

# The paradigm of an ethics-integrated economics: The case against the business case and the case for global regulation – Lecture

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1. Addressing the economy in a professional and systematic manner is regarded as the privilege of economics as the academic discipline. Economics, however, considers itself as being an ethically neutral, “value-free” academic endeavour. Thus, what economists say about the economy is beyond ethically doubt. However, what economists say about the economy, the competitive market, is that it is driven by “rational” actors, and if so, the outcomes would be “efficient”.

“Rationality” and “efficiency” are normative terms. The one refers to microeconomics and immediate interrelationships; the other refers to the whole system and offers a criterion for the “goodness” of its macroeconomic outcomes. Actors should act “rationally”, not “irrationally”, with “rationality” being understood as utility or profit maximization. Economics offers a justification of homo economicus. As with regard to the input side, the market principle is justified with regard to the output side. If all market participants “rationally” maximize their profits, the outcome would be “efficient”, and this means that the market principle is regarded as the moral principle.

This all comes down to an ethics of the right of the relatively more powerful, the right of the more solvent and the more competitive market participants. This is economism, in political terms: neoliberalism. Thus, we already have a normative theory of the market, in the form of economic economics, but this is a wrong ethics, that is, an ideology.

Also, the strictly positivist strand of economics, which is the leading one in today’s economics departments worldwide, cannot avoid being normative. And its normativity comes down to being the same “markets-should-rule-the-world”-ideology as crypto-normative economics, the ones without mathematics, advocates.

2. With regard to legitimizing theories of corporate conduct, economism manifests itself in the claim, that “ethics is good business in the long run”. This business case for CSR, which pervades roughly 98% of the discussion on responsible corporate conduct, comes down to justifying profit maximisation (as opposed to profit making), and can be already rejected on general grounds. Profit maximisation cannot be justified and is not compatible with responsible and legitimate corporate conduct. Apart from this general refusal the business case for ethics can be rejected on four grounds. First, a general business case for ethics rests on a premodern conception of ethics as a catalogue of predetermined norms. Second it wrongly assumes the neutrality of striving for profits as such. Third it is an opportunistic concept at best. And fourth it comes down to an anti-ethics where might, in more or less subtle forms, is right.

However, there is a small corridor where managing from true integrity is compatible at least with profit making and with staying in the market. In this concept of earned reputation, a company is, moderately, financially successful because it acts from integrity.

3. However, there are limits to earned reputation in a competitive market. Even if the market would consist of nothing but responsible participants, all acting from integrity, the demands for moral bindingness needed in a global market economy to direct it to a responsible path would hopelessly overstrain each individual (or each company). And, from a more “realistic” perspective, the profit maximisers will drive the responsible actors out of the market. Therefore, the ethical insights of each of us, as single actors, bearing moral bindingness, need to be backed (hopefully: not replaced) by enforceable rules, that is by legal bindingness, which is the core idea of constitutional democracy (“demokratischer Rechtsstaat”).

However, each national state, and even an association of sovereign national states like the European Union, today, and to an ever growing extent, has lost its political sovereignty to “the markets”, especially to financial markets. Each individual national state whose political representatives give the “wrong signals” to the global (financial) markets, or whose parliament enacts the “wrong laws”, will be sanctioned by a loss in global competitiveness and, in the end, by an increase of unemployment. The world is in a state of economic war, called global regulatory competition, which is competition between nations and their politics (“Standortwettbewerb”), which thwarts each individual national state’s ambition to regulate a market economy, and to restrain unwanted competition, in a way which is not “market-compliant”. Therefore, in order to regulate the economy in a way which allows market participants, and companies, who want to act morally responsible, to remain in the market, some kinds of global cease-fire agreements are needed. There is a need for a global public policy (“Weltinnenpolitik”) in order to turn global competition from a “condition” of politics to matter of political regulation and restraint.