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# ETHICS AND ECONOMY, A POSSIBLE AND DESIRABLE RELATIONSHIP.

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When we talk of social responsibility we cannot avoid talking about the relationship of Ethics and Economics. Amartya Sen (1933-) is one of the most eminent scholar on this relationship and just for the study of it, he was awarded the Economics Nobel Prize in 1998. The reason for the awarding, talking about his studies, was: “...has been highly instrumental in restoring an ethical dimension to economics and related disciplines”.

The theories of this relationship, taken from A. Sen’s work “On Ethics and Economics” are at the base of this work.

Thanks to A. Sen we have the proof that there has been a strong detachment of economics from ethics and this has to be considered as one of the greatest deficiencies of the modern economic theory. At the basis of the arguments of the Noble Prize, there is the idea that economy can be made more productive giving more attention to ethical considerations, which determine man’s behavior and judgment.

A Sen stated that the predominant economic theory is the one based on individual interest aimed at the maximization of his own advantages, yet there isn’t evidence that this maximization is actually present in any choice of the individual. The same theory of personal interest done by Adam Smith, if submitted to a careful interpretation, does not represent a support for the defenders of human behavior only driven by personal interests. Obviously there might also be particular situations where personal interest might lead to ethical attitudes.

A Sen sees how the most widespread idea of economics today is that one where elements such as good will or moral feeling don’t have to be included in economic patterns. The particularly significant elements of this conception of economics are mainly two. The first concerns the fact that economics should be interested in real people, and it is not possible to think that they don’t ask themselves the famous Socratic question “ How shall I live?” This question turns out to be important when we talk about ethics. The second element is determined by the fact that the historic evolution of modern economics arises from ethics. Adam Smith, considered by all as the father founder of modern economics was a Professor of Modern Philosophy at the University of Glasgow. Moreover, for a long time economics was considered a branch of ethics, and up to some time ago, at the prestigious Cambridge University, economics was taught in the field of Moral Sciences. According to A. Sen, one of the origins of economics is precisely ethics, which dates from Aristotle (384 ac – 322 ac). The real wealth to Aristotle is determined by the acquisition of assets for the maintenance of the family which are useful for the management of the house and

town. This type of enrichment is natural, named by the author “natural chrematistics”, and it is innate in human nature. Aristotle knows that even in reality it exists another type of enrichment having an end in itself, which knows no limits, called “unnatural chrematistics”

In Aristotle’s works, we infer that enrichment exceeding the survival is unnatural, but this is inborn in human nature. Given that the individual pursues the unnatural chrematistics, the latter must then be joined with ethical ideals such as paying the fair price.

The concept of “fair price” can also be found in Tommaso D’Aquino’s theories (1225-1274), who theorizes that sales must be characterized by a mutual advantage. T. D’ Aquino, compared with Aristotle, not only supports ethics in trade with the purpose of profit, but also underlines that to be worthy, this type of trade must use profit to help the destitute, to pay one’s own job, to be of public utility etc..

According to Giovanni Calvino (1509-1564) not only ethical rules should be followed to get rich in trade, but people should also behave ethically in their lives.

These three authors: Aristotle, T. D’ Aquino and J. Calvin, we see how pursuing enrichment is not to be considered in itself a blameworthy activity. It can become so, if in trade, to get the wished richness, we don’t follow honest and ethical rules, not considering someone else’s needs or those of society and only pursuing egoism and greed.

From these theories which might be considered as fundamentals of the ethical commerce, we may find the basis for means used to support social responsibilities of today, since companies which voluntarily approach social balances or social certifications, have as a mission the respect of a series of ethical rules and the contribution to improve social features not only in their company but also in their surroundings.

The origins of economics aren’t only ethical ones. There is also that one called “engineering” The latter is determined by different economists such as Léon Walras who tried to solve different problems concerning economic ones and the functioning of the market or Sir William Petty considered as the father of quantitative economics. Despite ethics has to find a significant place in modern economics, we cannot deny that the engineering approach has a lot to offer to economics. Both the ethical and the engineering approach are in different economic theories, even if with a different relevance. None of the two approaches can be considered completely pure. For example, both in Smith and Aristotle we may find elements of engineering economics, though the ethical element was predominant. The essential matter therefore, is not eliminating the engineering approach in economics, but rediscovering values of past theories, which were misinterpreted, and to which was not given the right importance.

Indeed, the relevance of the ethical approach blunted progressively as economics evolved, not considering that the integration of more ethics in the theory can somehow give other ways of development and growth. Moreover, it is not totally legitimate removing from the study of man’s behavior and choices, ethical considerations which are present in any case. This leads to a mistaken study of reality and therefore a mistaken theorization of events and programmes. As it has been previously said, according to A. Sen the integration of ethical rules might generate new development and not a slowing down of economy. In order to best understand the truth which lies behind these words and give a point of consideration, think of what is happening in recent years.

Ethics in trade not only is a phenomenon studied by economists and ancient philosophers. With the increase of the globalization the relationship of ethics and economics made a comeback. Several schools of thought which deal with the globalization issue with more or less extreme theories arose: Milton Friedman’s liberalism or the archaic-pastoral economics supported by

the No-Global one for example. A more moderate school of thought exists; it is that of the “global reformists”, among whom there is also A. Sen. “Global reformists” do not theorize the block of globalization, to this day impossible, but they only seek a way to face it trying to respect poorer populations and help them develop. That is determined by what J.M Keynes supported. The world is a finished system, therefore, if we want to increase trade, the only way is that of allowing poorer nations to expand to ensure counter-parties in commerce.

What just said, underlines that we do not talk about economic growth but of economic development. These two terms apparently equal, are in fact very different, as economic development not only concerns economic growth intended as increase of richness, but many others features of the social life of a nation. In this perspective, the increase of companies which support a greater social responsibility dealing with suppliers belonging to the south of the world might increase such development.

Yet, when we talk about Ethics we do not refer only to trade and richness, but also to finance. Ethical finance arises from the experience of the Grameen Bank which aims at the financing of subjects who would be excluded in the traditional finance. The father founder of the Grameem Bank is Muhammad Yunus. For this system, called Micro-credit, M. Yunus was awarded with the Peace Nobel Prize in 2006 and created a little development in areas which otherwise would remain backward. In Italy, the objectives and the structure of this system are obviously significantly different from those experimented by the Grameen Bank, despite that, a loan obtained by the Ethical Bank fulfils the same assumptions of ethical objectives proposed by companies that use these funds, and through the social responsibility spread among all stakeholders. To use this new opportunity of funds, means such as social assessment or the SA 8000 certification turn out to be a good starting point.

Another key to interpret social responsibility might be noticed also in Adam Smith’s works. Indeed, his ethical approach on economy allow us to define his theories among which there is that one concerning the Market, where the real lawfulness of trade is defined. We may infer that in Smith’s theory are present both the theory of altruism and the innovative one of individual egoism that leads to good results in the free market. Smith is convinced that the ethical value is a standard in the capitalistic society. The theories of the author agree with what was theorized by the neo-Aristotelians and by Ayn Rand; that is, capitalism is based on the ability of individuals to pursue their own interest, but underlines how these “win-win” transactions are based on ethical principles. Smith gave innovative contributions to the analysis of trade mutually profitable, but the narrowing of the perspective in respect to the extent of Smith’s theory provoked the separation of economics from ethics in modern economies.

In commercial relations an ethical attitude ruled by the “Symphyty”, intended as an empathy that allows to identify oneself with the others to seek their approval, allows individuals to have a greater efficiency and consequently a lowering of the costs of transaction. What just said is corroborated by the assertion of Smith in the fact that it is the appraisal of talent and ability created by the consensus of the community that determines the value of what is produced. Such situation is not obtainable simply by abstaining oneself from committing a damage or limiting oneself to follow rules of justice. The person who will be above these rules (for example adhering to voluntary means such as social budgets and the certification 80000) will be able to obtain this. The good name, the pertinence and a positive judgement of the others is still now a feature that, particularly in an industrial district, is considered as an added value.

The examples on how ethics might increase development are many more than those ones quoted. What reported can show how ethics in economy is not only possible, but also advisable. Suffice it to think that for a lot of authors the absence of ethics and the estrangement from it by economical theories were one of the causes of the crisis in 2008 as well as that one in 1929.

Indeed, statements done by Keynes in this last crisis, can also be resumed for the crisis in 2008 (i.e. the strong link between ethics and truth); only by pursuing ethical rules we can reach a state of harmony.

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