the nineteen-eighties, and Jeremy Rifkin continues to insist in the twenty-first century on the particular nature of the "European dream" as compared to the North American dream (Albert 1991; Rifkin 2004). Nevertheless, the crisis of the welfare state has raised doubts about key features of that model, which would appear to be beating an all-out retreat. Does Europe have anything particular to offer? The approaches of *economic ethics* that have been developed in Europe doubtlessly have a lot to say in the formation of a *Euroethos*.

## 2. The origins of economic ethics in Europe

### 2.1 What is economic ethics?

In the nineteen-seventies ‘business ethics’ was born in the United States, reaching Europe in the eighties and then little by little the rest of the world. The changes in Eastern Europe and the reinforcement of the European Union led Europeans to develop their own approaches, no longer depending on the North Americans (McMahon 1997: 317). At this time experts did not distinguish between economic ethics and business ethics. They often talked of ‘Wirtschaftsethik’ and ‘Unternehmensethik’, of ‘éthique économique’ and ‘éthique de l’entreprise’, and also of ‘ética económica’ and ‘ética empresarial’, as well as ‘ética de los negocios’, without making any distinction between them. Both were linked in the bibliography on the subject, and not incorrectly so, because business models depend to a large extent on the economic systems.

It is nevertheless also possible to distinguish between economic ethics and business ethics, insofar as economic ethics would preferentially – though not exclusively – deal with reflection on economic systems and on the diverse economic orders and consider the place of business organisations and institutions from these standpoints, whilst business ethics would, above all, address the action of business organisations and individual actors, in the framework of the codes which are at the same time the source of possibility and constriction.

Economic ethics – as Conill puts it – refers either to the whole field of the relations between economics and ethics in general or to the ethical reflection on economic systems (Conill 2004: 17). Arnsperger and Van Parijs propose a typical characterisation of a European *éthos*: for them, economic ethics is the part of social ethics dealing with the behaviour patterns and the institutions in this domain (Arnsperger/Van Parijs 2000: 14-15). The importance of considering economic ethics in the context of social ethics as a whole is explicitly expressed in the title of their book, *Éthique économique et sociale*, which insists on social justice being one of the essential dimensions in this context.

For his part, Karl Homann states that “Wirtschaftsethik (Unternehmensethik) deals with the question: how can moral norms and ideals be brought to bear [zur Geltung bringen] in the conditions of modern economics?” (Homann 1993: 1287).

### 2.2 The origins of economic ethics in Europe

The relations between economics and ethics in the European traditions go back at least as far as Aristotle’s reflections on economics and chrematistics. However, attributing the emergence of modern economics to the protestant ethic has been a very extended opinion since Weber and Tawney: the protestant ethic would have an influence on fostering production, on the saving and investment which got capitalism under way (Weber 1904/1905; Tawney 1926). We should not forget that beliefs are vital for social life, but also for economic life. We live, move and exist in beliefs, and that is why it is important to modulate *beliefs* and not only change the rules of the game.

However, Weber's theses have been *criticised* from at least two standpoints: the *first* questions whether it was Protestantism and not Catholicism which fostered capitalism; the *second* does not set out to correct Weber but to complete his view, by attempting to show that Protestantism was the initiator not only of the capitalist form of production but also of the modern form of consumption which made capitalism possible. Without a rise in consumption, production does not increase either, and Protestantism stimulated both of these.

As for the first point, some authors remember that part of Catholic thought supported obtaining profit (Robertson 1973). Not only was the 'spirit of capitalism' present in Catholic spheres, such as Florence and Venice in the fifteenth century, and the south of Germany and Flanders, but traits supporting the birth of capitalism can be gleaned in Catholic thought. For example, sixteenth century Spanish scholastics, very particularly the 'Salamanca School' (Vitoria, Soto, Molina or Valencia), proposed doctrines which would already contain a rudimentary form of assumptions now considered to be liberal or capitalist – in the field of private property, public finances, monetary theory, value theory, the theory of prices, salaries and profits. Late scholastics also recognised the importance of trade for a community's peace and for seeking the common good amongst the different regions of the earth (Grice-Hutchinson 1995; Chafuén 1991; del Vigo 2006). In this same stance, it has even been affirmed that the Jesuits "favoured the company spirit, the freedom to speculate and the expansion of trade as a social benefit. It can be asserted that the religion underlying the capitalist spirit is more Jesuitism than Calvinism" (Robertson 1973: 164).

As for the *second criticism* of Weber's doctrine, the sociologist of religion Colin Campbell wrote his book *The Romantic Ethic and the Spirit of Modern Consumerism* precisely with the aim to extend Weber's thesis on the influence of Protestantism in the birth of Capitalism. Campbell thinks that if the Industrial Revolution was possible due to an ethics of production, which gave moral approval to the production and accumulation of wealth, there also had to be some ethics of consumption in order to give consumption a moral identity (Campbell 1987: ch.6). If the question that Weber brought up as regards the accumulation of wealth was "how could an activity directed toward profit, tolerated at best from the Christian standpoint, become a vocation?", the question should now be asked in relation to consumption, that is, "how could pleasure-seeking, ethically tolerated in the best of cases, become an acceptable goal for citizens of the ascetic society?" (Campbell 1987: 100). If *rational ascetics* promoted *production*, the *sentimental side of pietism* fostered *consumption*: together these contributed to the development of the modern economy. The ascetic ethics of vocation and predestination would promote production and the accumulation of wealth, the sentimental ethics of love and pleasure would promote consumption and thus increase demand. Advertising and fashion would not have successfully taken hold in consumers' spirits had they not harboured an insatiable desire for novelty, whose satisfaction would be ethically justified.

Reflecting on an ethics of consumption, and not only of exchange and distribution of goods, is one of the great tasks of European economic ethics at the present time (Knobloch 1994; Cortina 2002).

The next step in forming an economic ethics was taken by *Adam Smith*. In his work we find an ethics which opens up to economics through demands of the development of modern reality, thus constituting economic ethics and an economics which maintains its ethical nucleus according to the specific social and political contract, thus constituting an ethical (or political-ethical) economics.

The central traits of Smith's economic ethics would be the following, according to Jesús Conill: (1) Self-love and self-interest, however important they may be in the system of trade, are not the only motives. Furthermore, they are not opposed to sympathy, sympathy instead being opposed to egotism. (2) What moves us to a great extent is the economics of esteem. (3) Sympathy enables the approving and disapproving of conducts. (4) A critical study of the role of markets has to be made, establishing authorities for control, so that the "system of freedom" is realised in the "commercial society". (5) Smith professes a modern economic republicanism which establishes the connection between the public and the private sphere from freedom (also from economic freedom) and from virtue (also public virtue). Neither the invisible hand (which tends to be identified with the market) nor the visible one (which tends to be identified with the state) are enough – there has to be the "intangible hand" of virtue and social capital, which generates civility (Conill 2004: 103-113). This economic republicanism will be extended in a large number of the current trends in economic ethics in Europe. Only later will the autonomisation of economic sciences lead to the separation between ethics and economics.

### 3. The profile of European economic ethics from the nineteen-eighties

Economic and business ethics in their present form came into Europe in the nineteen-eighties as an academic discipline at universities and business schools and also in the world of companies. In 1984 the first chair of business ethics was founded in Nijenrode University, at the Netherlands Business School, and ten years later the number of chairs had risen to fifteen, including the prestigious Dixons Chair for Business Ethics and Corporate Responsibility at the London Business School. In 1992 *Business Ethics: A European Review* came out; in 1994 the collection of essays edited by B. Harvey, *Business Ethics: A European Approach*; in 1995 a bilingual magazine in French and English; and in 1987 the *European Business Ethics Network* was founded (van Luijk 1997).

In this context there were pioneering works by Oswald von Nell-Breuning, the late dean of Catholic Social Thought in Germany, and Arthur Rich, the late Protestant leader of business ethics in Switzerland, working in the eighties until the new movement started (Nell-Breuning 1956-1960; Rich 1984-1990) .

At this time it was hardly distinguished between economic ethics and business ethics, though economic ethics seemed to refer to the macro-level in its connection with the meso-level, whilst business ethics covered the micro-level in its relationship with the medium level. One of the characteristics of economic ethics in Europe consisted in dealing, above all, with the macro and meso-levels.

There is obviously a great similarity between the economic ethics developed in Europe and the form developed in the United States, but in the nineteen-nineties some works

set out to stress the differences between both (Enderle 1996; van Luijk 1997), which is of great use for establishing the central traits of European economic ethics from the standpoint of research. We will attempt to describe *these traits*, which are not exclusive in the least, but may indeed provide a profile of these ethics.

(1) A first characteristic of European economic ethics is the diversity of both languages and cultural traditions. For instance, there is a difference between Great Britain and Ireland in comparison with continental Europe, and the islands are more closely linked with the United States and Anglo-Saxon culture. But the sort of joint work that one might wish for also fails to exist among continental European specialists, and this is something that has unfortunately endured until the present day.<sup>2</sup>

(2) The dominance of the United States and the strength of English as a language mean that Europeans depend to a large extent on the Anglo-Saxon countries as regards journals and publishers with the greatest impact. In spite of there being high quality publishers and journals in continental Europe, it is the Anglo-Saxon ones which gain greatest recognition.

(3) The origins of economic ethics have conditioned their development in the United States and Europe. In the United States it was business scandals which aroused reflection in the nineteen-seventies and the need to improve business practices in order to generate trust. In continental Europe, the situation was different. Since the nineteen-seventies the debate on the models of political economy (Hayekian liberalism, social liberalism, liberal socialism, democratic socialism, historical materialism) has been a central focus of discussion in both the academic world and in political life. The fall of the Berlin wall in 1989 and the fact that only market economy remained in force revived debates on economic models. But the question was no longer the alternative 'liberalism or planned socialism', but that of hybrids, of very different 'ethics of capitalism'. In this debate the reflection of economic ethics on the frameworks proved essential (Koslowski 1986; Conill 2004). Consequently, economic ethics in continental Europe consisted – and still consists – above all in reviewing economic systems.

(4) Indeed, one characteristic of European economic ethics is that it deals, above all, with *systemic* and *foundational* questions, preferring to handle theoretical matters. This reflection gave rise to some excellent models of economic ethics, which have gradually been perfected over these twenty-five years without changing substantially. However, there has been increasingly an attempt to link the economy and business, to bind regulatory frameworks with concrete experiences.

(5) This concern for frameworks is upheld on both *epistemological reasons* and in the influence of *religious traditions*. On the one hand, there is a close connection between European economic ethics and social sciences and philosophy. Economic ethics arose as a field of social ethics, concerned with matters such as the ethical aspects of privatisation, the moral basis of employees' codetermination rights, the ethics of investment policies and the moral properties of the market economy (van Luijk 1997). This is

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<sup>2</sup> A pleasant exception was the international conference organised by the Berlin Forum in cooperation with the Heidelberg Academy of Sciences and Humanities in Heidelberg, 2007, which was dealing with the question "European Business and Economic Ethics: Diagnosis – Dialogue – Debate".

quite understandable, given the relevance of the European models of the Theory of Society.

But the influence of Protestant and Catholic moral theology and of the Catholic Church's social doctrine is also decisive in both Central European and Nordic countries as well as in the Mediterranean countries.<sup>3</sup> In Europe as a whole, a large number of theories, centres or schools concerned with economic ethics have, or have had, a religious identity. This is the case with the influential works by Arthur F. Utz (Utz 1994) and all those that follow this approach, such as Alcalá de Henares University (S. Echevarría), but also with the influence of Louvain-la-Neuve University, the "Économie et Humanisme" centre and so many others, including business schools.<sup>4</sup>

(6) In the context of this research work, there is a wide representation of liberal trends based on an individualist paradigm, both the followers of Hayek and the theories of rational choice. But one of the peculiarities of European economic ethics is the relevance of models which lay the basis for a *social market economy*. Free market opportunities are combined with the acceptance of a quota in the promotion of the common good, for the account of the corporations, governmental agencies, trade unions, professional groups and other groups of interest. According to van Luijk, these traits enable us to talk of a "European version of business ethics" (van Luijk 1997: 76).

(7) Closely connected with these characteristics, one of the central features of European research into economic ethics is *the reluctance to accept individualism as the core of social life* by the majority of the new models of economic ethics, as we will see later on in this article; instead, there is an inclination towards recognising *intersubjectivity* as the core of everyday life. According to the majority of these models of economic ethics, this intersubjectivity ought to be materialised in the economy, either on the institutional level (reflexive functionalism) or on the level of interpersonal relations.

Kant's legacy is unquestionable, specifically the formulation of the categorical imperative of the 'end in itself', which enables the hypothetical imperative of the 'people of devils' to be structured with the categorical one of the 'kingdom of ends'. Indeed, the formulation of the imperative of the 'end in itself' – "Act in such a way that you treat humanity (...), always at the same time as an end and never simply as a means" – orders people to be treated unconditionally as ends in themselves, but at the same time allows them to be taken as means to realise one's own interests (Kant 1968a: 429). Because even a people of devils – on condition that they are intelligent – would prefer the rules of cooperation on the institutional level, meaning that the rules wanted by all can regulate individual acts of exchange, moved by the 'strongest interest'; but a

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<sup>3</sup> The influence of the Catholic Church proved decisive through two statements: the 1864 *Syllabus* condemned modernism and economic liberalism, and the 1891 *Rerum Novarum* marked the start of the apogee of the Catholic Church's social doctrine, so influential in different sectors' positive valuation of the social market economy and in matters of social justice. In Spain, this influence led to the emergence of groups such as Acción Social Empresarial or Fomento Social and the Cooperative Movement, which is in an excellent state of health in these times of globalisation.

<sup>4</sup> The Revue *Économie & Humanisme* was founded in 1942 by Louis Joseph Lebret. The 'Économie et Humanisme' association one year later.

kingdom of ends realises that people also constitute the unconditioned moment of economic life (Kant 1968c: 366).

It is nevertheless necessary to recognise here that Hegel leads us beyond Kant, not only because he demands embodying morality in political-economic institutions but, above all, because he discovers that *reciprocal recognition* is the core of social life: the relationship between subjects – the intersubjective relation – and not only the one established by individuals with contracting capacity.

This approach is the one taken in the work of a large number of European authors, both in economic ethics (Kolm, Ulrich, Steinmann, Zamagni, Bruni, Valencia School) and in the spheres of ethics as a whole (Apel, Habermas, Honneth, Ricoeur, Cortina).

(8) The fulfilment of intersubjectivity will entail that levels need to be discerned in economic life: that of interpersonal relations in the sphere of exchange, and that of citizens who have to consent to the rules of normative frameworks. One of the central categories of reflection is that of *economic citizenship*, in a more republican than liberal sense.

These characteristics are to be found pervading the most relevant models of economic ethics over the last twenty-five years.

#### 4. The great models: the dispute of rationalities

The central problem in the sphere of economic ethics in Europe involves the relations between *economic rationality* and *ethical rationality*, in cases in which ethics is acknowledged to have any rationality.

At least three positions can be assumed in this respect: (1) Ethics is *irrelevant* for economics. This is the standpoint asserted by positivism and the Theory of Systems, in approaches such as the one taken by Niklas Luhmann. (2) Economics is an *axiologically neutral science*, as acknowledged by Max Weber's famous *Wertfreiheit* postulate. This is the position upheld by a large number of economists. (3) There is a *relationship* between economics and ethics enabling some sort of economic ethics to be developed. This paper will concentrate on the models standing within this last position, but above all deal with the *new models*.

In effect, from the nineteen-eighties the traditional models linking economics and ethics were still being developed in Europe. There was doubtlessly a major presence of utilitarianism in its different versions, analytical Marxism, taking methodological individualism as its basis (Elster, Cohen, Ovejero); economic liberalism, taking the approach marked by Hayek and sometimes extending to a 'democratic capitalism' like the one put forward by M. Novak (Schwartz, Rubio de Urquía, Rodríguez Braun); the iusnaturalism of ethics as successfully developed as that of Peter Koslowski; or the proposals based on the social doctrine of the Catholic Church, as is the case with Utz or García Echevarría. All these proposals continued to be of great influence in Europe. From the nineteen-eighties, however, new models of economic ethics, acting as a basis for different schools of thought, began to come forward. I intend to refer to some of these models, taking the emblematic authors of each of these as a reference. I shall start by looking at the 'radical liberalism' of Van Parijs.

## 4.1 Radical liberalism

(Philippe Van Parijs and the Chaire Hoover)

In a 'liberal' line there is the solidarity-based (not ownership-orientated) liberalism of Van Parijs and the Hoover Chair. In a Rawls-like approach they opt for a 'radical liberalism', which assumes a basic citizens' income as a central tenet. Basic income makes real freedom possible for all, insofar as it enables them to assume jobs which may prove gratifying.

Basic income is a modest income in cash, sufficient to cover basic necessities; it is regularly received and not subject to any condition other than citizenship or residency. It can be defined as an "income paid by the government to each full member of society (a) even if she is not willing to work; (b) irrespective of her being rich or poor; (c) whoever she lives with; (d) no matter what part of the country she lives in" (Van Parijs 1995: 35). This is one way to implement economic citizenship, understood as the right to enjoy a part of a country's economic goods. In this aspect it coincides with the stake proposed by Bruce Ackerman and Anne Alstott, but, unlike them, the quantity is modest and regularly given, while Ackerman and Alstott propose handing over a large one-time lump sum (Ackerman/Alstott 1999). The reason for those who opt for basic income is that equal opportunities do not exist between citizens handling a sum of money, and it is better to give a modest but regular amount. This same position is defended by the Basic Income European Network (Raventós, Domenech, Pinilla, Bertomeu).

## 4.2 Reflexive functionalism: the economic theory of morality

(The Munich School: Karl Homann, Ingo Pies, Christoph Lütge)

According to Homann, economic ethics deals with the question: "how can moral rules and ideals have any authority under the conditions of modern life?" (Homann 1993: 1287). In modern societies it is not the goals and principles of morality, such as the promotion of individuals' dignity or solidarity, that are questioned, but the means by which these goals are attained. Since the fall of the Berlin wall it has been openly acknowledged that modern societies are market economies in which activities are coordinated through competition, and competition forces those who wish to remain on the market to calculate economically and seek a profit. They are thus moved by incentives such as profit-seeking and avoiding penalties. But, according to Homann, traditional ethics, above all the thought with roots in Kant, claims that it is immoral to allow oneself to be drawn along by incentives: it would seem that competitiveness and morality exclude each other.

However, Homann states that it is necessary to implement moral values through the modern system of economic competition. It is why the maxim for modern ethics should be as follows: "regulatory ideals and demands assert themselves only through the modern economy, and not against this" (Homann 1993: 1295). It is therefore necessary to distinguish between the structural order (the constitution, laws, the economic order, the order of competition) and the measures within that order (innovations, market strategies, price policy etc.). It is also necessary to organise the rules so

that the results desired by all arise from one's own interest (Homann/Blome Drees 1992).

Rules must nevertheless be effective if they are not to wear away, and effectiveness is only achieved through their realisability. To determine the rational possibilities of observance of rules, economic rationality must be resorted to. In the economic model of action, 'rationality' means that human beings follow incentives which arise from situations. If patterns of conduct are to be changed, the situation and the incentives which arise from this have to be changed. Homann proposes to distinguish between two perspectives of morality: the *interior one*, which refers to interpersonal relations, and the *systemic one*. From the systemic angle the complex of principles, norms, actions and virtues is construed as strategies to solve social problems, that is, they are assigned social functions.

This involves (1) a functional determination of morality in the framework of a theory of society; (2) a positive calculation of the consequences of institutional arrangements; (3) establishing the institutionally appropriate incentives so that the results sought after morally stem from one's own interest, that is, as unwanted consequences of intentional actions; (4) making a positive analysis of the aggregated consequences of alternative rules and proposing as compulsory norms the ones that have to be wished for by means of a legitimating act that can only be made from democratic consensus (Homann 1997: 146).

Thus, it can be said: if norms oblige, it is because the consequences of their general fulfilment are wished for. That is also why rules will only oblige if fulfilment is sufficiently assured. Only from this paradigm can the non-intended conditions of intentional actions, universal dilemmatic structures and the meaning of incentives for society's morality bear any fruit. The thesis of this functionalism will be: the systematic place of morality in the market economy – not at all the only one – is the *Rahmenordnung*, that is, the economic order (Homann 1997: 152).

But the reflexive functionalist proposal leaves some problems unsettled:

- (1) It conceives ethics as an ethics of conviction (*Gesinnungsethik*) and disinterest, not as an ethics of responsibility and universalisable interest. This second type of ethics must also take incentives into account.
- (2) It conceives economic rationality as exclusively motivated by incentives arising from situations. But in fact, the *homo oeconomicus*, as a heuristic method, conceals a major parcel of reality, because economic rationality also covers other motivations for exchange, production, distribution and consumption (wish for identity, fellowship, traditions etc.).
- (3) Apart from this, the problem of the 'Leninist paradox' comes up: how can one leap from the vicious circle to the virtuous one when no legislation exists? How does social capital initially start to be generated?
- (4) In what type of dialogue are rules agreed upon? Who are the valid interlocutors and on what basis can they debate?

### 4.3 Integrative economic ethics approach

(St. Gallen School: Peter Ulrich, Ulrich Thielemann, York Lunau, Thomas Maak, Ulrike Knobloch, Dorothea Baur)

In spite of the accusations of falling into dualism that have been made against this model, the fact is that it does not attempt to oppose economic and communicative rationality but to transform economic rationality from the inside. As Peter Ulrich states, a critical economic ethics sets out to find the normative and axiological assumptions of economic rationality and thus provides the social economy with a *normative-discursive foundation*, neither utilitarian nor contractualist but discursive, understood as democratic control by those affected.

The integrative economic ethics approach considers the following three institutional levels of socio-economic rationalisation: (1) the order of understanding (that of the social contract), which corresponds to a normative social integration and a communicative ethical rationality; (2) the economic system (controlled by the market and the state), which corresponds to a functional direction of the system, by means of which the complexity is reduced, and to strategic rationality; (3) personal action, that is, the realm of contracts of trade, pertaining to the effective use of resources and instrumental calculating rationality. The integrative approach includes these three levels. Thus the market neither represents morality nor constitutes its counterpart: whether the market works efficiently from ends that are valuable for vital praxis depends on the democratically determined political-economic structural order. That is why the action of *economic citizens* is important from an active republicanism (Ulrich 1997).

A critical economic ethics of this sort will attempt to intermingle with each other the teleological element of economic rationality and the deontological aspect of ethical-practical reason. It will do this in three ways:

(1) As a normative foundation, the ethics of discourse ensures a deontological minimum, such as the unconditional value of the person and the reciprocal recognition of emancipated interlocutors, which leads to effective problem-solving, because people who realise that they are well treated in their work are also more efficient. Indeed, modern morality reduces transaction costs, because it generates better responses for dignity and justice, insofar as people see their rights protected.

(2) A critique of given individual preferences which discovers self-interests in the strict sense. In contrast to methodological individualism, it is important to remember that the preferences can be modified.

(3) The integrative economic ethics approach states that it is vital to consider the economy not only from the standpoint of the system but also from the *Lebenswelt*, from non-systemic presuppositions of the rational economy. The external effects of the economy force one to take into account all those affected. It is therefore necessary to institutionalise a political-economic communication order constituted by economic citizens. If we wished to apply a test to verify the validity of economic institutions or actions which can also act as a regulatory idea, we could say that “any action or institutional regulation which could have been determined to be ‘productive’ by free and emancipated citizens is socio-economically rational” (Ulrich 1993: 237).

The approach taken by integrative economic ethics nevertheless brings up certain *problems*:

- (1) By distinguishing three levels and assigning a type of rationality to each of these, it masks the fact that communicative rationality, strategic and calculating rationality act together on all these levels.
- (2) On the action level it does not seem to take into account that there are motives for exchange other than calculation.
- (3) Its trust in public opinion as the place for morality requires an in-depth analysis of public opinion, which is the place for forming judgments, but not for making decisions.

#### **4.4 Economic and business ethics based on dialogical praxis: a “culturalist” strategy**

(Erlangen School, especially Horst Steinmann and Albert Löhr)

Steinmann asserts that the new social horizon, that of globalisation, brings up the demand for economic ethics once more. Globalisation increases the shortcomings of the government of national law and requires getting private actors from economic and civil society involved in ethical-political processes which enable creating and assuring the normative foundations of a peaceful world economy (Steinmann 2004: 34). Only citizens’ will for peace provides the historical-cultural assumption without which one cannot distinguish between right and wrong: the culture of peace is a vital a priori condition of ethical political theory.

But globalisation reveals at the same time a cultural fragmentation. Hence, instead of following a universalist strategy (‘from the top down’) it proposes a ‘culturalist strategy’ which goes ‘from the bottom up’: it starts from a specific historical situation and gradually transsubjectively achieves compatible ways of living. The priority task of ethical-political theories will consist in improving the argumentative praxis in education to prepare an argumentation which makes peace possible.

The culturalist strategy will then consist in finding local solutions for specific problems: solutions which may nevertheless be universalised through dialogical networks. This enables a process of reciprocal learning, respectful to specific cultural practices, which in turn enables international planning processes to be devised, taking specific peculiarities into account.

Steinmann states against Homann that one must recognise that the economic order is not the “systematic place of morality” (Steinmann 2004: 35) and neither can the company’s role be reduced to a conduct compatible with incentives. The rules of the game are not only suppositions, means to guide business conduct, but also consequences of this: there is a reflexive integration of the elements. Against Ulrich, it should be noted in Steinmann’s opinion that the ideal presuppositions of discourse are merely explanations of a historical experience, which has taken place in vital praxis, in the peaceful settlement of conflicts, and which has enabled the distinction between an argued solution of conflicts and a force-induced solution. Universally valid norms are only the result of learning through verified experience (Steinmann 2004).

Steinmann's culturalist strategy nevertheless also has some serious limitations in my opinion:

(1) The ideal presuppositions of discourse doubtlessly belong to an 'impure reason' and not to a 'pure reason' alien to experience of life (Conill 2006). But precisely because they enable us to distinguish between the procedures valid for solving conflicts (the argued ones) and the invalid ones (force or deceit) these are a priori suppositions – though not 'pure' – in concrete conflict situations.

(2) One might think that the search for peace is one of those a priori presuppositions, but in any case what we must recognise is that the value assigned to a rationally valid rule is justice: what is important for norms that serve to solve conflicts is that these norms are just. Otherwise peace may be obtained at the expense of freedom and at the expense of the poor who have to adapt to specific situations – such behaviour refers to adaptable preferences

#### 4.5 Civil economy: the relational paradigm

(Serge-Christophe Kolm, Luigino Bruni, Carmelo Vigna, Stefano Zamagni)

The Civil Economy line, represented by Zamagni, Bruni or Vigna, also proposes replacing holistic and individualistic paradigms in economics with a *relational one*. In their opinion, methodological holism has been discarded and only individualism would seem to be left, but individualism does not explain economic reality sufficiently. It is time to bring intersubjectivity to the foreground, though economy has not taken this into account except in the short stage of the civil economy (fifteenth century). However, to understand the 'new' paradigm, it is vital to make certain distinctions:

First of all, it is necessary to distinguish between *social interactions* and *interpersonal relations*. The former may be anonymous and impersonal, while, in the case of the latter, the identity of the subjects is a constituent part of the relationship itself and the power of the 'inter' is a central matter. Economics traditionally takes into account only the former.

Secondly, it is also necessary to understand human sociability in two senses: (1) the propensity to fellowship, in Smith's sense, which belongs to the *expressive* dimension of the subject; (2) the utility obtained from coexisting with others, which belongs to rational calculation. Modern science, going by its utilitarian statute, separates both these elements and exalts the exchange of equivalents over reciprocity. The economist is interested in studying market mechanisms and does not analyse the human quality of the results. That means that the economist is not interested in socially orientated motivations, and as a consequence the utilitarian subject has preferences, not desires.

A third distinction is the one between *extrinsic motivations* (an expression of acquisitive passions), which are the maximisation of profit for the businessman and utility for the consumer, and the *intrinsic ones* (which arise from the passion for the other as something with which to bolster one's own identity). The economist insists on incentive schemes for the subject to attain the maximum efficiency, while it is true that intrinsic motivations have enormous power.

This is why it is necessary to take into account terms such as identity, reciprocity, gratuity, relational goods or happiness, terms that the neoclassical paradigm has ne-

glected, because it does not realise that the influences at work are not always objectively determinable, or that a change in the conditions under which the economic action is undertaken represents an objective influence or not, depending on the moral constitution of the subject and its reference context. “The aim – Zamagni affirmed – is to think of a subject capable of combining freedom of choice and relations, because if it is true that considering the sole relationship ends up giving rise to an ambiguous communitarianism (according to which the individual is a derivative of the social sphere), freedom of choice alone will not get us any further than the individualist fusion (for which the social sphere is the simple product of individual interactions)” (Zamagni 2006: 46).

In this context gratuity has full meaning, understood not as philanthropy (“doing *for* others”) but as building fraternity, doing *with* others in a personal relationship. This time it is not the gift which one in turn wishes to receive, as in the essay by Mauss (Mauss 1950), nor concern for the other, but instead a question of ‘giving so that you in turn can give’.

What erodes the social bond is a market reduced to the exchange of equivalents, an uncivil market, not the civil market founded on the principle of reciprocity. That is why an ethics of civic virtues founded on gratuitous action has to be cultivated: if economic agents no longer preferentially uphold in their structure the values whose affirmation is being sought, any external coercion (incentives and legal norms) is powerless.

The solution to the problem of the agents’ moral motivation does not consist in setting them constraints or giving them incentives for them to act against their interest but in offering them a fuller understanding of their good.

#### 4.6 A proposal for hermeneutic-critical economic ethics

(The Valencia School: A. Cortina, J. Conill, D. García-Marzá, J. F. Lozano, E. Martínez, J. C. Siurana, E. González)

The Valencia School’s proposition is also to use the realisation of intersubjectivity through the economy as a key, because intersubjectivity is the core of social life (neither the individual nor the *bólon*), but from a critical hermeneutic stance (Cortina et al. 2008; Cortina 2003; Conill 2004, 2006; García-Marzá 2004; Lozano 2004). The characteristics of this proposal are as follows:

The *philosophical method* implemented should be that of a *critical hermeneutics*, attempting to look into the *economic activity* itself (“from inside”) to discover: (a) the goals which endow this economic activity with social legitimacy and meaning,<sup>5</sup> (b) the ethical norms that this activity must follow, and (c) the philosophical foundation of such norms, which endows them with rational validity.

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<sup>5</sup> This will bring to light the actions of personal agents or those of organisations and institutions, but the activity as a whole pursues goals which must be socially legitimated, for not only must political activity be socially legitimated but other social activities too, including the economic domain. Hence, ethical reflection cannot be made from outside the economic activity but must take place from inside.

As regards the *goals* of economic activity, the main currents of opinion understand that the goals of economics are economic growth and satisfying the preferences of parties presenting a ‘solvent’ demand. However, it is reasonable to consider that economic growth and the GDP are means for serving the goal which gives the economy meaning and social legitimacy: the satisfaction of people’s needs, starting with the basic ones, the empowerment of their capabilities, so as to enable them to pursue the lifestyle that they have reasons to value – in short: the creation of a good society (Sen 1999; Conill 2004).

In this respect, an economic ethics has to be closely linked to an *ethics of human development*, and even more so in a global world (Goulet 2004; Gasper 2004). It is precisely globalisation that stresses the interdependence amongst all the countries in the world, and economic activity must have the aim of developing all of these, taking ‘development’ to mean individuals’ empowerment.

As regards the *ethical norms* that have to be followed in the economic activity, they must consist in the modulation of the civic ethic of this society in the economic realm. And finally the philosophical foundation of the norms is a cordial version of discourse ethics (a ‘herzliche Version der Diskursethik’), which considers not only the procedural side of practical reason but also its cordial dimension (cp. Cortina 2007 for details).

This hermeneutical approach has significant consequences for the economic structure:

(1) On the *micro-level of personal action*, it should be recognised that preferences are not data but that they are formed and modulated from agents’ motivations; and also that there are both extrinsic and intrinsic motivations (in agreement with Zamagni). Not only is calculating rationality at work on this level but also communicative rationality (the search for identity, the influence of traditions etc.). This is why it is important to foster *civic* virtues enabling virtuous circles of good practice to be generated, in accordance with the republicans, who point out the necessity of civic virtue for a good society. Civic virtue works as the ‘intangible hand’ of society, whose result is harmony (Pettit 1997).

(2) On the *meso-level of business organisations*, calculating and communicative rationalities work together. In order to be competitive, the company needs to use the modern world’s own mechanisms (the market, competition and profit-seeking), but at the same time needs to generate trust by using its ‘moral resources’, especially the dialogue with the stakeholders (García-Marzá 2004). This means that corporate social responsibility may be extremely useful, on condition that it is not understood as a science but as a part of business ethics, that is, as a management tool, as a means of prudence and as the demand of justice to take into account those affected on local and global levels. But also that a company should behave as a ‘citizen company’.

(3) On the *meso- and macro-levels of economic-political institutions* and in the *frameworks of national and global rules*, representatives and experts have to work together with NGOs and especially with those affected by the economic activity. The constitutions of the respective countries and the international economic order, which contain the economy’s rules of play, require reforms which must be subject to consensus. This already

contains a moral momentum, as proposals such as that of Homann and Ulrich lead us to understand.

How to implement these reforms is an open question, but it is undeniable that those affected by the norms must be taken into account in this consensus so that the *Rabmenordnung* can be steered by universalisable interests, and they must be taken into account in a dual sense: (a) public policies and economic norms have to be designed to empower those affected so that they can participate in decisions; (b) those affected must take part in decision-making. The places in which those affected can participate in decision-making must be institutionalised – on the local level, on a national scale, in transnational and global spheres. A critical public opinion is not enough: the presence of those affected is required in the institutions at which decisions are taken.

## 5. The new challenges on the globalisation horizon

As stated above, in the nineteen-eighties economic ethics aroused expectations in Europe that have not been wholly fulfilled. In the early twenty-first century the globalisation horizon again brings up the demand for economic ethics, for at least three reasons.

First of all, if globalisation is to benefit all the peoples of the earth, the aid of national states is required, but also that of two new players: companies and solidarity organisations. These three protagonists should help to structure a fair world order precisely when volatile financial markets are fluttering, when companies are offshoring to countries with cheaper labour, with non-existent labour law, with a lack of environmental regulations and with asymmetric rules of trade.

Secondly, the existence of public goods increasingly claims a global governance, going beyond national governments. Some of these goods are international stability and security, an international global order, the shared commitment to combat pockets of lawlessness and settle regional conflicts, but also an open and inclusive economic world system that meets the needs of all and global welfare. Questions of global justice are taking on very special relevance.

In this respect, one can begin to see some implementation of the Global Compact put forward by Kofi Annan as Secretary General of the United Nations as well as the European Union Green Book on RSE.

Thirdly, the crises of the welfare state, which started to emerge in the nineteen-seventies and have only heightened, are threatening the economic model of social economy, which has led Europe at a certain point to creating the most egalitarian society on the planet and to meeting the requirements of social citizens, in the T. H. Marshall sense (Marshall 1992). Universalising social citizenship is a demand of justice on which the European Union, as a social Europe, should work if it is to be faithful to its moral identity.

The models of European economic ethics thus come up against both old and new questions against which they are called to show their worth. These questions are mainly: the construction of a global economic ethics (St. Gallen School, Homann, Koslowski, Lütge), the possibility of a global governance (London School of Economics), the ethics of human development (Desmond Gasper, Sabina Alkyre, Onora

O'Neil, Flavio Comim, Nigel Dower, Emilio Martínez), the place of consumption and lifestyles in the economy (Ulrike Knobloch, Daniel Miller, Peter Koslowski, Adela Cortina), multiculturalism (Erlangen School), the need to meet the demands of an economic citizenry, either through a basic citizens' income (Philippe Van Parijs, Jean Marc Ferry, Daniel Raventós, Rafael Pinilla) or through a civic minimum (Stuart White), social capital, sustainability (B. N. Kumar, Graf, Ulrich, Leisinger), NGOs (Civil Economy, Dorothea Baur), happiness (Frey, Stutzer, Richard Layard, Stefano Zamagni). The new approaches are emerging from social movements, from ecologist and feminist groups (Netzwerk Vorsorgendes Wirtschaften).

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