Ideological Categories in Economic Ethics
Summary and a historical background
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A Historical Background of Normative Analysis in Economics

In this paper, I shall introduce and describe normative categories in economic ethics. First, however, it would be worthwhile to discuss the historical background of economic ethics, utilizing especially Lionel Robbins’ contribution to the problem of value–fact distinction.

In the 1930s, Robbins—influenced by Ludwig von Mises’ and Max Weber’s methodological studies—insisted that we need to eliminate any kind of value judgment in economics (Robbins, L. [1932] An Essay on the Nature and Significance of Economic Science, London: Macmillan). Arguing that utilitarianism was responsible for a non-scientific mixture of value and fact in economics in England, Robbins went against the perspective of utilitarianism of his days, and instead proposed that economics needed to be completely separated from questions of ethics dealing with value estimations. For Robbins, economics represented an objective (pure) scientific study, one which should be independent from any value judgment. Robbins was especially critical of Cecil Pigou’s approach to welfare economics. Pigou argued that redistribution of income from the rich to the poor, when not decreasing the size of total income, raises the overall level economic welfare of society. Pigou justified his position by way of the law of diminishing marginal utilities, which tells us that the increase in utility poor people gain from a given amount of additional income would be greater than the decrease in utility suffered by rich people from a reduction of the same amount of income (Pigou, A. C., [1953-1955], The Economics of Welfare, fourth edition. London: Macmillan. See preface for the first edition). However, according to Robbins, there existed no scientific basis for legitimizing such a redistribution, because interpersonal comparisons of utilities across individuals lacks an objective basis.

In response, R. F. Harrod challenged Robbins’ scientific view of economics (R. F. Harrod [1938] “Scope and method of economics,” The Economic Journal, September). On the one hand, he conceded the lack of an objective, scientific foundation justifying redistribution based on interpersonal comparisons of utilities as long economics was viewed as a mature exact science. On the other hand, however, he argued that one of the important aims of economics was to bear fruitful implications for policy making,
regardless of its maturity as an exact science. Harrod further argued that economics could still be categorized as a (still immature) scientific study by applying a weaker characterization of the definition of science.

In his response to such criticism, Robbins seemed to adopt Harrod’s methodological framework emphasizing the immaturity of economic science: admitting that interpersonal comparisons of utility was important from an ethical point of view, Robbins in turn insisted that we need to treat human beings as all possessing an equal capacity of satisfaction in the realm of behavior (L. Robbins [1938] “Interpersonal Comparison of Utility: A comment,” The Economic Journal, December, Vol. 48, No. 192).

When economics is viewed not as an exact science but rather a branch of ethical studies, what are the implications for developing a legitimate normative framework to use in constructing economic policy? Harrod later appealed to the study of human nature in order to justify the use of the inductive method (R. F. Harrod [1971] Sociology, Morals and Mystery; London, MacMillan). However, this approach fails to provide a definitive basis upon which to develop economics as a normative science. For example, what kind of criterion for redistribution can be justified when we admit the use of interpersonal comparisons of utilities among people? We know that there are various kinds of normative stances for the criteria of redistribution. How can we examine those stances?

As we know, John Rawls’ prominent work, A Theory of Justice (Oxford University Press, 1999), established the possibility of normative science in the construction of economic policies. However, we also know that there are wide array of various theories of justice. Below I propose a categorical analysis of these normative perspectives in economic science.

Four main questions in economic ethics

The main issues of Economic Ethics can be summarized by way of the following four questions:

A. Does a firm need to behave morally with a long run perspective, even if doing so might result in short-term losses and other economic disadvantages to its employees and shareholders?

B. Which society is more desirable in terms of economic policies and institutions: one which puts a priority on “fairness,” or one which prioritizes “stability/growth of social order (profit of the whole)”?
C. Should we allow communal or patriarchal relations within a firm as its right under the framework of natural liberty; or, should we require the construction of open and liberal relations, even within a firm?

D. Is it ethically justifiable for firms to pursue economic profit while ignoring other ethical requirements in a society; or rather, do firms need to operate as ethical entities?

(It is possible to divide issues in economic ethics into these four realms by using the following two topics and one noteworthy division: [Topic 1] priority problem of economic versus non-economic values; [Topic 2] particularism versus universalism in ethical value; and [a division] mezzo versus macro societies or groups. Hence, Question A deals with Topic 1 at the mezzo level, Question B concerns Topic 2 at the macro level, Question C considers Topic 2 at the mezzo level, and finally Question D relates to Topic 2 at the macro level.)

What particular ethical position do you take in each question? Why do you take that position? Are you able to articulate your set of answers to these questions under a consistent normative vision? Are your positions consistent across these four attitudes?

There is no correct answer for such issues of economic ethics. What is required, however, is to make our normative reasoning as consistent as is possible, and to persuade others by way of presenting a consistent system of ethics. The aim of this field of science is to improve our skills of persuasion in order to make clear our ethical policy toward the economic society. We presume that a society where every citizen has skills of persuasion of his/her normative idea is itself a "good" society.

It is important to understand that the term “ethics” here does not mean how you individually should behave. Rather, the term “ethics” here means what you would like to ask others to behave, regardless of your own behavior. Hence, economic ethics is not an issue of your beliefs and behavior. Instead, it is an issue regarding the request or claim to other peoples’ beliefs and behavior. Each of the four main issues of economic ethics listed above can be answered in two alternative ways. Thus, there exist 16 combinations of answer choice positions. These 16 categories are the possible positions of economic ethics. Below, I describe a categorical analysis of these 16 positions in the terms of normative theories.
## Summary: Four Main issues in Economic Ethics

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<th>X : Profit</th>
<th>Y : Morality</th>
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| A | (1) A firm can pursue its economic rationality. Economic institutions should be purified.  
   (2) We need to promote an evolution of society through a creative destruction.  
   (3) We should make people economically autonomous as a basis for political citizenry. | (4) An economic society needs to be ethical so as to be embedded in conventional business practice.  
   (5) A firm should aim to make its members incorporated in an ethical entity. |
|   | (6) An economic society needs to be ethical so as to be embedded in conventional business practice.  
   (5) A firm should aim to make its members incorporated in an ethical entity. |   |
| B | X : The good as principle | Y : The good as order |
|   | X − 1 : Fairness  
   (1) Request for a fundamental fairness of equality: egalitarianism. (Persist on the idea of equal distribution, even if the current economic order would be dramatically changed or destroyed.)  
   (2) Request for a fundamental fairness of freedom: Libertarianism. (Protect individual property rights, even if the economic order would be dramatically changed or destroyed.) | Y − 1 : Stability/Growth  
   (3) Request for order (Maintain the stability of the current social order so as not to deteriorate the welfare of lower class, even if it makes upper class much wealthier.)  
   (4) Request for growth (Judge the appropriate policy in the light of sustainable development of the national economy. Deny any request of “fairness” that undermines the functioning of market activities or the motivation for employment.) |
|   | X − 2 : Additional stances  
   (5) Request for a particular common good. (Protect common goods in each locality, even if the economic order would be dramatically changed or destroyed.)  
   (6) Revolutionist in principle (The strong must be brought to ruin and the weak to rise in a society.) | Y − 2 : Additional stance  
   (7) Conservatism (Keep a system of conventional patriarchic morality, even if the economic order would be dramatically changed or destroyed.) |
| C | X : Free relation (solidarity/patriarchy) | Y : Artificial liberal relation |
|   | • Preserve the values of solidarity  
   • It is immoral to open an insider report as a whistleblower.  
   • Accept collusion (pre-bidding agreements) as a “necessary evil” because it is | • Penetrate a principle of individual responsibility.  
   • Protect the right of whistleblowers.  
   • Inhibit collusion by introducing an artificial bidding system. |
reasonable as a spontaneous convention in a community.
  - Accept a feudal morality in a household as a privacy of individuals.
  - Realize a gender-equal society even in the private sphere by promoting a remunerating calculation of housework of men and women.

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<th>X : Inclusion</th>
<th>Y : Non-inclusion</th>
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<td>(4) Ethical statism (Governments should restrain or promote the activities of firms in order to placing them in an ethical society.</td>
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<td>(1) A man of ethical belief (Firms should behave freely based on the individual beliefs of its ownership. Only a man of ethical belief needs to behave ethically with a long run perspective.)</td>
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<td>(2) A man of wish (I wish that firms with long-run perspectives would spontaneously increase in number, and firms which pursue short-term profit would naturally be eliminated by way of the market process.)</td>
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<td>(3) Egoism (Whether firms can behave freely in pursuing profit in the short and/or long run periods is a matter of their own responsibility)</td>
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