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ECONOMIC THINKING AND ETHICS

*An Ethical Approach for Economical Issues**

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Abstract

The worldwide economic crisis of 2007/2008 popularised the ethical questions within economics. Currently, few mainstream economists tackle these questions and the typical curriculum of economics often lacks input on philosophy, ethics and the history of economic thoughts. However, economists confronted with ethical questions believe themselves capable of answering them. As a result, the popular discussion about ethics and economics becomes a discussion about regulations. In contrast to that, in the context of the “Economics and Ethics” discussion in Germany, the article shows an alternative approach, which concentrates on the question of why something is to be labelled as “moral”. On the base of Peter Ulrich's integrative economic ethics, the relevance of the right of subsistence on the ethical legitimacy of economic decisions, recommendations etc. is explained. The insights are discussed with respect to labour market theories and the German labour market reforms of 2005. Finally, the question of ethical legitimation is connected to the question of democracy and economics.

JEL: B00, B52, B59, P48, Z13

Keywords: Peter Ulrich, integrative economic ethics, discourse, ethical legitimation, Karl Polanyi, Subsistence, Viability, Right of Subsistence

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(1) Introduction

The worldwide economic crisis of 2007/2008 is mainly believed to have been caused by the past unregulated liberty of the financial market. This is often accompanied by a belief that the bankers' greed is culpable. However, there is the matter of morality within the economy, economics and economists. Commonly, attentions to morality seem to be satisfied through the the establishment of new regulations – such as the tobin tax – and moral appeals. In essence, morality has been simplified and reduced to the meaning of rules and therefore, people discuss rules. However, this approach unfortunately does not give rise to an answer to the question of how morality leads to rules. What exactly characterises rules to be qualified as “moral” or “good”? How does morality become part of rules and political decisions?

The financial regulations only reflect one field, in which morality is claimed. Blaming the crisis as the instigator, some governments complained about the big public spendings once they had saved the financial sector. Today, they argue for a decrease in public spendings. One typical target of such cutbacks will likely be the governmental welfare policy. As a result, the issue of morality emerges, especially in the case where welfare interest is running the risk of being played off against the economical “constraint” (German: Sachzwang) to decrease public spendings. The question again arises, in which way ethical decisions can emerge? Which welfare policy is to be called “ethical”? What is required is an approach that explains *how* we get to ethically justified decisions.

The following article tries to introduce an approach of economic ethics that describes a method of ethical decision making; an approach that aims at the conditions of ethical legitimated and accountable economic activities. The paper concentrates on the following issues:

- (1) The question of morality is discussed in the light of the integrative economic ethics of Peter Ulrich.
- (2) “Reasonability” is a very important element of Peter Ulrich's idea. The limit, at which a reasonable rule, decision etc. becomes an “unreasonable” thing, is characterised, at least, by subsistence. Therefore, some special subsistence terms are clarified.
- (3) Based on the subsistence view, the enhancement of the integrative economic ethics is developed.
- (4) The ethical decision then returns to the economic questions with reference to labour market theories and the German labour market reforms called “Harz IV”.

The article finishes by giving a broader perspective that connects the ethical discourse to the question of democracy.

(2) About the Morality of Rules

Morality has long been associated with rules, especially in Germany. Of course, that is not a completely incorrect concept, because the ideas of morality typically manifest themselves in rules. For example, in the case of Germany, this may be caused by the ordoliberal tradition, which is connected to the economic style of the Soziale Marktwirtschaft. However, these discussions do not provide a real answer to the question of what was originally required. Different kinds of rules may be discussed as to whether they are moral or not, but there is no answer to *why* something is to be characterised as “moral”. The question of morality only shifts to another subject area.

For instance, certain financial market regulations were discussed in the light of the crisis of 2007/2008, but why are these regulations considered to be “moral”? Some people may argue that these regulations aim at avoiding further economic crises. But is it moral to avoid economic crises? A typical answer by those involved in mainstream economics may be that economic crises are part of the market system (Straubhaar 2007). The view of Joseph Alois Schumpeter is that economists may call that process “creative destruction”.

Other people may characterise regulations such as wage limits for bankers as “moral” because they could decrease the banker's avarice or at least its consequences. Of course, greed is not a pleasant character trait. However, is it “moral” to avoid greed and why?

Additionally, keep in mind that every reference to a holy script ultimately results in the reference to a rule.¹ Therefore, it would be justifiable to ask why something is “moral” after every answer. To reference another rule does not get to the root of morality. This also applies to the typical economic answers which are mentioned above: “Creative destruction” may be seen as a natural law but that is not the answer to the question of why this natural law should be “moral”! Therefore, often only the surface of the question of morality is scratched. Ideally, if we would like to have a moral rule or decision etc., we should ask for the process of making it to become “moral”.

¹ This problem is also known as the *infinite regress* and part of the Münchhausen Trilemma, which was described by the critical rationalist Hans Albert (1991, p. 15): This trilemma means that every attempt of justification leads to the problem of *infinite regress*, *circular arguments* or *dogmatism*.

(3) Integrative Economic Ethics

One approach to making ethical decisions is provided by Peter Ulrich's integrative economic ethics. Within recent years, his approach has caused controversial discussions about Switzerland's bank system and financial affairs, so bringing this approach to international attention.² Following this idea of integrative economic ethics, the decision maker firstly has to think about whether he or she would accept their own intended decision if they were in the place of only those individuals which are affected by this decision.³ *Would I accept this decision as a concerned person the same as if I would if I were a non-concerned person?* Although, this is not a new approach, it is associated with the principle of universality, the Kantian Imperative, the Golden Rule or Adam Smith's third spectator and ideal role reversal.⁴

Society consists of many individuals and each individual has their own idea about what can be universalised. As a result, any intended decision has to pass an open, free and *public discourse* (German: öffentlicher Diskurs) for becoming ethically legitimated within a society. The public discourse should serve to legitimate decisions in an ethical way. People have to be involved as much as possible in the decision making process and the subsequent development of the rules.

In cases, where public discourse is impossible to achieve, due to physical or technical reasons, the decision makers must put themselves in the position of the prevented person(s) (Ulrich 2008: pp. 90 and 94). That means that the decision makers have to verify their own decisions against their initial interest. In addition, decision makers that take part in the public discourse shows willing to face public criticism and to vow to avoid dogmatism. Thereby, the person who follows the proposed way of decision making acts in a *responsible* manner in terms of ethics.

At the same time, the decisions also have to be *reasonable* (Ulrich 2008, p. 169).⁵ That means the willingness to accept some limitations of his or her initial intention. Particularly in

² Peter Ulrich was born and educated in Switzerland. The latest controversy was caused by Peter Ulrich's scholar Ulrich Thielemann, who mentioned that there is no awareness of the ethical problems of the Switzerland's bank system in Switzerland. See Deutscher Bundestag (2009, p. 24).

³ The following explanations try to outline Peter Ulrich's ideas. For details please refer to Ulrich (2008). Please note that a translated version of the integrative economic ethics also exists.

⁴ Peter Ulrich provided a short overview on the idea of universalisation (Ulrich 2008: pp. 61). Another use of universalisation can be found in *Freedom and Reason* by R. M. Hare (German title: *Freiheit und Vernunft*, 1983, pp. 108).

⁵ The German term "Zumutbarkeit" is difficult to translate. In contrast to the author's translation (reasonability), Thielemann and Wettstein (2008, pp. 19) used the term "exigibility".

the light of market systems, this stands for an optional disclaimer of market possibilities. It calls for the ability to restrict oneself. Not every market opportunity has to be seized. This ability will be called on for every case where third persons are expected to be affected in a negative way by the intended decision. Obviously, the previously mentioned role reversal is required for the following situations: If an intended decision is to be ethically legitimated, this decision should be reasonable in the eyes of those people affected.

To clarify, the call for reasonability is not the postulat of altruistic behaviour or self-abandonment: Of course, such a self-neglect is not *reasonable* (Ulrich 2008, p. 89; 2000, p. 557, para. 13). Note that this applies for both sides: As reasonable compromises have to be accepted by the decision maker, the third persons likewise have to accept reasonable restrictions by the intended decision.

Additionally, there is another element of reasonability: The intended decisions may cause undesigned, unexpected and unwanted consequences, which economists call *non-intended consequences of intended activities*. As a result, it has to be reasonable to *share responsibility* (German: Mitverantwortung) for such non-intended consequences and to be aware that all activities may cause negative side effects (Ulrich 2008, p. 170). Sharing such responsibility is necessary for the ethical legitimisation.

Ultimately, *reasonability* and *responsibility* are not fixed, but they must be identified and bargained within the society again and again. Of course, that may seem disappointing, especially in the case where the public asks for concrete rules and indices. On the other hand, this approach makes the society adaptive and social rules ethically legitimated. One should keep in mind that rules and decisions, which are not ethically legitimated, may cause passive or active systems of resistance. In economics terms, it results in higher transaction costs and a decrease of wealth (of the whole society). It is therefore obviously a good reason to consider the ethical legitimacy.

(4) Subsistence Terms

Even though the reasonability described by Peter Ulrich's approach is not a fixed and predictable constant, there is one case in which reasonable situations could be expected to be turned into unreasonable situations. This case is characterised by what this article calls

subsistence.⁶ In order to explain subsistence, let's start with another term, *viability*. This occurs in situations where individuals are alive, but they are not able to change their situation, so they just scratch a living: Viability describes just the *ability* to persist within a circular static level of life. In the case where an individual owns some means to change his or her life, the individual subsists. Therefore, *subsistence* is based on *viability*, but there are more means of subsistence than are needed to just scratch a living.

If the viability ran the risk of being decreased by a political decision, the effected individual would regard that situation as attack on their own existence. Obviously, such activities are not reasonable in the eyes of the concerned person. However, the case of subsistence is more complicated.

First of all, recall that there are interactions between subsistence and viability. If the viability was decreased, subsistence would also decrease. If the subsistence decreased, the viability would also run the risk of decreasing: Imagine, the environment is changing, so the individual has to adapt to survive, but there are no means of subsistence; consequently, the individual's life is threatened. On the other hand, the individual is able to accept some cutbacks of subsistence. Not every cutback will cause a threat to one's life.

Additionally, there are natural restraints when at least two individuals want to interact with one another: To put it bluntly, the *respect* for others limits the scope of our actions. That is the main reason for the elementary character of the right of subsistence: The right of subsistence is a fundamental necessity for any kind of interpersonal activities, including economic activities.

Although subsistence is limited by social reasons, there would be no society without a right of subsistence. A society which did not grant the individual subsistence would run the risk of threatening the individual's life and finally breaking up. Particularly from an economic point of view, there is no rational incentive to take part in a society which threatens one's own life.⁷ This consideration is very important with respect to the so called *workfare philosophy*, where

⁶ To the author's knowledge, the only detailed description of the history, development and re-construction of "subsistence" can be found in Thieme (2010b). The following explanations about subsistence and viability are based on Thieme (2010b) and a short overview can be found within Thieme (2010a, pp. 5).

⁷ A more detailed explanation of this concept which is connected to the ideas of Thomas Hobbes, Johann Heinrich von Thünen and Karl Polanyi can be found in Thieme (2010a, pp. 6, pp. 8 and p. 15).

individual subsistence of the socially deprived is confronted with some limitations (being forced to work, the acceptance of very low wages, compulsory attendance etc.).

Ultimately, where the right of subsistence is necessary for a society, that society does not provide an unlimited right of subsistence but in addition it has to provide a minimum level of subsistence: If an individual fears a decrease in his or her fundamental adaptability and finally feels as though they are controlled by the others (German: fremdbestimmt), the cutbacks of subsistence will be *unreasonable*.

Therefore, the right of subsistence provides an orientation to the reasonability of the restraints on the individual's subsistence. First of all, this is a *moral principle* for orientation. It is a means of checking laws or intended laws to ensure they are moral.

Secondly, the right of subsistence may become manifested in real laws and political measures such as social transfers, laws for occupational safety as well as maternity and child protection. Of course, the absolute content of the individual right of subsistence is not fixed, especially with respect to welfare, where its measures have to be checked over and over again because of changing circumstances such as inflation, new technical requirements (internet, email etc.), other requirements in education, the availability and situation of housing and so on. That is why the previously mentioned public discourse is so important: The public discourse provides the control of the reasonability of the restraints on the individual's subsistence as well as the protection of the right of subsistence.

(5) The Economic Discourse Ethics and Its Issues

There is an important problem within the integrative economic ethics: In any case, where an individual feels threatened, the individual has to start a public discourse about resistance *before* resistance is allowed.⁸ This depends on the idea of an ideal social discourse, where everybody is allowed and available to take part in the discourse and he or she enjoys the freedom of opinion (Ulrich 2008, pp. 81). There is no power that dictates the results of the discourse, except the "better argument". Furthermore: Everybody must be really interested in the solution and must only bring possible ideas to the discourse (impossible ideas are not allowed).

⁸ Peter Ulrich (2008, pp. 257) wrote about the moral right of civil disobedience. However, the moral rights in general have to be defined, given and sanctioned by the public discourse. In any case, following the idea of discourse ethics, concerns of resistance consequently have to be discussed. Unfortunately, this point was not brought to attention sufficiently by Ulrich.

However, with respect to the “real” world, no ideal social discourse exists. People are confronted by lack of freedom of opinion, that also partly applies to everyday life in western democracies, because people may run the risk of losing their job by speaking their mind. Additionally, there is the financial, political and media power that may influence the public discourse.⁹ As a final point, it is an unlikely occurrence that a person would ask for resistance in a society which mistreats him or her. People that do are typically outnumbered, act as individuals or feel outnumbered because the society impedes the coalition of such people by typical negative stereotypes such as the *welfare queen* or the *deadbeat dad* (Wacquant 2009, p. 103).

In addition, the idea of the integrative economic ethics shows the public discourse as the ultimate place of morality. However, the public discourse consists of individuals, characterised by their specific ideas about morality. Of course, the public discourse may be an important influence on the individual's opinion. On the other hand, the thoughtful individual that starts the *ideal role reversal* is also another source of morality. So often it is the individual that brings new perspectives and their own ethical ideas to the discourse! Therefore, what is needed is a base for the individual reflection about morality. That will be found in the individual right of subsistence. However, what is the right of subsistence in detail?

Firstly, the right of subsistence grants viability.¹⁰ That means that everybody has the right to stay alive. Viability is the necessary condition of subsistence. Secondly, everybody is entitled to get means of subsistence for self-help. That aims at the ability to the individual adaptiveness with respect to the changing environment.¹¹ Thirdly, every restraint in the individual subsistence has to be legitimated by an open public discourse; otherwise these restraints are not ethically legitimated and the individual is allowed to ignore them.

Note that the ignorance of restraints, which are not ethically legitimated, does not turn “resistance” into an ethical act, nor does it relieve the resisters from the necessary *ideal role reversal!* Not every political decision is ethically legitimated and, consequently, the ignorance

⁹ This point aims at the media effect of negative stereotypes about the social deprivation. This effect is described by Wacquant (2009, p. 103) for the USA and by Butterwegge (2006, pp. 94 and pp. 307) and Lucke (2010) for Germany.

¹⁰ This characterisation of the right of subsistence is limited to a short overview of the author's own research. More details are expected to be presented in a forthcoming publication.

¹¹ Note that this idea results from the perspective of evolutionary economics, which concentrates on social and economic change(s). See Nelson (1995, pp. 53).

of such decisions may be no problem from the point of view of ethics. However, such ignorance may cause conflicts with the legal system. This situation does not occur within a perfect discourse society, but it complicates the ethical decision making in the “real” world.

Another problem arose from this ignorance: In the case of absolutely opposed arguments, would the discourse lead to no solution? First of all, please keep in mind that such situations may be used for rhetorical purposes to disparage the idea of the public discourse. One such example is the decision between two lives: Would you give your life to save another one? However, such examples typically reflect extreme situations and are certainly not the norm.

In addition, remember that the idea of discourse ethics calls for possible solutions. The discourse is not suitable for problems with no solution, like the well-known dilemmas or, what the radical constructivist Heinz von Foerster once termed, *undecidable questions*.¹² In such situations, the question of morality shifts from the social discourse to the concrete situation of the single individual that has to decide on the basis of his or her personal responsibility. Consequently, there are no ethical rules or decisions resulting from the social discourse, only those resulting from the deliberating individual. In contrast to this, there are many political and economic problems which are not undecidable.

It rather seems to be the problem that political and economic protagonists typically try to avoid public discourses by the reference to economic “facts” or “constraints” (German: Sachzwänge). These “facts”, or the person setting them, break the discourse off because a discussion about the economic arguments is not intended. This is how the imperfect social discourse actually works. As a result, this may cause social distress that can lead to demonstrations or riots.

However, according to J.C. Scott (1976), there are a wide range of political activities of no ethical legitimation to encounter before policy makers have to fear riots.¹³ Nevertheless, the bottom line presented by the right of subsistence cannot be ignored by the policy makers: The more policy makers act without ethical legitimacy, the more they run the risk of creating resistance.

¹² Extended further considerations of this problem are outside the scope of this article. However, briefly, note that the state of being a “problem without solution” may, of course, also require a public discourse. On the other hand, there may also be the situation which requires the decision by the individual. In any case, the consequences (appear to) follow the subsequent explanations in the text.

¹³ According to Scott (1976, pp. 182 und p. 227), people usually silently suffer some extent of inequity and exploitation before they revolt.

Note that resistance is not limited only to riots and physical violence. There are also passive forms of resistance including “foot dragging, dissimulation, false compliance, pilfering, feigned ignorance, slander, arson, sabotage and so forth” (Scott 1985, p. 29). From the economics point of view, this also results in a decrease in worker motivation, a decline in productivity, the expansion of the informal economy and finally in an increase of transaction costs. Therefore, policy makers and economists would be well advised to avoid resistance that causes such costs.

However, the individual right of subsistence states the subjects of the ethical discourses more precisely than merely only the idea of the ethical discourse. In addition, it also provides the point of reference to avoid the problems of lacking ethical legitimation. In connection with the right of subsistence, there are a few questions which can help to decide on the ability of intended decisions to become ethically legitimated:

- (1) Does the decision violate the individual's viability?
- (2) Does the decrease of the subsistence violate the individual's viability?
- (3) Is the decrease of subsistence reasonable?
- (4) Are compromises with respect to the decision possible?
- (5) Does the decision aim at an undecidable problem?

Obviously, this requires the ideal role reversal. However, that is just the pre-stage for the ethical discourse. In the case where the individual's viability is violated, there is no possibility for the ethical legitimation of the decision. Therefore, there is no need for the public discourse. The public discourse is mainly used for determining the extent of the reasonable restraint of the subsistence as well as the reasonable revisions of the intended decisions. It is also possible that new solutions and alternatives emerge from the discourse. In addition, the public discourse can also determine whether the problem is undecidable or not.

Please note that there is no ideal public discourse in practice. The discourses are normally conducted within the media or by the parliaments, such as showed by the example of the German labour market “reforms” called “Hartz IV”. Therefore, these discourses often lack the openness with respect to the participation of the concerned individuals. To decrease the ethical

problems, the role reversal is necessary, especially in the case where parliaments, government departments etc. determine the restraints of the individual subsistence.

(6) Ethical Legitimation: Just A Commonplace Occurrence?

Although the explanations about the ethical legitimation process seem to describe a well-known commonplace occurrence, a closer look at the economic theory and exercised welfare policy reveals a lack of attention to ethics and the question of subsistence. A very typical case is the theory of the marginal productivity of labour, referred to by politicians as well as by economists.

The textbooks of economics teach that people have to be paid to reflect the amount of their productivity: The maximum of a company's profit within a perfect market is characterised by the point at which the marginal productivity of labour is equal to the real wage.¹⁴ Consequently, the real wage would increase if the marginal productivity of the labour rose.

That is the theoretical base for the argument against the minimum wage: Following Wolfgang Franz (2009), the chairman of the German Council of Economic Experts, the wages of the low-wage sector have to decline to the point where the low productivity is about the same amount as the labour costs (i.e. the labour wage). In the case where the low wage is too small, the government should subsidise the wage to the amount of the sociocultural minimum of existence. This thinking implies the existence of individuals with a very low productivity. At the same time, this also suggests that some people are not able to survive by their own hands! Indeed, is it right that people typically are not able to survive?

This view illustrates a lot of misunderstandings and problems within economics. First of all, there is the hidden assumption of a social contract, where the individuals of the society agree to take part in a labour and market society.¹⁵ Consequently, the individuals are absolutely dependent on the labour work income: There is no other possible way to survive, but that from offering their own labour.

Indeed, such a society should guarantee the right of subsistence because only the labour income would enable the survival of the working individual. Otherwise, there would not be an incentive to take part in a labour and market society.

¹⁴ Some of the textbooks, which contain the aforementioned explanations about the labour market, are written by Heubes (1995), Rittenbruch (2000) and Samuelson and Nordhaus (2007).

¹⁵ The idea of the labour and market society is described by Karl Polanyi (1995, 89, p. 224 and 227).

Of course, the society might provide social transfers in the case of unemployment. However, the social transfers have to aim at the individual's subsistence and must not be limited to just the viability.¹⁶ In addition, the social transfers absorb the risk of unemployment and therefore the danger to the individual's life. Eventually, the market society has to fulfil the right of subsistence, otherwise the claim to take part in this society would be unreasonable.

It would also be unreasonable, if such a society forced their members to work for low wages, which did not satisfy the individual's subsistence. Firstly, the sense of such labour would be called into question when the wage did not keep its base – the individual – alive and this labour would not be able to reproduce itself. Please bear in mind that this argument also applies to work which is subsidised by the government's interstate wage combining.

Secondly, the previously mentioned “forcing to work” could be associated with a waste of human resources. Why should the individuals be forced to work in a job, where their productivity is low? Wouldn't it be a better idea to search for work where the individual's productivity is high? Unfortunately, there is no space to discuss these questions in detail here, although, it seems obvious that by forcing people to work at any price could be interpreted as an unreasonable denial of subsistence possibilities.

In any case, these explanations illustrate the ethical problems within recommendations from the theories of mainstream economics. However, there are also ethical problems within the political implementation of economic theories, mainly with respect to the social discourse. Basically, if there was an open discourse, which involved a lot of different perspectives, the unworldly character of some economic recommendations would not be a great problem for the ethical legitimation (of economic-political measures).

In contrast to this, the story of the German labour reforms called “Hartz IV” shows the lack of involvement of different perspectives: Following Siefken (2006, p. 376), the founded commission, which had to work out the proposals for the reform, consisted of managers, management consultants and officials and was driven by the perspectives of the managers and management consultants. The perspectives of those individuals, at which the labour reforms were aimed, and the perspectives and experience of the German charity organisations were notably absent.

¹⁶ Please note the aforementioned perspective of evolutionary economics where the changing environment is considered.

Despite this, the reform came into effect in January 2005. From that point on, the reforms have always been confronted with socio-political as well as juristic criticism. For instance, the Paritätische (2006), one of the great German charity associations, countered the social transfers (social benefits) of originally 345,00 Euro per person and per month by an amount of 414,00 Euro already by 2006. In February 2010, the Federal Constitutional Court of Germany decided that the calculation of the social transfers was against the constitution of Germany. As a result the German government had to re-calculate the social transfers under the German constitution until January 2011 (Bundesverfassungsgericht 2010).¹⁷

Naturally, there was a great discussion in the media which brought the different perspectives together. However, there was an atmosphere of enmity against social fringe groups such as unemployed and people in need, basically that did not result in an open social discourse, but in social exclusion.¹⁸ In addition, discussions in the media are usually insufficient to the open discourse in the terms of discourse ethics.

Of course, the openness of the discourse is very important, but the ability to influence the decisions is also important. Basically, there is the danger that the involvement of the different perspectives could be simplified to the symbolic act of public discussion in the end, where real influence and modification are not sought (by the decision makers). On the other hand, the involved parties could identify their concerns within the political decision, if the decision was ethically legitimated by an open public discourse.

Note that the ethical legitimation by public discourse calls for the reasonability of the compromises on decisions made. To put it bluntly, the discourse may produce bitter pills for *any* of the involved parties, which is the reason for the public discourse and has nothing to do with an idealistic idea of social harmony. However, from the point of institutional economists, it is only the intention to improve the persistence of social rules and the adaptiveness of the society to

¹⁷ At the end of the October 2010, the German Federal Ministry of Labour and Social Affairs (2010) presented a “newly“ calculated social transfer of 364,00 Euro per person per month. However, this exact amount had already been calculated by the Federal Ministry of Finance (GFMF) back in 2008, where it tried to calculate the minimum amount for existence for the year 2010. This is another issue which should be discussed elsewhere. In addition, the political decision-making process for the new social transfers in Germany lasted until the end of February 2011 – albeit the Federal Constitutional Court of Germany had called the politicians to solve the problem by the end of 2010.

¹⁸ A very clear illustration of that atmosphere is given by the brochure “Priority for the decent - Against Abuse, 'rip off' and self-service in the welfare state” (German: Vorrang für die Anständigen - Gegen Missbrauch, 'Abzocke' und Selbstbedienung im Sozialstaat), which was published by the German Federal Ministry of Economy and Labour in 2005 and mentioned the recipients of social transfers as being even less valuable than parasites. More details about the atmosphere of the discussion about the German welfare state are provided by Butterwegge (2006, pp. 94 and pp. 307) and Lucke (2010).

environmental changes. In contrast to that, the violation of the principle of ethical legitimation may lead to higher transaction costs.

(7) Conclusion: Ethical Legitimation and Democracy

The idea of the public discourse in addition to the criticism of economics and politics suggests a necessary improvement of political and social participation is required, especially by measures of direct democracy such as plebiscites (i.e. popular votes, referendums etc.). Of course, following the discourse idea of Peter Ulrich, all kinds of participation have to be ethically legitimated by a public discourse. Indeed, no ideal society for the ethical discourse exists. However, current participation possibilities could be improved upon by exercising constraints on political commissions concerning the consistency of the commission or the obligation to follow ethical principles such as the ethical guidelines for political consulting by the *Berlin-Brandenburgische Akademie der Wissenschaften* (2008). The latter announced the transparency of the selections processes to appoint scientists within a commission, the transparency of such scientists with respect to financial interests etc., the scientist's right to show differing views within the final report and the truthful publication of the results of the commissions.¹⁹ In the light of the call for the codetermination (German: betriebliche Mitbestimmung; Decker et al. 2010, p. 153), the idea of ethical discourses aims at the democratisation of markets and economies in the long term.

So, participation may be very important, but what is participation without the individual's democratic and pluralistic understanding? According to Decker et al. (2010, p. 153), it is also necessary to improve education on the basics of democracy: In contrast to that, schools and universities normally lack democratic organisation. Therefore, Decker et al. (2010) claim that democracy has to become a real experience.

In the face of economics and public discourse, there seems to be the necessity to learn and promote what is called the *ideal role reversal* within the *Moral Sentiments* of Adam Smith. It is a simple principle, but it may reduce the unworldly character of some of the economic recommendations to a reasonable extent. Finally, it would at least be the first step towards turning economics into a social science, engaged in economic questions considering its ethical aspects.

¹⁹ See Berlin-Brandenburgische Akademie der Wissenschaften (2008, pp. 35).

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