



Relationship between Ethics and Economics

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Problems of ethics seem not considerate in the standard economic theory. Now, Sen declared that economy is an ethical science. In fact, Economists have difficulties to integrate ethical considerations in the economical theory. Needs economy prior Institutions for the development of activities? The answer depends naturally on the different conceptions of Ethic or morals. This Answer can deeply influence the economical and social politics and also relationships between countries with different degrees of development or wealth.

So, our analysis will be particularly interested in Sen's works. He attempts to take care of Economics and Ethics at the same time. He also tries to analysis extreme poverty in a theoretical point of view.

In a first time, we will try to determine the main characteristics of the moral considerations in economical analysis.

I) Ethics and economy

In Hobbes's works, because of scarcity, human beings are subject to a lot of passions. Each times, they risk dying of a violent death. Development of human activities seems impossible. So, human beings decide to create a governmental institution, the Leviathan. The Leviathan had to do laws and to separate human beings. Only economics exchange may be authorized. Like God, The Leviathan must define good and evil. This collective intelligence, exempt of passions, seems a totalitarian institution. This institution symbolizes rationality and allows the development of economical activity and wealth. Economy and establishment of legal norms become science like mathematical and the first human sciences. It is the only mean to achieve rationality and peace between human beings. Hobbes's theory founds the principles of the liberalism. Economy has no finality but itself. Hobbes reduces the search of happiness to a unlimited purchase of wealth. In fact, to deal with scarcity, the passion of accumulation causes rationality. It is the only authorized passion. Human beings become indifferent to human beings.

There is no place for morals in the Hobbes's theory because ethical considerations principally concerns human relationships. God give the faulty for the human being to define good and evil. The Leviathan, the collective rational intelligence, deals with this function and individuals cannot judge any more.

A. Smith's work analysis economy and morals but not confuse them. He does not agree with absolute morals, prior morals of the establishment of human society. His moral standards concern in a transformation of oneself because of the judgements, approbation or rejection, of the others. The will to please someone slowly transforms the human beings in the direction of social and moved norms. So, we have moved moral standards according to the norms defined by all the society in a self-validation process. There is no superior aim for these morals standards, no hierarchy of values, no definition of good and evil. Smith tries to construct a empirical ethical science on the base of pleasures, judgements and searches the causes and the effects. The moral feeling is the output of vanity, excessive self-love and so is a source of pleasure. It induces a permanently improvements in the passions and acts for the "impartial spectator" according to the



feeling of affinity for the judgement of others. Justice institutionalizes these moral standards with solemn forms and become in turn a mechanical process. Now, the feeling of affinity takes a little place in the economical sphere, there is no sympathy, no pity, and no attempt to share the feelings of the others. The affinity takes place only in respect of economical norms and in the recognition of the values in exchange. The selfishness is needed for a rational approach, but the feeling of the common good also. The selfishness is the source of the moral standards and of the economical rationality. For Smith, economical activity is primarily concerned by the works for the satisfaction of the needs. Then, the development of exchange is an issue of the working division and allows the reduction of trouble. It is the values of labor that are exchanged.

With the theory of institutions, relationship between moral standards and economy moves according to the schools. For the German historical school (see Schmoller and Wagner), social institutions are earlier than the economical activity and are an issue of the historical and social activities. Institutions are outside economy. With the biological and social evolutionists (see Darwin, Spencer and so on), the social order is not necessarily the product of efficient selection but is an issue of complex causalities, with no identified aims, in the economical process (adaptations, moves, external dynamics). For Veblen, the institutions are also concerned with the norms, habits and so on in the society. These institutions product real organizations and influence economical activities. The selection of institutions is realized with a non linear and external dynamics like: innovation, routine making, self-reinforcement, disappearance. The New school of institutions, with Williamson, extends the concept of “homo oeconomicus” in a environment of limited rationality, informational asymmetry and uncertainty in the sense of Knight. The “homo contractor” rationally searches efficient institutions. Finally, works in the sphere of economy that deals with the institutions of justice also searches laws and norms to obtain an optimal economy.

In all these theories, moral standards are ignored, see Hobbes, or reduce to esthetical criterions, see Smith, or reduce to be an instrument. Sometimes, limited interactions are possible between moral standards and economy. The problems of solidarity, of poverty reduction e.g. are not treated. So, we have to study the contributions of the well-being theory and the Sen’s contributions. Besides, we not succeed in the definition of ethical or moral standards: sometimes Institution, in a wide sense, include moral standards, sometimes we have an esthetical definition, see Smith.

In the neo-classical theory, the moral standards are base on the concept of marginal utility. Some people consider that this concept respects the equality of economical agents and the universality. The good and the evil are defined according to the intensity of the satisfactions that come from economical goods and behaviors. Others, like Sen, try to demonstrate that “utilitarianism” not succeed in inequality reduction.

II) Sen’s contributions

According to Sen, the mechanical side of economy prevails against the search of the aims of economical activity. The aims are supposed evident, and only the means to achieve them are



really study. The methodology of the so called positive economy neglects all the ethical and complex problems. Now, they have some importance for the study of real behaviors.

According to Sen, the concept of "utilitarianism", contains three requirements :

- 1) The well-being theory, in which the judgment on an economical situation depends only of marginal utilities;
- 2) The classification of economical situation according the sum, for all individuals, of the marginal utilities ;
- 3) The "conséquentialisme" in which the judgment of all the behaviors, institutions and so on, depends only of their effect in terms of economical well-being.

Sen's Criticisms concern the two first principles of "utilitarianism". Besides, Sen strictly approve the "conséquentialisme" concept, but he try to combine it with ethical or moral considerations.

There many criticisms for the first requirement. The search of self well-being cannot be the only pattern of the economical behaviors and these principles is not always efficient for the improvement of the well-being. Economists generally use two definition of the rationality. One concerns the maximization of self well-being. The other one, the rationality of correspondance, requires that the rational choice correspond with the searched aim. It is a necessary condition of rationality. Now, the first definition not always implies the other one, see the "dilemma of prisoner".

What are the other patterns of the economical behaviors? It may be the solidarities between generations, in the families or in a group. Sen defines two important patterns according to affinity, sympathy, sense of duty or ethical considerations: compassion and engagement. Compassion is defined according of the effects of affinity for the others on our self well-being. In this sense, Sen consider that compassion is a purely selfish feeling, because we feel satisfaction when others have pleasure and we have an unpleasant feeling otherwise. The engagement exists when someone choose a behavior that might imply a degree of satisfaction least than another one. Engagement is a heroic behavior when there is no selfishness. Engagement does not imply necessarily a loss of rationality. But, what is engagement without compassion? In fact, this distinction has a sense in the economical analysis.

Compassion is analyzed like an externality: the satisfaction or utilities of agents depends on our own goods but also about the situation of others. Externality generates problems in the traditional models, but these difficulties may be treated. On the other hand, in the engagement, the relationship between economical behaviors and choices and the maximization of self well-being does not exist any more. The traditional models cannot deal with this concept. Now, the engagement is a more and more widespread behavior, especially in the sphere of public goods and working market. In these two cases, it would be too expensive to use means to urge someone act with more motivation or sincerity. The activity in these spheres of economy needs a great moral sense to perform. This sense may be product of religious faith, political ideas e.g.





Sen disapprove based his moral standards on a universal moral, search to combine different moral standards relatively of the individuals or their place in the society. He does not agree with a universal hierarchy of values.

In concern with the criticism of the principle of sum, we have also many arguments. In particularly, Sen criticizes the “revelation of the preferences” theory. Because, compromises are frequent in the economical behaviors. And the poor people adjust their will according to their possibilities. They try to reduce their disappointment. They are also disadvantage in their economical behaviors.

Besides, the ”utilitarianism” gives a too important weight to the marginal utility and nothing for the ethical considerations. The sum of marginal utilities hides the inequality in the repartition of wealth. Rawls gives another argument. In the sum, we do not study the source and the quality of satisfactions.

Sen’s Analysis contains two stages: a individual stage for the moral sense, and a macroeconomic stage in which the politicians can decide in the sphere of well-being theory.

Sen try to combine the “conséquentialisme” concept with ethical issues.

He distinguishes two types of moral standards: the “conséquentialiste” moral standards like utilitarianism, and the deontological moral standards based on rights and duties which contain a intrinsic value. “Conséquentialiste” moral standards unsuited to consider rights and duties, the deontological moral are too rigid. And we must consider the effects of all the economic and social behaviors. We can get the difficulty by combining these two types. For example, in a “right-objective” system, the respect or the violation of the rights may be included in the objectives of “conséquentialiste” moral standards. In facts, we add moral objectives besides the economical ones in the aims of “Conséquentialiste” moral standards. There may be some problems of weights accorded to these aims.

Sen tries to modify the base of “utilitarianism” to realize this combination. After the analysis of other works (leximin, principle of difference), he also developed a new concept:

- Leximin or maximin: this criterion retains the “conséquentialisme” and the well-being theory. But it replaces the classification based on sum by a lexical classification. The economical situation, in which the more disadvantaged people have a greater utility than others, will be preferred. If the more disadvantaged people have same utilities, we must study the utility of people just before them and so on. But, people who are very difficult to satisfy can appear more disadvantaged. And it is not possible to combine this criterion with ethical or moral considerations.

- The principle of difference is proposed by Rawls. The lexical classification is not used for the utilities but the “primary goods”. These goods are desired by all rational people. They may include rights, freedoms, possibilities accorded to individuals, the base of a social respect. The list can vary according to culture and is defined in the situation of ignorance of our own rank. This



principle needs the construction of a statistical indicator to knowledge the situation of individuals in terms of “primary goods”.

- The principles of “capabilities” is proposed by Sen and it is an extension of Rawls’s principle. According to Sen, Rawls forget that people are different by sexual characteristics, age, culture, and also in their choices for their life. The same “primary goods” cannot insure the same utilities and result in terms of freedoms for all people. The concept of “capabilities” express the real freedom for individuals to choose between different lives, and it depend on inequality of characteristics. We can define “primary capabilities” like: the possibility of eat, to have a roof, to communicate and so on. Sen will integrate the notion of emergency in this definition. This principle also needs the construction of a statistical indicator.

Rawls and Sen keep only the “conséquentialisme“. Capabilities do not allow choosing in all the different situations. We need to combine these principles with other moral or ethical considerations for more superior goods. Not any moral standards can involve all ethical considerations. Sen suggests three solutions. The first one is a complete and leave-headed classification, based on combination of different moral standards. The second one is partial order based on principles like dominance. And the last one uses moved judgments according to the situation. In fact, Sen propose a sort of “meta-classification”.

Conclusion

Sen’s contributions are very important to integrate ethical consideration, particularly the problem of poverty. His analyze had allowed to construct a statistical indicator, widely used in less developed countries.

We can now resume the great characteristics of his analysis. Sen criticizes the “utilitarianism” but retains the principles of the individualism and the “conséquentialisme”. Individuals are not always rational in their moral and ethical choices. Sen disagree with ethical judgment for himself. The list of capabilities is defined according to the agreement of human rights. But this agreement depends on judgments.

Sen also retains two levels for the moral standards: at the level of microeconomic, individuals can be selfish or can have moral feelings; in the level of macroeconomic the “politicians” search the common well-being by means of a meta-classification of moral standards.

Sen give not superior objectives, outside economy, to the moral standard. Individuals do not need to improve themselves, unlike Smith’s moral standards.





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