Current Concerns
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Civilized Market Economy

Against the economistic blindness

Prof Dr Peter Ulrich

For millenia, man has been an economizing being due to the manifold needs and abilities evolving in his cultural history, a being that has always tried to manage limited resources reasonably. But as a cultural being he is more than just a homo oeconomicus: because his economic activities are not ends in themselves but a means to the end of a good life. Therefore, what is economically reasonable, can not be exclusively determined by (market) economy, but requires an orientation, i.e. points of reference from practical life: a cultural concept of life and a vision of a society, in which we would like to live.

What is particularly important for an economy that is reasonable in the context of our practical life? We know the conventional answer: the modern industrial society has focused almost all its energies in rationalising the production process, to increase the amount of available goods and thus also to increase its material wealth. Productivity and economic growth are correspondingly the basic criteria of a "rational" economic policy; more market and more competition are its general formula. For over 200 years this has been the programmatic core of economic liberalism.

While it has been vehemently politically opposed from the beginning, economic liberalism has enforced and is still enforcing a progressive unleashing of market forces from social and political control in an increasing number of countries. During the globalization of markets in the last 3 decades we experienced such a boost of unleashing market forces. The driving forces behind it are powerful capital investment interests in search for new markets and cheaper production locations. In modern, liberal and democratic societies the dominance of such interests requires a justification to the citizens. For that purpose economic liberalism has always used two complementary arguments: the argument of the common good and the argument of the inherent necessity.

First and foremost the good news spread about the free market is "prosperity for all" – this is also the title of a book by Ludwig Erhard, the father of the German economic miracle of the post-war era. The miracle of market economic dynamism, which brought concrete improvement of their living conditions to the members of the society, is fading; increasingly giving way to a new aggravation of social conflicts between winners and losers of competition, between rich and poor.

Even in the advanced countries a new precariousness is growing in the world of employment (employments are instable and socially insecure, short-termed and badly paid), eating its way into the former middle class, which used to be professionally well qualified. Total wealth may still be growing, but its distribution continues to be unevenly. No wonder that a large majority of citizens perceives those conditions as increasingly unjust.

Every time the gospel of the automatic utility of private economy's valorisation of private capital for the common good is loosing its power of persuasion, the economic liberal doctrine – and this is the second strategy of argumentation – points to the inherent necessity of competition in market economy. For those, who are interested in the further unleashing of market forces, these days the reference to the international competition over geographic locations offers a universally convenient argument of inherent necessity. So everybody is fast in stressing that globalisation is a fact, which has to be unconditionally accepted like the ever changing weather conditions. But does this really make sense? In the here presented book a different perspective unfolds: Neither the rethoric of inherent necessity, which wants to make us believe in an autonomous development, that is not controllable by anybody nor the blind faith in free market, which allegedly is committed to everybody's benefit, are reasonable. Those are incarnations of outdated market metaphysics, which have to be disenchanted in modern society. The "Disenchantment of the World", as Max Weber called the process of modernization and rationalization of culture and society, is still a program of belated enlightenment in the area of economic thinking, even if the marvellous teaching of the beneficial effects of the "free" (world) market has lost some of its glamour, at least as a consequence of the latest crisis in finance and economy. Most people no longer believe in the old market doctrine. This is how the financial crisis has inevitably led to a crisis of ethical orientation in economy.

Crises are times of upheaval when groundbreaking, even epochal changes, setting a different course, become necessary. After the loss of unquestioned taken-for-grantedness of normal times, there have always been attempts to restore the old order and to return to business as usual as quickly as possibly. On the other hand, we find a growing progressive reflectiveness regarding reasonable criteria helping us to re-orient our thinking and acting and possibly shape our communal life in a new way. It is the essential educational task of modern ethics to make these criteria available for a critique and new orientation for those circumstances which obviously are not very reasonable. More than ever, the dictum of the philosopher Manfred Riedel is true: "Ethics begins with a reflection on the crisis" – as a critique of ideologies and interests which are behind the crisis.

Just to avoid a possible misunderstanding: The ethically reasonable critique is not directed against a productive market economy but against its excess as a total market society which subjects everything, our whole lives and also politics, to the "impartial logic" of the market. Vice versa, it would be reasonable to integrate the market economy into the larger aspects of a good life and fair living together of free and equal citizens. In a really modern society, the general freedom of the citizens deserves priority over the "free" market (political liberalism instead of just economic liberalism). In that sense, we are literally talking about a civilized market economy.

As strange as it may appear to the hitherto dominating economic way of thinking in inherent necessities – the fundamental question when looking for a civilized market economy is: What kind of economy do we want? How do we, the citizens of a free and democratic society, shape our "economic life", in society and in private life? What is the significance of a continuous increase in purchasing power in our concept of a good life? To what extent are we willing to pay the price for this by a constantly increasing pressure to perform and an ever harder struggle for existence in our working lives? How do we want to deal with those who are not able to withstand this pressure? Which amount of social justice and solidarity should a society own that we want to live in? And how about the responsibility for our economic dealing with nature considering the future generations?

It is about time to direct the efforts of our economic reasoning not just to the augmentation of means but increasingly to the meaningful purposes and legitimate principles of a further development of economy. This, in a nutshell, is what the upcoming historical new orientation of our economic thinking is about, if we, as responsible citizens of a democratic society, are to find sustainable answers for the challenges I mentioned before.

But what does it mean to "orient oneself in one's thinking"? This is a famous question by Immanuel Kant. With this question, he introduced the notion of "orientation" into modern practical philosophy – as the essence of rational thinking and life. Man, as the being that is not determined by nature, but is able to decide and act according to reasons finds himself often in a situation where he can and has to choose between different options. Then we have to think, according to the current challenge, more or less profoundly, about questions like the following: Who do I want to be as a person (self-conception) and to whom do I feel connected (relationships)? Where do I stand (standpoint) and where am I going (intention)? What do I adhere to (principles) and what kind of life do I want to lead (life concept), so that I feel personally fulfilled (meaning in life) and my way of life is socially adequate (legitimacy)? These are basic ethical questions. So the attempt to orient oneself reasonably in economic thinking is essentially an attempt at economic-ethical orientation. Not the theory of economy which, according to its self-concept, explains the workings of the system of market economy, but economic ethics – understood in a contemporary way – serve as a central reference science. The orientation concept advocated here is based on the approach of "integrative economic ethics" which was developed by the author.

Who needs knowledge about economic-ethical orientation? Is this a science for specialists? – Not at all! We are all somehow involved in market economy contexts. As reasonable persons, we have to pass justifiable value judgments on the hierarchy of conflicting aspects of value in economic life, to strengthen our respective power of judgment and to make us mature (i.e. able to reason) with respect to ideological economic doctrines of any origin. How else could we lead a self-determined and cultivated life? And how else could we as citizens responsibly participate in the democratic decision on fair rules and an appropriate integration of market economy into society?

At the centre of an economic-ethical attempt at orientation, hence, there should be our thinking and acting as responsible economic citizens. Economic citizens are economic subjects who do not split off their business sense from their public spirit, that is, their self-concept as "good citizens", but try to integrate both. The task of economic-ethical orientation touches on all the roles which we play in our personal economic life – at work, in dealing with money or when shopping, but also in the standpoints which we adopt as citizens in public debates on economic and social-political questions. And our economic-ethical sense of direction is challenged substantially by the immense economic dynamics of our times. And nearly everything is questioned now that the world is in a vast socio-economic upheaval. •

Peter Ulrich, emeritus professor of economics (Dr rer pol), was from 1987 to 2009 the first professor of economic ethics at the University of St. Gallen as well as founder and director of the there institute of economic ethics. His standard work "Integrative Economic Ethics: Foundations of a Civilized Market Economy" Cambridge University Press, 2008 is also published in Spanish (Abya Yala, Quito, Ecuador) and German.

Ethics Will be Crucial for Survival

km. From 20 to 22 September the heads of state and government from all over the world met in New York on the occasion of this year's UN General Assembly. They set up an interim report 10 years after the formulation of the Millennium Development Goals in which things did not look well.

While year by year more than 1 trillion US Dollar are spent on wars and armament in the world, while even in the rich countries wealth is further shifted to the richest and while polarizations and confrontations in our societies increase, while large financial establishments are again making billion-gains with speculative transactions despite their many skeletons in the closet, almost nothing is done to help the poorest in the world out of their misery, at the same time. On the contrary, the governments of the rich countries "save" and cancel their programs.

According to data of the German Caritas (Catholic charities), for example, the German State Department reduced its contribution for humanitarian assistance in the world for another 20 per cent this year, after a 6.2 per cent reduction last year. And the German Federal Ministry for Economic Cooperation and Development subjects its supporting measure increasingly to the restriction that the countries which want to get "assistance" compliantly open their markets – in the interest of the world export champion Germany.

Those who read the newspapers pages on economics and finance become submerged by prognoses on the economic situation, economic growth debates, currency fluctuations, stock exchange courses and similar things – however, no one talks about humans.

As a consequence of the world financial and economic crisis the number of hungry people in the world has risen to over 1 billion. At the same time the governments of some countries boast how well they mastered the crisis.

How much warm-heartedness is there in a world, in which it is still possible that the influential people in a country think that while they are pursuing their own happiness they may disrespect the well-being of others? How cold-hearted must someone be to watch others suffer?

Or to put differently: What has actually happened and is still happening in our world that the people's conscience is not stirred up noticeably and they rather let themselves be appeased and their conscience silenced?
It was reported that the strategists and "arbiters of state" of the big and rising powers met in Geneva and in Riga and debated, whether the world was to be controlled in a unipolar or multi-polar way in future and by whom it was to be controlled.
It was also reported that within the EU, it's all haywire and hardly anyone knows who actually acts out which farce.
It was also reported that there are people in Switzerland, who would like to muscle in this mélange and fool the Swiss into the belief it would be to their advantage.
What cannot be reported is, however, that the strategists and arbiters of the big and rising powers met in order to swear off to power politics and to take an oath on the law.
What a relief in this context is to read Peter Ulrich's text. "Civilized Market Economy" he called his latest book – a comprehensively revised, updated and substantially extended new edition of the same book published in 2005.
The book is to stimulate our thoughts. The book is also an invitation to think about what else has to be civilized in this world.
Ulrich refers to Immanuel Kant and his demand to reorient one's own ideas. "Who do I want to be as a person and who do I feel bound to? Where do I stand and where do I head for? What do I hold on to and how do I want to lead my life so that I feel a sense of personal satisfaction and social justification?" Ulrich calls this "central ethical questions".
And these ethical questions can not only be asked when our economic life is at stake – to a certain extent they are universal questions.
Ethics is the desire to find out what is right and bear witness of it. In a world, in which a lot of injustice is happening and further injustice is intended for the future, ethics become crucial – both on the large and the small scale.

Integrative Economic Ethics

Integrative Economic Ethics is a highly original work that progresses through a series of rational and philosophical arguments to address foundational issues concerning the relationship between ethics and the market economy. Rather than accepting market competition as a driver of ethical behavior, the author shows that modern economies need to develop ethical principles that guide market competition, thus moving business ethics into the realms of political theory and civic rationality. Now in its fourth edition in the original German, this first English translation of Peter Ulrich's development of a new integrative approach to economic ethics will be of interest to all scholars and advanced students of business ethics, economics, and social and political philosophy.
Peter Ulrich (Author), James Fearns (Translator). Integrative Economic Ethics: Foundations of a Civilized Market Economy, Cambridge University Press; 1st edition 2008, ISBN 978-0521877961

